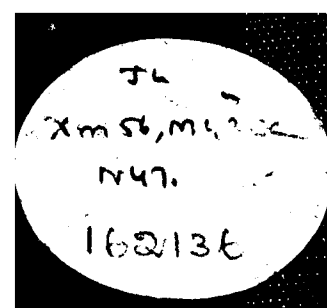




The Economist

Established 1843

January 25, 1947

One Shilling

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Let Us Face the Present

THE nature of the Government's latest White Paper should not be judged from its curious title, "Statement on the Economic Considerations affecting relations between Employers and Workers," which is as misleading as it is uninviting. The White Paper is, in fact, a clearly and forcefully written statement of the economic predicament in which the country finds itself. It minces no words; the second paragraph begins: "The position of Great Britain is extremely serious," and there is a similar air of plain speaking about the whole document. Its theme is the imperative need for higher output, not only higher production in sum but, since there is no more manpower available, more output from each man and woman. The dangers of the present position can be seen most clearly in the field of foreign trade.

This country is still running into debt abroad. Each month our balance of overseas payments is still unfavourable.

But it is not in the balance of payments alone that difficulties arise. The output of consumer goods from domestic industries is still woefully inadequate. Many of the industries chiefly concerned are still very short of labour; fourteen industries specified in the White Paper, including several metal-working and all the textile industries, need 657,000 workers, an increase of 22 per cent on the present total, to regain their pre-war labour force. There is no source from which they can draw all the additional labour they need; indeed, the impending raising of the school leaving age is about to reduce the total labour force by 370,000 juveniles. Thus, an increase in output per head—production per man-year, not merely higher production per man-hour offset by longer holidays—is the only hope for increasing the supply of goods from home industry and the only hope for preventing a fall in the flow of imports as soon as the dollar loans are spent. Moreover, so long as £7,000 million of incomes (after tax) face only £6,000 million of consumer goods and services, the threat of inflation remains.

Not a word of this, of course, is new. Not a word of it but has been hammered home by every competent private commentator for eighteen months past. What is new is that the Government has at last been brought to admit the fix that the country is in and that the trade unions have endorsed the statement. There will, no doubt, be many attempts blandly to ignore the painful implications of the clear statement of facts. Trade unions will, no doubt, still prefer claims for 40-hour weeks and other forms of endowed leisure. But they will not, after this, be able to pretend that their claims are in the public interest or that they are anything more than unpatriotic exploitation of a temporary bargaining advantage. Nor will the Government be able merely to wave aside the Opposition charge that they are fiddling with nationalisation while Rome burns. Indeed, the Government seem to be swinging over from Pollyanna pretences to an almost exaggerated alarmism. The White Paper, with the week-end speeches of Mr Bevan and Mr Shinwell, and particularly with Sir Stafford Cripps' Cassandra utterance at Bradford on Wednesday, seems to be a concerted attempt to shock the country, and particularly the Labour movement, into an awareness of its position.

VOL. CLII NO. 5140

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3

BY AIR (U.S. and Canada only) \$24

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

imports of some 20 million tons, 16 million tons were carried in Italian bottoms. In May, 1946, total tonnage had fallen to 579,301. Fifty Liberty ships are being added to this figure, and during 1947, the Italians should dispose of about 1,000,000 tons. But this reduction of the merchant fleet to nearly one quarter of its former size means that they will have to spend an extra \$110 million in freight charges. (The size of this figure is also due to the necessity of bringing coal all the way from America at a freight rate as high as \$12 a ton. Before the war, Italy bought coal only in Europe.)

The outcome of the war has further upset the Italian balance of payments by depriving them of their foreign assets, interrupting the flow of remittances from emigrants abroad, putting an end temporarily to tourist traffic, imposing a still unspecified lien on all Italian property abroad, and, in the shape of reparations, placing a burden on future current production whose effects cannot yet be measured. To these internal dislocations must be added the external dislocations of the world market. Italy's pre-war trade was to a great extent with Central and Eastern Europe. There the Italians sold the bulk of their processed foods, textiles and mechanical goods. Now Germany, the great food market, has disappeared. The Balkans have not recovered sufficiently to trade. The result of these limitations may not be felt immediately, for in the present seller's market, Italian industry can sell anything it produces. The immediate problem is the fact that the vital supplies Italy wants to buy in return for its exports—wheat, coal and oil—are in short supply and can on the whole be bought only with "hard" currencies. For instance, when the Italian Trade Mission visited London in December, their problem was not to boost the sale of Italian goods in Britain, but to find some British supplies upon which to spend Britain's accumulated debt to Italy of about £20 million. But coal, iron ore, timber, hides, alloys are as scarce in Britain as in Italy. The problem of foreign exchange, therefore, resolves itself inevitably into the problem of dollars, and the Italians find their short-term and their long-term interests in collision. In the long run they need to develop their markets in Europe and the Mediterranean, for the United States is directly competitive with them in industry and offers only a poor and jealous market for farm produce. But in the short run, the need for dollars makes it necessary to press every possible sale in America.

Confusion in Controls

Working in such an unfavourable atmosphere, the most efficient Governmental machine might falter. The Italian machine is not efficient for, like everything else, it is suffering from the consequences of war, liberation and a prolonged political purge. It is short of experienced men and the men with experience are often enemies of the whole idea of control. The point can be illustrated from the development of exchange control. Since the spring of 1946, exporters have been permitted to retain 50 per cent of the foreign exchange resulting from their transactions. The other 50 per cent is taken by the Government to finance essential imports. The consequence has been on the other hand a very rapid increase in exports, but the officials of the Government's exchange control complain that the private balance is used in part to import non-essential goods selling at a high profit in the restricted wealthy market and that its existence makes possible a steady flight from the lira. In this situation, the exporters demand the removal of all controls, the Government officials the introduction of complete control. The likelihood is that the present awkward system will be maintained.

Its operation might be simplified if there were not several rates of exchange for the lira. Hitherto the official rate has been 100 lire to the dollar. Exporters receive 225 lire for their foreign exchange from the Government, and the price of the 50 per cent retained by them has been roughly 600 lire on the free market. It appears, however, that the Italian Government is now on the point of devaluing the lira, and the new rate will reflect the lira's "free" value.

Given this background of confusion and uncertainty, it is not surprising that the Italians expect a serious trade deficit in 1947. Two sets of estimates have been prepared, by the Unrra Italian Mission and by the Italian Government. The Unrra estimate, being less optimistic, is probably the more reliable, but the divergence between the two is not very great.

The difference in estimating food imports is due to the Government's inclusion in the 1947 account of an earlier Unrra food programme for which neither funds nor grain may be available. The higher Government figure for industrial imports springs from a

more hopeful picture of the availability of such vital raw materials as lumber. More detailed examination of the Unrra figures reveals that the most costly import figures, including freight costs, are: Cereals (\$255,400,000), fats and oils (\$51,150,000), solid fuels (\$202,156,000), mineral oils (\$67,575,000), iron and steel (\$38,600,000) and raw materials and textiles (\$155,260,000). On the side of exports, the largest earnings are from the textile industry, with estimated exports valued at \$313 million, food processing at \$50 million, the chemical industries at \$20 million, and agricultural exports at \$44 million.

ESTIMATED ITALIAN BALANCE OF PAYMENTS IN 1947

	(million shares)			
	Unrra Estimates		Government Estimates	
	Payments	Receipts	Payments	Receipts
Food and agricultural imports	414	...	356	...
Industrial imports	719	...	949	...
Miscellaneous imports	109	...	190	...
Exports	...	505	...	520
Remittances, tourists, etc.	...	80	...	130
Shipping gains	...	45	...	129
Total	1,233	660	1,396	779
Balance	...	-603	...	-626

The Italian Government is left with a deficit of between \$603 million and \$626 million. The actual problem is probably more urgent than the figures suggest, since the most vital raw materials have in the main to be bought with dollars, and of the 19 billion lire which exports will earn in 1947, only about 5 billion represent dollar savings. True, 3.5 billion are hard currency in the shape of Swiss francs and 1 billion Swedish crowns, but nearly half the lire represent currencies which cannot be used for financing the most urgently needed imports. The Government's problem is thus more complex than the chart of estimated exports allows.

Hitherto the grave deficit in the Italian economy has been covered by direct external assistance, of which the Unrra programme has naturally been the most important. In 1945 and 1946, Unrra has spent on direct relief and the beginnings of rehabilitation about \$550 million. In addition, over the same period, the Allies (especially the Americans) have spent \$160 million under their military civil affairs programme and the so-called "Troop Pay Account," and a further \$100 million was spent by the American Foreign Economic Administration in 1945. In all, Italy has received nearly a billion dollars in outside assistance.

The core of the problem in 1947 is that the Italian economy has to find its balance without further direct relief. It is true that Unrra will continue to bring in wheat and coal for the first months, but these shipments have not been included in the Unrra estimates of the 1947 trade balance. The deficit of over \$600 million must be met either by credits or by increased exports. But the export estimate is already as optimistic as it can reasonably be made. The only hope of some balance in the country's external economy lies therefore in credits. The importance of the Italian Prime Minister's recent visit to Washington lay precisely in his hopes of receiving substantial dollar loans.

At a press conference, given on January 20th on his return to Rome, Signor de Gasperi was able to announce reasonably favourable results. A further \$130 million would be transferred to Italy under the Troop Pay Account. A credit of \$100 million would be made available by the Import-Export Bank. The Prime Minister admitted that some pressure had been needed to secure even this amount. As for the uncovered gap of about \$370 million in Italy's trade balance, he said that Italy would have to look abroad for further help and credits, but that these would not necessarily be forthcoming.

The kernel of the problem was whether our democratic system is stable or whether a return to chaos or to dictatorial conditions is to be feared. That is why we had to deal mainly with a question of confidence.

And this "question of confidence" in the present uncertain state of Italian politics is a very doubtful quantity. Most of the steps necessary to increase productivity at home or to create trust in Italian stability abroad demand a firm and vigorous administration, and this is the one thing which the Italian democratic system at the moment seems unable to provide.

THE BUSINESS WORLD

Unanswered Electricity Questions

AN established pattern can be discerned in the Government's nationalisation measures. First comes the Bill, with its Commission or its Board, its powers of Ministerial appointment and intervention, its niggardly compensation for existing owners, its aloof suspicion of the directors of the concerns which are to be taken over, and its vague principles and safeguards for the consumer's interest. Then follows the Second Reading, which ought to afford the opportunity to the Minister to expound the policy of the new authority and to demonstrate its technical advantages over private ownership cum public control, but instead is largely devoted to exposing the shortcomings of the past rather than the substantial promise of the future. Thirdly, the Bill is whisked upstairs to Standing Committee, where amendment and improvement rest not on the persuasion of logic but upon the temper of the Minister.

These are the stages which determine the pattern of legislation, for major changes on the Report stage or in the House of Lords have not, so far at any rate, been of importance. And of all these stages the Minister's Second Reading speech is of first importance. It cannot be said that Mr Shinwell made the best use of his opportunity to explain and justify the Electricity Bill on Monday. Parts of his case can be at once admitted. Legislation of some sort is needed for electricity, because many supply company franchises are expiring and, if local authorities exercised their rights of purchase, the electricity supply industry would undergo complete disintegration. Mr Shinwell made much—indeed, far too much—of the variety of charges and diversity of voltages and frequency. Progress in these things, he said, has been "much too slow"—which is a remarkable understatement of what has been achieved during the last twenty years. Again, different undertakings have different ideas about the design of their appliances and plant—engineers display great divergence of views in these matters—and in the end "it is the consumer who has to pay."

His opening, then, was a recipe for an integrated electricity industry with a stagnating technique allowing no room for the "divergence" of engineers' views. He went on to declare that the public electricity service must do "everything possible to rationalise its method of charging," and that prices for industrial and domestic use should be "strictly related to costs." These are the only references in his speech to charges, which are surely the most important aspect of the Bill, and its professed *raison d'être*. He dealt in two short passages with the responsibilities of the British Electricity Authority and its fourteen area boards, and noted—though he did not expand—the point that the Minister may give directions on matters of "national interest." Then followed the polemics, and in particular a lengthy passage to justify the Minister's determination to give the Authority and the Boards power to manufacture and install plant and fittings. The companies had either failed to do this satisfactorily, or had been in league with the suppliers of equipment. But the new Boards will be in a position to afford facilities like "major domestic electrical appliances" which Mr Shinwell believes to be beyond the reach of working-class families. Consumers will not be sold appliances "which are often unreliable and expensive."

Next, on compensation, Mr Shinwell—having dismissed the claims of local authorities for fair compensation ("local authori-

ties have always displayed a sense of public duty and will not wish to make any profit from the transaction")—admitted the complexity of the compensation problem for the supply companies. A company might have a number of franchises expiring at different dates, and the work of calculating net maintainable revenue for each portion of the undertaking for its unexpired franchise "would be so involved that in fact it is quite out of the question as a practicable proposition." Moreover, the companies were earning monopoly profits and paying dividends which were out of line with those appropriate to public utility undertakings—a charge which blandly disregards the effective capital invested in their businesses. Mr Shinwell concluded that in these circumstances compensation by reference to Stock Exchange values was "not only practicable but fair and even generous. . . . Too long has the electricity consumer been made the victim of financial speculation."

Finally, Mr Shinwell addressed himself to the programme of capital development, for which the Bill provides £700 million for the Central Authority and £100 million for the North of Scotland Board. It was remarked in these columns on January 18th that the setting aside of £800 million for electricity development suggested an intention to go forward with rural electrification on the grand scale. So it appears from Mr Shinwell's speech. Some £200 million will be required for power stations (earlier in his speech Mr Shinwell suggested that these would require such a high proportion of the national resources that, if only for that reason, one body must be responsible for their construction and operation), but no less than £400 million is earmarked for improvements in the distribution network, of which "a substantial proportion" will be used for rural electrification. And unless this rural programme is proceeded with quickly, Mr Shinwell sees no hope of checking the decline in the rural population.

Such is the Minister's plan for developing an industry in which progress has "too often been impeded by sordid financial considerations." It can hardly be described as convincing—indeed, it clearly failed to satisfy many Government supporters in its references to compensation for the local authority undertakings, of which some have considerable experience and a clear understanding. But there are far wider aspects of the case which have gone unargued in the Second Reading debate. Perhaps the most important issue is that of charges. Mr Shinwell devoted much of his time to attacks—some of which found their mark—on certain features of holding company finance in the electricity supply industry. But he does not appear to have appreciated the fact that under the Bill, and with his connivance, the capital accounts of the Area Boards could be so engineered that the grossest excesses of holding company finance would look like amiable borrowing. The charges which will be applied in any particular area will be determined in large part by the apportionment of the Authority's capital charges which it has to bear. These are the most important elements in the costs to which, according to Mr Shinwell, prices of electricity for industrial and domestic use are to be related. What are the public safeguards for seeing that each area bears its fair share, and no more, of those charges?

Again, the relationship between urban and rural electricity prices requires full elucidation. Mr Shinwell refused to be-

drawn on this question, but certain members argued that prices should be standardised so that country and urban consumers could enjoy "the same low prices," and crofters in the North of Scotland would pay the same as consumers in Hackney. How far does the Minister intend to support these claims? Will the £400 million or so to be devoted to rural electrification involve any subsidy from the urban consumer? These are real issues involving the consumer's interest under nationalisation, and they ought to be made quite clear at the outset.

With so many basic questions unanswered, the Electricity Bill now goes to Committee. Judging from experience over the Coal Nationalisation Bill, Mr. Shinwell is not the Minister who is likely to make concessions liberally. But will he at least be moved to offer a much fuller explanation of those clauses of the Bill that, in the long run, really matter? Can he for once drop the suspicions that belong to the past, and demonstrate instead what is in his mind, and ought to be in the minds of the Authority and the Area Boards, about development and charges? Will he explain in detail how far he is prepared to intervene in their policies? Will he offer himself as the Parliamentary spokesman for the new bodies, or will he act as their Parliamentary blanket—as he has recently appeared to do for the Coal Board? Would he be prepared to accept the view, which is widely and properly held, that the charging machinery

should be subject to closer public scrutiny than the Bill provides at present? How will he guarantee that the transfer of the undertakings takes place without dislocation—his claim, incidentally, that the Coal Board took over the mines "without the least dislocation" is surprising. What precise measures has he in mind to expedite development plans and to promote the speedy production of generating plant? Is this question to be left until the Authority is appointed, or is action being taken here and now? What support will the Minister bring to the Authority when it is involved—as it most certainly will be—in arguments and disputes with the Ministry of Town and Country Planning on the location of new power stations?

So the list of questions could be strung out, almost indefinitely. They show the scope for fuller explanation and amendment of many of the clauses of the Bill. On all these points the Government may, if it wishes, say nothing and do nothing. But if it is inspired by the urge to benefit the consumer, and if it has learned any lessons from the handling of the techniques of nationalisation during the past twelve months, it would do well to consider them fairly. The Authority and the Boards under the Bill are skeletons. It rests largely with the Minister whether they become monopolist monsters or efficient and progressive undertakings fired by regard for the consumer's interest.

Annuities and Taxation

SIDE by side with the major life assurance boom that is now in progress there is a minor boom in the sale of annuities. The plain man's argument that when the rate of interest falls below a certain level people will begin to consume their capital, is being demonstrated in recent insurance experience. In these days of ever cheaper money, many small investors are now resigned to the fact that the only way to increase their cash income is at the cost of consuming all or part of their capital. This, indeed, is the remedy which the Chancellor himself has recommended for railway stockholders.

Apart from the reluctance on the part of many offices to underwrite a large volume of annuities, there is one important factor which limits the expansion of this type of business. The man who lays out late in life a capital sum simply in order to secure a maximum return for the remainder of his years, finds that income tax is payable on the whole of the regular payments which he receives, although a portion of these sums represents a return of capital by instalments and only that part representing interest on the capital can be described as "income." The average annuitant fails to see the justice of this situation, which seems to make "income tax" a misnomer, and involves a hidden tax on capital.

It must, therefore, be emphasised that there are types of annuity in which the "capital element" is not taxable. A broad distinction has to be made between an annuity for a fixed term, say for 15 years, and one for a term equal to the remaining life of the annuitant. On an annuity for a term certain, only that part of the regular payments which represents interest on capital is subject to tax. But for an annuity payable during the lifetime of the annuitant, tax is deductible from the whole of each payment, capital and income together.

The insurance offices have now developed a type of annuity contract which combines an annuity certain with a life annuity. Various descriptions as a "capital annuity," a "capital and income" policy, a "split annuity," or a "capital protection" policy, this arrangement enables, firstly, a constant annual sum to be guaranteed to the annuitant over a fixed term of years, subject to income tax on the interest element only and, secondly, another constant annual sum to be receivable for the remainder of life if the policy-holder survives the stipulated

period. Thus, at the present time, for an outlay of £2,000 a man aged 60 could be assured an income of approximately £60 per annum for 12 years, the interest element (which would be subject to tax) being £12 7s. in the first year and then diminishing, and approximately £120 per annum for the rest of his life following the 12 years period, the whole of this sum being subject to tax.

"Split" policies of this kind carry with them no suggestion at all of tax avoidance. Clearly, it would be open to a person himself to separate his capital outlay into two portions, buying an annuity certain with one part, and a life annuity with the other. Recently there has, however, been a further development which has not this obvious claim merely to marry two well-established forms of contracts. The Wesleyan and General Assurance Society, having ascertained that there was no hope of altering the law of taxation in regard to life annuities, decided, to quote the Society's own words, "to put the matter right in its own way." In May, 1944, a certain Mr. Hart took out a policy with the Society under which, in consideration of payment by him of £500, the society agreed to pay him, first, an annuity of £7 11s. by monthly instalments of 12s. 7d., and, second, a payment at death of £4 14s. 8d. for each completed period of one month of borrowing, on a bond entered into, sums not exceeding the lump sum which would have been payable if death had occurred at the date of the loan. Any such loan was to be free of interest and was repayable at death by being set against the sum then due. In June, 1944, Mr. Hart elected to borrow to the maximum extent and then received monthly from the society 12s. 7d. less tax, plus £4 14s. 8d. as a loan, free of tax. The Inland Revenue contended that the sums paid under the bond were an annuity and were taxable, arguing that it was immaterial that they were described as loans. The Special Commissioners of Taxes took the Society's view; the first Court found for the Crown; the Court of Appeal reversed that decision, and it is now open for the Crown to appeal to the House of Lords, within the stipulated period of six months.

Whatever may be said about the merits of this form of annuity from the wider aspect of tax avoidance, it is undoubtedly

an ingenious form of contract; it has raised afresh the whole question of the taxation of annuities. It is certainly salutary that the Inland Revenue should be forced to examine the issue again. For the life offices collectively have so often protested against the existing state of the law in this matter that they can hardly regret the opportunity that has arisen in which a change might be achieved. Until the question of appeal to the House of Lords has been decided, and until their Lordships have decided the issue, should it go before them, the final legal position cannot be anticipated. But the Society's case, as it was presented in the lower Courts, appeared to be a strong one.

The taxation of the "capital element" in terminable and life annuities has long-established authority and has hitherto resisted the fiercest onslaughts. When Peel reimposed the income tax in 1842 he was urged to eliminate the tax on the capital element but refused. Many prominent public men appearing before the Select Committee of 1851-2 reiterated the plea for exemption of the capital element or for a lower all-round tax on annuities to produce the same effect, but in vain; the Committee was against any change, even though its Chairman agreed with the pleaders. Newmarch was quite heated in evidence, saying that not to differentiate between capital and interest savoured very strongly of the morals of Finchley Common, "explaining his meaning"—as the Inland Revenue put it before the Royal Commission of 1920—"by reminding the Committee that Finchley Common used to be the resort of a certain class of characters. The Committee found no difficulty in understanding the allusion." A Departmental Committee of 1905 refused to agree to arguments which were put forward by the life offices and actuaries for splitting the annuity into its two parts. They concluded that a man who buys an annuity deliberately sinks his capital and takes an income in exchange; they contended, that is, that there is really no capital element at all in an annuity. Secondly, as existing annuities had been created during the existence of the income tax, the Committee held that the contracting parties under subsisting policies had taken the tax into consideration and therefore had no equitable claim to relief.

The first of these arguments was, in logic, answered by the life offices before the 1920 Commission, when they put forward the case of the man who simply consumed his capital over his expected term of life, perhaps regulating his consumption of capital so as to give himself, with principal and interest combined, a fixed annual income of which the capital element was untaxed. Was an annuitant justly penalised simply because he took advantage of the law of averages and, in combination with others, enabled a life office to make an actuarial assessment of his expectation of life? The second argument of the 1905 Committee would not have prevented them from recommending that new annuitants should be given a taxation relief which would not extend to existing annuitants. It must, however, be admitted that such differentiation might well prove no less disagreeable in practice than the consequences of the existing

law; the state of mind of an existing annuitant when he entered into his contract perhaps many years ago is unlikely to be uppermost in his mind when he compares his present net financial position with that of annuitants whose contracts are more recent than his—which is the sort of comparison he would naturally make. At any rate, the 1920 Commission followed previous inquiries, and made no recommendation for a change in the existing law.

Even if the Wesleyan and General form of policy should be upheld by the House of Lords, the maintenance of the present system of taxing annuities would not thereby be justified. True, future annuities could—and presumably would—be written in the new form but this would still amount to discrimination in favour of new annuitants. If the Lords were to decide for the Society, reform of the law therefore would still seem to be necessary and if they decided for the Crown, the same remedy would be imperative.

Re-examination of the position, despite the many unsuccessful attempts to change it, is called for now, quite apart from the action of the Wesleyan and General Assurance Society in precipitating it. The policy of ever cheaper money has been catastrophic for the elderly and retired, the widow with limited capital resources and others with modest capital who form the main source of demand for immediate annuities. To these annuitants, the language of Newmarch may seem strong, bearing in mind that income tax in 1851 was a mere 7d. in the £. But with suitable geographical modification, it is singularly apt with a standard rate of 9s. in the £.

Nevertheless, the position of the annuitant is to some extent mitigated by the system under which the life offices are now assessed to tax in their annuity branches. Annuities paid out by them are taxed at source, either at the standard rate, or, where appropriate, at a reduced rate; the office, in effect, puts into an Inland Revenue Suspense Account the tax thus collected. But the ultimate liability of the office to the Inland Revenue may be either this figure or alternatively, if it is larger, the sum of the tax deducted (at source) from the office's investment income plus tax on the profits, usually comparatively small, earned upon its annuity business. If these latter items are smaller than the deductions made from the annuitants—which in view of the great growth of annuity business before the war is so in most cases—no tax is payable beyond that deducted from the annuitants. Thus if the office regards the annuitants as bearing the tax on their annuities, as in fact it usually does, it is in effect obtaining its investment income gross and free of tax. Clearly, if the offices were to suffer under some more onerous system of tax, the terms at which they sell annuities would be dearer. If, therefore, the Government were to allow only the interest element of annuities to be taxed but were simultaneously to seek to maintain total tax revenue by raising an additional levy upon the earnings of the annuity fund, the position of the annuitant would not be improved. Only

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by reduction in the combined tax liability of the office and annuitant and by adopting the principle that tax would be levied only once upon them in combination would the required end be reached.

It may be thought that the present Chancellor would be reluctant to make the necessary sacrifice of revenue. Yet perhaps he could be induced to face it by the reminder that total annuity payments by all the life offices in 1938 amounted to only £8 million of which a fair part was for payments under deferred annuities—to which the present arguments do not apply—and that of the remainder as much as 15 or 20 per cent probably represented interest and would therefore remain taxable. If he were reluctant to relieve from tax the capital element in life annuities, for fear of incurring opprobrium for failing to "soak" unearned income—though the typical annuitant has usually acquired a limited capital out of the savings of a lifetime's hard work from his own taxed earnings—he could simply impose a limit on the size of the annuity attracting a full capital exemption. Such a course might be somewhat illogical, since it would combine an admission that part of the annuity

was capital, and should not attract tax, together with a statement of intention to continue to tax the capital element accruing to the larger annuitants. But at least the illogicality of the present system would be modified in the right direction. There would, admittedly, be some difficulties of adjustment for annuitants under old contracts but these need not be overwhelming, and it is obviously desirable that any concessions should apply to old and new policy-holders alike. Perhaps the Wesleyan and General case may prompt the Inland Revenue to reconsider some of these broader issues. Under recent legislation wasting assets of several kinds are more generously treated for taxation purposes than ever before. The Board of Inland Revenue may remember that, in their evidence in 1920, they resisted a change of the law in regard to annuities, but they observed that "although it is considered that annuities are distinguishable from wasting assets used in production, the Board of Inland Revenue are disinclined to urge that the balance of argument is against making any allowance in respect of purchased annuities, if it be decided that other wasting assets should receive an allowance." Are they still "disinclined to urge" 27 years after?

Business Notes

"A Most Serious Situation"

There is no mistaking the gravity of the Ministry of Fuel and Power's statement on Wednesday that "a most serious situation" has arisen in coal supplies. The hard winter with its dramatic and far-reaching interruptions of supply has exposed the weakness of the coal position. Stocks are exhausted, or nearing exhaustion, and even the Cripps allocation plan was postulated on the hand to mouth delivery of currently produced coal. But pits are isolated, and transport by land and sea has been stopped or slowed down over a wide area. The six weeks' period of crisis, it is safe to predict, must now be extended into the early spring.

The present and future consequences for industry are indeed serious. The reduction of coal allocations by 50 per cent has not enabled industry to plan its production with any more certainty of deliveries than before and many firms with well-nigh exhausted coal dumps have had no alternative but to go on short time or close down altogether. Austin Motors head the long list of firms temporarily stopped in the Midlands and the Rolls Royce works at Crewe have introduced a shorter working week. About 8,000 workers are affected by the closing of Cadbury's Bournville factory for ten days. In Lancashire and Yorkshire continual snow falls have interrupted east-west communications over the Pennines. The wool textile industry had received a supplementary coal allocation of 15 per cent, putting it on the same basis as the cotton industry, but this piece of arithmetic will be meaningless until the transport situation improves and coal can be moved from the mines. Frozen dock installations in South Wales and the Tyne, and interruption of the regular deliveries of seaborne coal (which in particular feed public utility plants in London) have temporarily imperilled even 50 per cent allocations for consumers in Southern England.

Shortage of coal is affecting all parts of the industrial structure. Several thousand workers are idle, or on short-time, in the cotton and wool textile industries. There is already a sufficiently slender margin between consumers' requirements and output from the cotton and worsted spinners to put clothing supplies in jeopardy if production in these key sections of the textile industry suffers any prolonged interruption. But a temporary reduction in consumer goods supplies would be less serious than the snowball effect resulting from shut-downs in industries producing semi-finished industrial materials, components and capital goods. Iron and steel, chemicals, motor vehicles, railway wagons and rubber tyres are all adversely affected by lack of coal. Since most industrial systems as a whole particularly lack transport equipment, a decline in output in the first stages of production must affect the output of firms in the assembly and finishing industries almost immediately.

Two lessons emerge from this unhappy situation. The first is that only a comprehensive rationing scheme and a more detailed system of priorities offers any guarantee that the damage to industrial recovery caused by the coal shortage will be kept to the

minimum. The second is that, unless drastic control of supplies and a big expansion of production is secured during the summer, coal stocks at the beginning of next winter will be even lower than they were last October.

The Chancellor's Week-end

Mr Dalton appears to have convinced his audiences in the North last week-end of a number of propositions, some tenable and others more dubious. First, he demonstrated that there will be no financial crisis—which might be true if financial crisis is used in the 1931 sense. Granted the present controls, it is possible, no doubt, to go even further in the suppression of inflationary pressure as it is created. The dangers, as Mr Dalton emphasised, are of prospective shortages of many essential supplies, a further reduction in imports and the increase of money incomes unaccompanied by corresponding increase in production.

Of all the essential raw materials, coal is crucial. Mr Dalton declared that the present insufficient output, the exhausted level of stocks, and the out-of-date mining equipment were the responsibility of private enterprise, which the Government has now abolished in the coal industry. His remarks on this question should be quoted:—

The wretched private coal owners, before they flitted, left us with stocks of coal lower than ever before in our history. This winter we have had coal cuts and shed the electricity load. That is entirely the responsibility of private enterprise in the mining industry.

This can only be described as characteristic Daltonian invective. If blame for the low level of coal stocks is to be apportioned to the mistakes and shortcomings of the past, does the Coalition Government, of which Mr Dalton was a member—indeed, at one time the Minister responsible for coal—escape unscathed? Would any sober level of discourse which was concerned with the ills of the coal industry and their remedies talk in terms of wretched private owners flitting from the industry? How does Mr Dalton reconcile his statement that the electricity cuts are due to lack of coal with the repeated statements of Mr Shinwell that they are due entirely to lack of generating capacity? The Chancellor of the Exchequer does a grave disservice to the solution of Britain's economic difficulties by talk of this nature.

Nor was he on happier ground in his references to compensation on the basis of Stock Exchange prices. How is it relevant to the question of fair compensation for an industry on a going concern basis, to call in aid the method which the Inland Revenue Department uses for the assessment of Death Duties? It is astonishing that Mr Dalton should seek to compare the two cases, for they are utterly dissimilar. Securities held by the average deceased estate can almost always be realised at the prevailing market price; that is the justification for using Stock Exchange prices in such cases. But compensation by reference to market prices uses the values established by a comparatively small volume of marginal

sales as a method for valuing the current capital worth of an entire industry. If the totality of securities in a nationalised industry were to change hands during the particular days which were selected by the Government for the calculation of compensation terms, the method might have some economic logic. No doubt what it lacks in logic it makes up, in the Government's eye at any rate, by simplicity, cheapness and expediency. Why should not the Chancellor frankly admit that this is the case? He is tireless in demonstrating that the Transport Commission will earn a highly satisfactory surplus after meeting interest on its compensation stock. That is the consequence, and doubtless the intention too, of choosing market prices as a basis for compensation. To confuse this simple issue by dragging in the false analogy of Estate Duty valuations abates none of the criticism which has been directed against the Government's compensation policy.

The CWS "Bank"

The questions put to Mr Dalton a week ago about the practices of the Banking Department of the Co-operative Wholesale Society have focused attention upon a drift which as yet is chiefly of concern to the joint stock banks, but which, if accentuated, could become an issue of wide public importance. The Chancellor listed forty-eight local authorities—mainly small, and many in Wales, but including Gateshead, Newport, Pontypridd and Durham—whose accounts have been transferred from joint stock banks to the CWS "Bank"; and this list is not complete. He admitted that the "Bank," despite a reduction in rates twelve months ago, is offering local authorities 2 per cent interest on seven-day deposit balances and 1 per cent on current balances, whereas the joint stock banks are required to pay not more than 1 per cent on (14-day) deposits and allow nothing at all on current accounts. It is believed that these relatively high rates are also available for other accounts of non-members of the co-operative movement, while even more generous terms have been granted to members and especially for trade union balances. In some cases, too, it seems that the rates are fixed for long periods while yet leaving the depositor with an option to withdraw at short notice, subject to only a fractional interest abatement, or none at all.

Mr Dalton has said that he is looking into this matter. It certainly merits wide and penetrating vision—and last week's characteristic interplay in the House hardly suggests that that is the kind of scrutiny which is intended. Two aspects demand attention. First, from the standpoint of the clearing banks, it surely is a matter of common justice that constraints should not be put upon them unless they apply appropriately to their competitors, more particularly as the CWS can compete as a bank only by using the services of its own bankers—the clearing banks themselves. The CWS "Bank" functions partly through a handful of its own branches, but mainly through the agency of the local retail co-operative stores which have no facilities for performing most of the essential banking services, and therefore have to lean upon their clearing bankers. But, except on this issue of principle—the sheer equity of the case—the interests of the clearing banks are of secondary importance. Some of these municipal accounts might have been transferred, for political or sentimental reasons, even if the CWS rates had been less attractive; and it may be, too, that from a revenue point of view alone the clearing banks so far have scarcely been prejudiced.

The really important aspect is the interest of the CWS depositor. The truth is that the CWS "Bank," despite the clearing and other facilities which it secures from its clearing bankers without directly contributing to their cost, cannot possibly pay these attractive rates unless it has a very high proportion of high-yielding assets, which forces it into a condition of illiquidity which would be inconceivable for a normal "deposit" banker. The following note shows that, by any banking standards, its balance-sheet position is quite extraordinary.

A Question of Liquidity

The latest available annual balance sheet, dated January 12 of last year, showed total deposits of £226.67 million, plus £6.83 million of employees' thrift, pension and death benefit funds against which £10.08 million of investments were specifically lodged. If these pledged securities are excluded, the whole "backing" available for the deposits was as follows:—

Deposit Liabilities		Total Backing		% of Deposits
	£ mn.		£ mn.	
Current Accounts	34.35	Advances, etc.	3.04	1.3
Deposit Accounts	192.31	Investments	206.22	90.6
		Short-dated investments	8.51	3.8
		Cash Money	8.10	3.6
		Cash	1.43	0.6
		Land & buildings	0.01	...
	£226.66		£226.31	99.9%

Depositors can look with equanimity upon this investment balance sheet if a very high proportion of them regard their deposits as permanent or semi-permanent investments. It will be seen that 85 per cent. of the total comprises deposit accounts; and, of these, four-fifths are balances belonging to the CWS itself, which also holds a quarter of the current accounts. But the bulk of the CWS deposit balances is simply the counterpart of deposits lodged with it by retail societies, trade unions, clubs, and the like, and these bodies, in their turn, receive funds from sales of shares to, or loan account borrowings from, working-class members of the movement.

The base of this pyramid of liabilities is the thrift of the little man, individually or (as in the trade unions funds) collectively. Are these savings really so immobile and so free from the possibility of sudden movement as to justify a liquid ratio of 4.2 per cent (8 per cent if short-dated gilt-edged are included)? The CWS's current account of £8.55 million at the "Bank" is presumably the working cash balance for the whole of its ramified trading. What kind of cover does that require? If it needed 100 per cent, the residual liquid assets would be £1 million—under 4 per cent of the residual current accounts, though 37 per cent if short-dated gilt-edged securities are included.

Given the prospect of continued full employment; given family allowances and the whole structure of social insurance; given too the subsidising effect of PAYE when employment ceases suddenly, the management of the CWS may feel that there is sufficient immobility in these deposits to make this a tolerable assets structure. But others who survey it at a distance cannot help feeling that the very homogeneity of the deposit sources gives the minimum of risk-spreading. Mr Dalton may persuade the "Bank" to reduce its deposit rates again, and thus may help to redress the balance with the position of the clearing banks. Those banks, at the date of the above CWS balance sheet, were in effect obliged by the Chancellor's policy to keep 55 per cent of their deposits in cash or securities with less than six months to run, and on that 55 per cent they are able to earn on the average only 0.43 per cent.

But action on these lines would do no more than check the tendency for the CWS "Bank" to increase the proportion of its mobile deposits. It would not automatically reduce the illiquidity. And it would not answer the ultimate question—whether the existing deposits are sufficiently immobile to justify that illiquidity. It is no answer to say that depositors need not worry because gilt-edged securities are always saleable on reasonable terms since the Chancellor's cheap money technique stands ever ready to make them so. Nor is it an answer to say that the position of depositors in any large institution will always be safeguarded if need arises. On that argument, the clearing banks might well tender the whole £1,550 million of their Treasury deposit receipts in exchange for long-dated gilt-edged as soon as Mr. Dalton next opens a "tap."

First Report on l'Expérience Blum

The French Government have begun to talk of anticipating the second price cut of 5 per cent which was due to be put into operation on March 1st next. *L'Expérience Blum* is now meeting its first real difficulties. Strikes of civil servants and railwaymen have broken out as a result of dissatisfaction with the provisional increases in salaries granted last week. The strikers have been exhorted by M. Blum himself to return to work and not to jeopardise a plan which, if it fails, must endanger the value of any conceivable concessions they might wring from the Government at present.

Meanwhile the French Government has published a report on the first results of the price cut. The report covers the period January 1 to 15 and is admittedly too fragmentary to give a reliable overall picture of the initial response to the experiment; but at least it is the best available documentation of the results

Shock tactics are needed and will do good so long as the shock lasts. But by themselves they will not accomplish much. The obvious criticism of the White Paper is that, while it states the need for a sharp rise in productivity, it does not even hint at how it is to be achieved. The only statements in the White Paper that come anywhere near being declarations of policy are that the Government is "taking energetic measures" to remedy local unemployment, that it "is doing everything it can in the present international discussions" to reduce to a minimum the danger of importing unemployment from other countries' depressions (this should presumably be read as meaning that it is doing everything it can, short of annoying the American State Department) and that it "will maintain control" of prices. For the rest, the White Paper is content to leave

a great responsibility . . . on both sides of industry to play their full part in rousing the nation to an appreciation of the country's very serious economic position and in ensuring that there is such a large and sustained increase in production as will enable us to have sufficient goods to pay for our essential imports and to meet the urgent needs of the people at home

—in short, government by delegated exhortation.

To this criticism the official reply would doubtless be that the present White Paper was never intended to state official policy and that this will be done when Mr Morrison introduces his "economic budget" to the House of Commons next month. This, no doubt, is true, and Mr Morrison would be putting himself in a ridiculous position if he confined his "budget" to an allocation of the available resources without devoting any attention to how the resources themselves can be enlarged. But it is difficult, nevertheless, to avoid a certain scepticism, since some of the things that need to be done if the Government is now to play its full part in a campaign for high productivity would involve it in a change of policy fully as sharp as the change in tone of voice that is registered in this week's White Paper. It will, in any case, do no harm to set down some of the steps that a Government that was really in earnest would set about taking, whether the catalogue turns out to be an anticipation or a warning. None of the items in the list is any less familiar than the points in the White Paper's analysis; but apparently they are in equal need of repetition.

The first point in any productivity policy must obviously be an attempt to enlarge the total labour force. There are some small steps that could be taken at home. The efforts that have been made to persuade married women to stay in, or return to, work, for instance, have been rather half-hearted, and the recent increase in old age pensions, justified though it is, was so contrived as to induce the elderly to leave their work. There are a few score thousand extra workers who could be recruited by means of comparatively small administrative changes in the social services and the tax laws. But the only large addition that can be made to the labour force is by the recruitment of foreigners. At length, after monstrous higgling, the Government has secured the entry of a few thousand Poles into coalmining and agriculture. But why only a few thousand? And why only Poles? The French Monnet Plan, faced with a similar necessity, boldly legislates for the organised immigration of 250,000 foreigners. But in this country Mr Isaacs has, only this week, been turning down, without any sensible reason stated, a proposal to allow Italian ex-prisoners of war to return for work on the land. Why? Sometimes it is said to be the food shortage that interposes a barrier. But even as many as half a million foreigners would add only 1 per cent to the population. The real reason, of course, is that the trade unions would not like it. But if that is so, the duty of the Minister of Labour is to state the public interest clearly and let the trade unions feel the weight of public opinion, not to busy himself with finding excuses for them.

The second chapter-heading in a productivity policy should be to revise the whole system of direct taxation—not, indeed, to provide incentives to effort, for no taxation system can do that, but to reduce the very heavy deterrents that the present system imposes. The case against Pay-as-You-Earn as a deterrent to work and an incentive to leisure has been made with the greatest force by many people and on many occasions. It has never been satisfactorily answered. Attempts have been repeatedly made, in these columns and elsewhere, to show how a direct and progressive tax could be levied on all incomes and collected "as you earn" without this deterrent effect. These also have never been answered. No Government can claim to be taking seriously the need for stimulating productivity until it has either reformed the present system of PAYE or conclusively proved that it cannot be altered. Surtax is another levy that needs examining for its effect on productivity. Almost certainly, it has long since passed the point of diminishing returns. Not once since 1939 has it yielded as much as the Budget estimate, and the effects of leaving only moderately successful professional men with no more than a small fraction of their earnings can be seen by anyone who will look around. Mr Dakon believes in soaking the rich. Does he believe in doing so at the expense of economic activity?

The third direction of attack upon the problem should be the formulation of a consistent wages policy, related not only to the level of wages, but also to the method of paying them. It is a matter of record that the institution of guaranteed weeks and minimum wages or reductions in working hours usually (though there are exceptions) results in lower production, and that systems of payment by results lead to higher output. If productivity really is as desperately necessary as the White Paper says, it would use all its influence to promote payment by results. The Government itself, apart from a half-hearted attempt to postpone the demand for a general 40-hour week, has been neutral in these matters. But its Trade Union *alter ego* is strenuously pushing, without rebuke, just those claims that are most likely to be damaging to productivity.

Fourthly, if the tempo of economic activity is to be speeded up, there needs to be an overhaul of the whole apparatus of economic control. Some control there must undoubtedly be, but nobody could pretend that the present network of controls works very smoothly or very quickly. The basic trouble is that there is no Government mechanism of control, but a score or more Departmental systems. If the Cabinet want to help the people to get to work, they should set up some super-departmental Inquisition charged with the duty of abolishing those controls whose usefulness is smaller than the resources of time and labour they absorb, and with the further duty of so co-ordinating the remaining controls that the harassed business man can get permission for one simple operation by one simple application.

Here, then, is a four-point programme for greater productivity. The difficulty about it is that almost every item on it runs up against either trade union interests or Socialist doctrine. These recommendations, Ministers will say, are Tory policy. Very well, then; what is the Labour policy for quickly raising productivity? Exhortation, yes; but what else? Capitalist economics has several remedies to suggest for this particular disease. Labour economics has none—except more Socialism, and not even the fanatics could seriously claim that that would produce results as quickly as they are now needed. Let us, said the Labour Party at the general election, face the future, and it can fairly claim that it has done so in the eighteen months that have passed. But it has been a fairly remote future that has been faced. What Labour now has to face is the present.

Plans for Europe

THE work needed to transform the proposed Anglo-French Alliance from an aspiration into a concrete instrument of co-operation lies all ahead. Not only are the political auguries uncertain in France, but the Anglo-French Committee charged with formulating proposals for closer economic integration, having held one or two meetings, has found considerable difficulty in listing any concrete points on which both can agree. For instance, it might well be economically desirable to divide Anglo-French agricultural activity by concentrating wheat production in France and the manufacture of agricultural machinery, including tractors, in England. But the French Army argues that, in the interests of security, a basis for a tank industry must be kept on French soil. Again, there might seem to be no reason why a watch-making industry serving both countries should not be developed in France. But, in an emergency, the British would find themselves unable to manufacture precision instruments. In short, in most of the field in which rationalisation and specialisation offer openings for integration, national security obtrudes and the problem of Anglo-French co-operation ceases to be economic and becomes strategic. And, in France, strategy means one thing only—the problem of defence against German attack.

On policy towards Germany, the divergence between French and British policy has, up to the present, been great and growing greater. It is true that most Frenchmen probably now realise that the actual physical separation of the Ruhr and Rhineland from Germany is impossible. But they are all the more alarmed about the potential economic implications of British and American policy. In essence, the French want the restoration of German industrial power to be secondary and contributory to France's own recovery. The British and the Americans, on the other hand, wish to restore Germany's economic strength sufficiently to make it pay its way. But, by definition, a country of some seventy millions "paying its way" is bound to be economically more powerful than a country of forty millions. So long as the British and American Governments find no way out of this dilemma, the chances of a really concrete Anglo-French alliance seem remote.

It is, in fact, because every approach to European peace based on separate national sovereignties re-creates Germany as the most powerful nation, that many minds in the West are turning to the idea of an economic federation for Europe. The argument is that the Potsdam policy of de-industrialisation has already proved that it will be the ruin not only of Germany, but of Europe as well. A measure of German industrial recovery is inevitable and desirable, but with it is restored a potential war machine. But Europe's peacetime needs could absorb all Germany's production, provided methods were established to distribute the products over Europe and to do so under a strict form of international control. This can be done most easily, it is argued, by establishing an economic federation and planning German industrial recovery, not as part of a strictly national German economy, but as the core of a European commonwealth. And as a part of a larger European economy, Germany would no longer be economically preponderant.

This approach has received encouragement in recent weeks from the unanimous acceptance by the General Assembly of the United Nations of the plan to set up a European Commission—a proposal which had hung fire since August, owing to Russian opposition to it on the Economic and Social Council. The Proposal was that this Commission should act as a species of Planning board for Europe, as a channel for loans and, possibly,

as heir to various technical bodies, such as the European Coal Organisation, the European Emergency Committee and the European Committee for Central Inland Transport. The reason for the Russian *volte-face* is known to have been pressure from the governments in Eastern Europe who, seeing Unrra coming to an end and nothing taking its place, were anxious to leave a door open for further Western aid.

These little noticed moves in the direction of a more genuinely European approach have been accompanied by some better advertised activity in the political field. A week ago, Mr Churchill's campaign for a European Federation was launched in London and a few days later Senator John Foster Dulles, who has been nominated to succeed Secretary of State, gave his blessing to the idea of European federation in a speech which, he said, had received the approval of Governor Dewey and Senator Vandenberg. Both Mr Churchill and Mr Foster Dulles spoke of a federation of all Europe, but both probably regard that as an unattainable ideal and are thinking more of a smaller grouping of the Western European States.

What can be said of these projects—the wider European federation or the more modest plan for Western Europe? The case for wider integration in the economic field is so overwhelming that it need hardly be re-argued here. Nevertheless, during this century, one of the great obstacles to all ideas of economic fusion has been the difference in living standards between East and West, and the consequent danger that fusion might entail the flooding of Western Europe with cheap labour from Eastern Europe. To-day, the danger is not less; indeed, the devastation of Germany has brought "Balkan" standards to the Rhine and the pressure of surplus labour may come from them, not from the Slav peoples, but from the millions of dispossessed and uprooted Germans. If, however, plans for federation were elaborated to give the most backward and devastated areas priority in development, and fusion were evolved gradually as economic standards came more nearly to coincide, then the old barrier to federation might be removed. Nevertheless, it remains true that one of the attractions of the idea of a smaller Western federation is that the difficulty of unequal standards need not arise.

The real difficulties in the way of both a wider (or a narrower) European federation exist primarily in the political field. No amount of wishful thinking can banish the degree of solid Communist influence in Europe to-day. In Eastern Europe it is paramount, in Western Europe, strong. It follows, therefore, that any policy initiated in the West which has, or is believed to have, as its most important aim the checkmating of Russia and the reduction of Communist influence, has a formidable political fight ahead of it. And can it be doubted that the two most recent champions of European federation have this aim in mind? Mr Foster Dulles says so explicitly. Mr Churchill, it is true, has gone out of his way recently to stress the need for Soviet concurrence, and the presence in his committee of many well-known Liberal and Left-wing names might be held to give an assurance that European federation was being pursued as a thing good in itself and not as a "defence in depth" against Communism. But Mr Churchill's leadership of the committee gives it its decisive political stamp. Even if he has changed his mind since his speech at Fulton nearly a year ago, nobody in Moscow, and few people in Europe, will believe it.

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of the Government's initiative and, moreover, it has an air of complete candour and objectivity. The general verdict which follows a presentation of statistics of prices is that "psychologically the Government's move has rallied the nation; but this response has not been altogether uniform." With exquisite irony, the report points out that

consumers are unanimous in supporting the action of the Government and do so both by insisting on the application of the decreed reductions and by notifying any instances of resistance to the decree. . . . Wholesalers and producers show the same attitude when dealing with the people from whom they buy. . . . The agriculturalists are showing signs of some reticence. It would seem that almost everywhere the farmer would like to benefit from the 5 per cent reduction on what he has to buy before passing on the same benefit to the people who buy from him. . . . Throughout agriculture the situation is somewhat uncertain. Rural artisans whose prices are normally below the official prices are inclined to refuse the 5 per cent cut which, in turn, has unfavourable effect on the attitude of their agricultural clients. . . .

The report gives a number of examples of resistance to the decree and of action taken to overcome this resistance. It also complains that in many cases the 5 per cent cut was nullified by fraudulent writing-up of prices as soon as the intention of the Government became known. The general verdict seems to be that the experiment has succeeded so far as officially priced goods are concerned, but seems to have been largely disregarded in the free price sector of the market.

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Argentine Wheat Deal

The January and February US grain allocations to the United Kingdom were rather lower than were expected and there was a serious doubt as to the maintenance of the bread ration. This, however, has been safeguarded at the expense of stocks which, it is suggested, may now be below 800,000 tons. The purchase of half a million tons of wheat from the Argentine for shipment during the first half of 1947, therefore, shows that energetic steps have been taken to avoid an emergency. Consumption of flour in the United Kingdom, even under rationing, is running about 10 per cent above the pre-war average, whilst imports of both wheat and flour during 1946 were 72 per cent of the 1938 total.

British commitments for 1947 have been given as 4.4 million tons, and available supplies are estimated at 3.9 million tons, leaving a gap of half a million tons. On the other hand, Argentina is expected to have an exportable surplus of wheat exceeding one million tons. With only a limited grain storage space and the prospects of a 6 million-ton crop, compared with 4 million tons last year, Argentina is doubtless willing to sell, provided that the buyer does not haggle over the price. From the British point of view, paying the Argentine piper will mean further worry for the Chancellor of the Exchequer and his policy of subsidising the cost of living.

In this particular agreement, however, price may not be of paramount importance. It has been suggested that an extra allocation of 1,600 tons of caustic soda and 3,900 tons of soda ash, equal to about half of one per cent of British annual output, was

U.K. EXPORTS OF CAUSTIC SODA AND SODIUM CARBONATES

	1938	1945	First Half 1946	Second Half 1946
Caustic Soda:—				
Total.....	cwt. 1,948,324	cwt. 2,987,133	cwt. 1,807,900	cwt. 1,294,445
Of which:—				
Argentina.....	112,164	279,780	223,268	77,588
Brazil.....	290,509	323,579	225,491	281,362
British India.....	492,816	685,325	374,530	381,792
Sodium Carbonates:—				
Total.....	cwt. 3,756,186	cwt. 3,898,325	cwt. 2,044,559	cwt. 2,164,293
Of which:—				
Argentina.....	265,481	367,408	170,033	307,133
Brazil.....	275,641	387,339	210,382	229,444
British India.....	1,242,413	943,227	348,914	508,583

the deciding factor which persuaded the Argentine authorities to agree to the wheat contract. This, no doubt, is something of an exaggeration. Exports of heavy chemicals have been restricted owing to the coal shortage, for one ton of caustic soda requires about one and a half tons of coal. Moreover, there is a world shortage of sodium carbonates due partially to the dislocation of German and Belgium production.

The British Government has shown itself reluctant to direct exports to a particular area, though it has doubtless provided guidance to exporters. Such advice should, and doubtless does, acknowledge the importance of ensuring that long-established

markets are kept as well supplied as possible and that the demands of customers which have something to sell in return are not. But lacking an export surplus of coal to use as a bargaining weapon, the Government must be sorely tempted to use any exportable commodity for securing adequate imports of foodstuffs and raw materials.

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Repaying TDRs

The banks, in these days, have certainly no reason to complain about the flexibility of their assets structures. In 1945, before the abnormal expansion of bank deposits began, there were many grumbles about the preponderance of the relatively inflexible Treasury deposit receipt, which at once time accounted for over 41 per cent of bank resources, while the most flexible earning assets—bills and call money—stood at 7 per cent or less. Now, despite the huge creation of new deposits against Government borrowing, and despite the big expansion in bank investment portfolios, the growth of money market assets has more than kept pace with that of total bank resources. In the middle of January, money market assets reached the huge total of £1,052 million—nearly £10 million above the record level of end-December. They now represent 18.7 per cent of deposits, the highest ratio since 1940 and roughly equivalent to the average for the year 1938. Meanwhile, despite the increase in official borrowing on Treasury deposit receipts in the second half of last year, the TDR ratio now stands at only 27.8 per cent.

These tendencies, moreover, are likely to be further accentuated in the coming weeks. Not only is the Treasury deposit receipt still regarded as the variable element in floating debt, but the authorities seem to be taking every opportunity to increase the proportion of tender Treasury bills. Thus in the past five weeks the main impact of the seasonal decline in floating debt has fallen upon Treasury deposit receipts, the total of which will by the end of this week have been reduced by nearly £90 million, whereas the tender issue of Treasury bills will be only £15 million below the record level of £2,150 million reached early this year. In the corresponding period of last year the reduction in debt was more evenly divided between the two elements, and in the first nine weeks of the year the whole £130 million of tender bills seasonally created in the previous autumn was allowed to run off. Last autumn, despite the interruption of the seasonal pattern by the launching of the tap loan, an additional £200 million of tender bills were created, the largest autumn increase yet made.

But, despite this abnormally large expansion, and despite the stronger seasonal influences of the Budget in this current "revenue" quarter, there is a chance that this time some of the bills may remain outstanding. Next week nominal maturities of TDRs will be large, so that a fresh TDR issue is inevitable; but, instead of arranging for the whole of its finance by this means, the Treasury raised the offering of bills for yesterday's tender to £170 million, or £10 million more than the nominal maturities. The bankers' pleas for more flexibility in their liquid assets structure have certainly not gone unheeded.

* * *

A 91-Day Treasury Bill?

Since the authorities have obviously been at such pains to ensure an ample supply of these most liquid assets, it is to be hoped that steps will also be taken to ensure a more even flow of maturities than has been available in the past. One of the consequences of the abandonment of window-dressing and of the adoption of the principle of a stable day-to-day cash ratio is that the banks need, more than ever, a substantial volume of bills maturing on every working day. This, however, is at present an unattainable ideal because Treasury bills have retained the form originally adopted in 1877 when, on Bagehot's advice, they were modelled on the commercial bill. The life of a Treasury bill is always expressed in calendar months (though without days of grace), so that, unless any given three-month period contains exactly thirteen weeks—i.e. 91 days—there can be bill maturities on only five days out of the six, because there is naturally no issue of bills on a Sunday. The incidence of the calendar thus produces many Mondays in each year in which there are no Treasury bill maturities, just as there are normally no maturities on the last day of each year (because September has only thirty days) or on the last three days of May. Other anomalies arise from the incidence of public holidays—on which, of course, no bills are issued.

From time to time various means have been suggested of the way in which this odd situation could be corrected. A few weeks ago attention was again drawn to the matter by a suggestion in *The Banker* that it was time that the impact of the vagaries of the calen-

The word 'dollar' is a corruption of the German 'Joachimsthaler' or 'thaler,' the name given in the 16th century to coins from the silver mine of Joachimsthal in Bohemia.



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NARRATIVE ARITHMETIC

So involved do the social and political effects of economic policies and practices become that the necessity of working out arithmetical sums in narrative form is forced upon all of us. *THE BANKER* makes no apology for doing it again in argument which refuses to be side-tracked on subjects of considerable moment. In the February issue we have:

"BANKERS AND CHEAP MONEY"

in which previous explorations are brought up to date and previous contentions confirmed.

By Victor Morgan, Professor of Economics, at Swansea, an article looking towards

"A RATIONAL PLAN FOR WAGES"

shows the ratio of theory to practice in a new light and performs a very salutary mind-clearing.

Also in this issue are:

"THE COST OF GERMANY"
"IRISH BANKING CONTROVERSIES"
"INDIA'S STERLING BALANCES"
"THE BANKS IN 1946"
etc., etc.

THE
BANKER
for February

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February

"Towards the end of February we are so busy handling documents relating to fish shipments that our Department might almost be part of Billingsgate itself". So writes an official of the Overseas branch of the Midland Bank at 122 Old Broad Street, London. Every month shipments are financed by credits arranged through London, but exceptional activity during this month arises from European countries preparing to import fish from Newfoundland and Northern waters for consumption in Lent. The business of the Bank's foreign branches in Birmingham, Bradford, Liverpool and Manchester similarly reflects interesting seasonal variations in the flow of goods through the world's markets.

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ment of working-class consciousness and solidarity among the still backward masses. But, in fact, propaganda goes much farther than this. Great emphasis is laid on foreign affairs, and trade union meetings are used for violent hate propaganda against Britain and the United States. The Danubian workers are given long lectures on Indonesia, Trieste, Greece and China. Often these are based on the most absurd oversimplifications or distortions. This is the feature of working-class activity which least pleases the Western visitor, but it should not obscure the constructive social achievements.

It must be stressed in conclusion that workers' organisations in the Danube countries are developing on different lines from those in the West, because the circumstances are different. The Western worker would probably resent the close connection of the unions with the State, the direction of labour and the constant interference with private life—even though all

these things are making their appearance in Western countries too. Probably some Danubian workers do resent them. Though it is very hard for outsiders to estimate Danubian working-class opinion, there is some evidence of a popular reaction away from the Communists towards the Socialists, not only in Hungary where the Socialists were always strong, but in the other countries where they were weak and somewhat despised. But this is not very important. The paramount importance of restoring production makes some such policy as the present inevitable. And there is no doubt that those who have first priority in the sharing of the much reduced national resources are the workers. The situation of the poorer workers is materially better than before; that of the skilled workers may be materially worse, but is relatively better in comparison with other classes. Most of the workers realise this, and are likely to remain loyal to the new regimes.

Twilight of Ministers

(By a Correspondent)

By kind permission of the publishers, the Stevenage University Press, we are privileged to print the following extract from a forthcoming book, to be published early in 2048, by the Silkin Memorial Professor of Political Mechanics.

THE principle of complete royal subjection to ministerial control was firmly embedded in the British Constitution in the course of the nineteenth century. Though theoretically all-powerful, the Monarch had, by the end of Queen Victoria's reign, completely accepted the position that he could do nothing without ministerial advice and, indeed, that he could not refuse to do anything that his Ministers advised him to do. The outstanding precedents of the early twentieth century serve merely to formalise and codify what was already implicit. Thus the events of the year 1910 established that the King could neither refuse to create peers in numbers sufficient to swamp the House of Lords, nor to dissolve even a newly-elected Parliament—or, at least, that he could not refuse both together. A precedent of 1923 made it clear that the King was no longer free to choose a Peer for his Prime Minister, and the abdication crisis of 1936 laid it down once and for all that the sovereign has no private life—or, rather, no life at all beyond the reach of his Ministers' advice. By these last nails in the coffin of royal power, Ministers seemed to have established a position of unchallengeable supremacy.

But there is no such thing as finality in human development. The Cabinet had no sooner removed the last formal checks on its power than it, too, began to be something of an outward show and the reality of power began to move elsewhere. Ministers, in the middle of the twentieth century, were subject to three pressures which together made it impossible for them to fulfil the role that the Constitution, as then understood, assigned to them. In the first place, with the advent of Socialism, the subject-matter of state action was enormously extended. Secondly, the subject-matter of public affairs became much more technical and difficult and this, coinciding with the growth of the belief that it was a positive advantage for a politician to have spent his formative years in the mine or at the bench, made it a rarity for a Minister to be able to understand the papers that were put before him, even if he had time to read them. Thirdly, the number of personal appearances required of a Minister—in Parliament, at conferences, and at luncheons, dinners and meetings of all kinds—increased so greatly that even these activities, hitherto pre-eminently those of the Minister himself, came to be beyond the powers of a single man, except

with the assistance of a Public Relations Officer. Under these pressures, the Minister gradually became a figure-head. Even as early as Mr Attlee's first Administration, formed immediately after the end of Hitler's war, only those Ministers who combined the most forceful personalities with a willingness to work cruelly long hours could really be said to be responsible for their own words and actions, let alone those of the Departments they nominally controlled.

But this gradual change was not apparent for many years. The permanent civil servants, while engrossing more and more of the reality of power, studiously preserved the outward forms of Ministerial supremacy—as, indeed, Ministers in their turn did towards the King. Just as laws were still enacted “by the King's Most Excellent Majesty,” and Ministers spoke of their “loyal duty” to the Crown, so also the most eminent and powerful civil servant would still refer to his Minister as “my master,” and would begin his letters, “I am directed by the Secretary of State. . . .”

This typically British situation of a complete divergence between outward form and reality might have continued indefinitely without any attempt to intrude logic into it, had it not been for a number of incidents arising either from excessive stupidity or from unscrupulous ambition on the part of those who had to work the system. It would be foolish to regret these incidents, since it is only by the precedents they create that any certainty can creep into British constitutional practice. For example, it had long been apparent that, since a Minister was incapable, without official advice, of taking into consideration all the factors involved in a matter, no importance should be attached to his chance remarks. But the actual precedent was not created until 1958. In that year, when speaking in the House of Commons on the compensation clauses of the Costermongers Nationalisation Bill, the Minister was stung by an interruption from the Opposition to depart from his manuscript and to assure the honourable member that every effort would be made to do justice. Since this was manifestly contrary to the main purpose of the Bill, which was urgently required to put a stop to sabotage of the National Retail Board, a serious position immediately arose. Ministers, while fully recognising the difficulty, argued that if they were never, in any circumstances, to interject a word of their own, it would detract from certain ceremonial formalities, known as “the cut and thrust of debate,” which were not only of great antiquity but commanded considerable weight of sentimental attachment. A compromise solution was assisted by a fortunate

coincidence. Owing to the three-day week in the printing trade, it had for some time been the custom to have Ministerial speeches set up in type for “Hansard” before they were delivered—indeed, usually before the Minister saw them. It was, therefore, easy to arrange that only this printed record was official. The Opposition applied to have the same facilities extended to them as to the Government. Since then, speeches on both sides have been prepared in the Departments and the cut and thrust of debate has been entirely devoted to the purposes for which it is most appropriate: that is, for occupying the time of Members of Parliament and providing a harmless outlet for the grievances and desires of the public.

The next important precedent was set in 1973. Some difficulty had been experienced before then in drawing the exact line between what a Minister could and could not do without advice, and the sheer pressure of necessity had led to a progressively greater invasion of what had hitherto been regarded as Ministers' private lives. This applied particularly to the company they kept, by which their confidence in their official advisers might possibly be affected. Ministers' wives could hardly be selected for them by their Departments, since most of them had acquired a wife by the time they arrived at office and the Civil Service could therefore merely insist that the wives should share their husbands' willingness to lead a useful life in the public eye without ever giving evidence of any opinions that differed from those of their husbands' advisers. Whether, if a Minister's wife did not observe these limitations and the Minister was officially advised to divorce her, he would be constitutionally bound to accept advice so rendered, is an interesting speculation for which, happily, no precedent gives a clue to the answer. But with more casual acquaintances the case was obviously different, and the matter came to a head in 1973 when the Permanent Secretary to the Ministry of Books and Publications was compelled to take formal notice of the fact that his Minister was seeing altogether too much of a young woman who was not an Established Civil Servant, and had actually induced him to read a book which had not reached him through official channels. The Permanent Secretary was deferential, but firm, and was supported by his colleagues. The Minister did, for a brief moment, contemplate carrying on without advisers, but this, through sheer shortage of personnel, might have involved all the hideous dangers of permitting the newspapers to appear without a competent prior censorship of their contents, since they could hardly be kept waiting more than the customary ten days. It was, therefore, an easy task for the aged Duke of Montgomery (who, with a quarter-century of political experience added to his military fame, was by now the elder statesman of the country) to convince the Minister that he had no alternative to capitulation. This affair, as if to emphasise the continuity of British traditions, has become known as the Second Bedchamber Crisis.

Since then, relations between the real rulers of the country and the Ministers in whose name everything is still done have been smooth and happy. In the earlier years of the transition, alarm was sometimes felt by the public at the very low intellectual capacity of some of the men appointed to be Ministers. It has now come to be appreciated that the personal qualities of the Minister are more or less irrelevant, provided that he will always do as he is told. Indeed, it is permissible to go farther. Just as the advent to the throne of a really dominating personality might upset the delicate balance of the British Constitution, so it can be said with some truth that it is a positive advantage in a Minister to be a nonentity. By one of those historical parallels that abound in this subject, it was the accident of a female sovereign at the critical time that smoothed the transition to a powerless monarchy, and it was the accident that the early Labour Prime Ministers were compelled to recruit at least half of their Governments from elderly

trade union officials that made it possible for the transition to ministerial nonentity to be accomplished with so little open conflict. It is many years now since there has been any formal complaint about the wisdom of the arrangements made by the Permanent Secretaries for an appropriate alternation of majorities between the parties in the House of Commons.

Only one more date needs to be inflicted upon the student to bring this story of gradual change and development “broadening down from precedent to precedent” to the present time. The concentration of power in the hands of the Civil Service naturally directed attention to the methods of appointment. Appointments to the Civil Service had long been provided for far beyond the reach of Ministerial interference (see the present author's article, “Further Evidence on the Conflict between the Spoils System and the Schools System”). But promotion within the Civil Service, and especially appointments to the highest offices, remained for some decades within the range of matters on which Ministers, or at least the Prime Minister, had to be consulted, even if only as a formality. The greatest care, as always, has been taken to preserve the forms. Announcement is still made in the traditional formula, “The King has been pleased, on the recommendation of the Prime Minister, to appoint . . .”, but, as everybody knows, both the ministerial recommendation and the royal appointment are no more than a *congé d'élire* and the real decision is taken elsewhere. It was not until 2013 that an Act was passed formally legalising the position that the real nomination lies with the Committee of the Athenaeum. This happy blend of classical learning derived from Greece, of a self-perpetuating Soviet derived from Russia, and of the mandarin system imported from China, illustrates the flexibility and adaptability with which the British Constitution has evolved through so many centuries without any of those forceful revolutions that have brought so much tragedy to less fortunate peoples.

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dar upon the money market should be ironed out by the expedient of prescribing each week a Treasury bill adapted to the needs of each three-months period in question. Most of the anomalies would, in fact, be removed by adopting simply a 91-day life as standard for all tender Treasury bills. The suggestion has been actively discussed in money market and banking circles recently and appears to be attracting a good deal of support. After the experience of the greater jerkiness which the new cash ratio technique of the banks has produced in the short loan market, even the more conservative members of the market seem likely soon to sink any prejudices they may have against a change in traditional practice—for this particular change can only make for smoother running of the credit machine as a whole and for the particular convenience of the discount market.

* * *

Steel Company of Wales

The announcement by Mr. E. H. Lever, the chairman of Richard Thomas and Baldwins, in South Wales on Thursday of the formation of the Steel Company of Wales, marks an important new stage in the development of the South Wales steel strip and tin plate industry. The new company is the logical outcome of the modernisation schemes submitted by the Iron and Steel Federation to the Ministry of Supply last summer and of the recent announcement by the leading steel and tinplate companies concerned of their intended amalgamation. The whole project, however, has still to be approved by the Steel Board.

It is proposed that the Steel Company of Wales should take over the Port Talbot and Margam works of Guest Keen Baldwins Iron and Steel Company (these will form the basis of the hot strip plants), the old type tinplate works of Richard Thomas and of Llanelly Associated Tinplate Companies and the Newport sheet works of John Lysaght. The Ebbw Vale plant of Richard Thomas and Baldwins stays outside the scheme. Cold reduction mills will be erected, one in the Swansea district and one in the Llanelly district. This is in accordance with the Government's policy—which was also implicit in the Iron and Steel Federation's plan—of causing the minimum dislocation of labour by bringing work to within travelling distance of the workers' homes. A third cold reduction plant will be put down at Newport or Port Talbot. If, in fact, it is installed at Port Talbot, it might conceivably be put alongside the hot strip mill—which is to be expanded—with an economy in transport. The hand mills belonging to the companies will be retained by the new company for use as marginal capacity and for special products.

Assets taken over from the constituent companies by the Steel Company of Wales will be assessed by an independent valuer. It is understood that the scheme will require some £50 million of new money—a considerable increase on the £35 million estimate which appeared in the Federation's plan last year. It has yet to be decided how the money is to be raised, and in what proportions it will be held by the interested companies. Mr. Lever referred, in his address, to looking "hopefully to the Treasury" and it may be that assistance from the Industrial Finance Corporation may be necessary.

If the scheme goes forward—it will take 4 to 4½ years to get the plant into operation on the most optimistic assumptions—South Wales steel sheet capacity will be expanded to produce a wider steel sheet at a rate of production considerably above that achieved at Ebbw Vale. The new capacity will be oil fired, and some American plant is absolutely essential for the project. The immediate placing of orders in America for key plant while the American manufacturers still have capacity to fulfil orders will clearly be necessary if the timetable is to be achieved.

* * *

Freer Silver Market

A further step towards the complete freeing of the London silver market was taken last Monday when Bank of England control of the price at which silver could be sold to authorised users disappeared. The event was signalled by a fall in the fixed price from 55½d. at which it had stood since last August, to 44d. per ounce. The price at which silver has been fixed since last Monday corresponds to the New York parity, taking the free New York price of 70½ cents and allowing for shipping costs to Britain. Henceforth, London bullion brokers will be allowed to buy the silver required to satisfy the needs of authorised users (industrial users and manufacturers of silver ware for export) in the cheapest available market, and the London price will thus vary with the lowest quotation from the available sources of supply. London

brokers will be provided with the necessary foreign exchange to finance their purchases, subject to certain restrictions—namely that the silver is required for authorised purposes and that it is being bought in the cheapest market. Last November the Bank of England withdrew from the market as an active operator and left the responsibility for purchasing silver to the approved firms of London bullion brokers. These firms then bought on a fairly large scale in New York with a view to satisfying the authorised domestic demand at the then fixed price of 55½d. After these private purchases had been made, the silver price in New York broke sharply from around 90 cents to 70½ cents per fine ounce. The London price should have followed this movement immediately and would have done so had it not been for the virtual assurance that had been given to the London market, that it would be allowed to resell the metal imported from the United States at the then official price. For a time, therefore, authorised users of silver in Britain have been compelled to pay more than the New York parity for their metal. Now that this rather expensively acquired silver has been reduced to small proportions, consumers are at last being given the benefit of the fall in the dollar price of the metal and arrangements have no doubt been made to take care of the residuary loss.

The adjustment of the London price to the lowest effective overseas parity is, however, no more than a small step towards the restoration of a really free market. The restriction of sales to authorised users remains. Other users of silver—for example, the jewellery trade in respect of the manufacture of articles for the domestic market—will still have to satisfy themselves from the supplies of "free silver" which, in the main, are fed by melted scrap and metal emerging from domestic hoards. The free silver price continues to move closely with the Bombay parity, since holders in London have the option of selling it as free silver here or shipping it to India. Nor do the new arrangements for fixing the price affect the arrangements by which dealers are authorised by the Bank of England to buy silver in certain countries for sale in other countries. The time is, therefore, still far distant when the silver quotations even in one market are unified; the return to a single world price for the metal is more distant still.

* * *

Polish Labour for Wool

The National Association of unions in the textile trade have agreed this week to the employment of Polish labour in the wool textile industry, on certain conditions, which appear to be reasonable—or at least understandable. All Polish labour is to be recruited through the Ministry of Labour and all the conditions of Union agreements are to be fully observed.

This attitude on the part of the woollen trade unions is commendable if rather belated. The number of persons employed in the woollen and worsted industry in June, 1945, was 129,800. This figure increased to 159,700 by November, 1946, but it was still 47,900 less than in June, 1939. An ample stock of wool is held in this country, although some of the finer types are in short supply. The problems of the moment are to ensure sufficient fuel to keep the mills going and sufficient new labour to enable the industry to expand its scale of production. Reports from Yorkshire give accounts of mills closing down or running only for a part of the week. It would be most regrettable if, at the moment when Polish labour was about to be recruited, the wool textile industry had insufficient fuel to keep its present labour force fully occupied.

* * *

Resistance to Cheaper Money

Evidence of the growing resistance to cheaper money continues to accumulate. In the early weeks of this year seasonal forces have neutralised the upward impetus of the volume of money—but only just. On January 15th—the new-style monthly statement of the clearing banks this time falls at mid-month, because New Year's Day was a Wednesday—"gross" bank deposits dropped by £56 million, their first decline since last February. But this movement was wholly due to the usual deflation of items in course of collection after the turn of the year, so that true deposits are £1.2 million higher than at the year-end, at £5,439.9 million. This fractional increase compares with an average rate of growth of well over £90 million per month since last March, but contrasts with declines of £73 million and £40 million in the similar month of 1946 and 1945 respectively. Thus the steep decline in Exchequer expenditure, by comparison with last year, has had no visible effect upon the banking position. In the first eighteen days of January there was an "ordinary" surplus of £90½

million, compared with £19½ million a year previously. Rather more than half this surplus was absorbed by "below-line" expenditure and net repayments of tax reserve certificates. On the other hand, nearly £100 million of finance was ostensibly provided by large and small savings and drafts upon the North American credits.

At first glance this disparity between the movement of net Exchequer outgoings and of bank deposits appears to be reconciled by the repayment of the unconverted portion of the Local Loans, but it can surely be taken for granted that a proportion of the maturing stock was already in official hands, so that, to this extent, redemption involved nothing more than a cross-entry in the departmental books. If the figures for early January are joined to those for the previous three months—discussed in these columns three weeks ago—thereby eliminating the distorting effects of the Locals repayment, the conclusion still must be that in this period upwards of £250 million of money has been created which cannot be accounted for by the visible requirements of Government or industry's direct demands for bank credit. This calculation, moreover, assumes that in the 3½ months the Government secured only £100 million of effective finance from external sources, whereas over £150 million was actually drawn on the American credits. It is very evident that, despite the demand for dated stocks, the public still has a very large appetite for liquid cash.

Marketwise, an even more striking pointer to the investor's mood is the result of the recent local authority conversion operations. The success of the Ayr issue four weeks ago, when the 2½ per cent, 1970-75 stock at par was fully subscribed, suggested that these terms had become quite firmly established for Corporation issues. And the new filip to the demand for dated stocks which has been given by the bankers' speeches might have been expected to consolidate the position. Yet this week the Hastings, Ipswich and Southampton issues, offered on the same terms, all closed with 30 per cent or more to be taken up by the usual official underwriter. A 28-year life to final redemption is admittedly long, but, in view of the shortage of dated stocks, it was hardly to be expected that investors would be so selective. It seems that recent questionings about the future of cheap money have underlined the value, not only of a date, but of one in the relatively near future.

* * *

Linseed Oil and Substitutes

The sudden increase in the price of linseed oil, briefly noted in last week's issue of *The Economist*, has caused great concern to paint manufacturers. There is no complete substitute for linseed oil, although a number of materials have been developed which can be used with linseed oil so as to stretch its supply. These include an aromatic petroleum extract, obtained from the refining of lubricating oil, which is relatively cheap, and which is available in adequate quantity. Its use is limited, however, since it can only be substituted to the extent of one part to three of linseed oil.

Last week Lewis Berger and Sons, the paint manufacturing concern, announced that they had successfully evolved a substance known as styrene co-polymer, a plastic base for which the claim is made that it can be used to reduce the consumption of linseed oil in paints by 40 per cent or more. Styrene itself is in free supply but the principal source is the United States; it provides a substitute for linseed oil, that is, only at the expense of dollars. During the war the Germans developed thio-cyanates as synthetic substitutes, but their commercial application is doubtful since they are based on a dangerous poison which is harmful to touch. De-hydrated castor-oil and various fish-oils have also been used in certain paints.

But the problem of finding a complete substitute for linseed oil still remains. The question is important not merely because of the present high price for linseed oil but also because the exportable supplies are concentrated in a few countries, the chief of which is Argentina. It is fairly certain that the recent British purchase of 100,000 tons of linseed oil on behalf of the International Emergency Food Council conceded the price demanded by the Argentine negotiators, who held that the price was "substantiated" by an estimate of a lower prospective output for 1946-47. The price actually paid would have encouraged production and assisted the long-term supply of linseed. But in fact the Argentine Government last November reduced the buying price of No. 2 grade flaxseed from 35 pesos to 30 pesos per 100 kilograms. Thus the price obtained by Argentina for linseed oil on the world market bears little or no relation to the return allowed to flax producers in that country. Only the Argentine Government, it seems, is to exploit the seller's market.

The US Department of Agriculture has estimated, the world production of linseed for 1946 at 132.3 million bushels compared with 135.1 million bushels for 1945, and an average 136.8 million bushels for 1935-39. The decline has been due mainly to reduced output in the United States and India which has been partially offset by increased production in Canada and South America. The Argentine Government's first official estimate for linseed acreage in 1946 was 5,036,000 acres, compared with 4,558,000 acres in 1945 and an average for 1936-40 of 6,909,000 acres. It would appear that Argentina should have large supplies of linseed and oil available, for neither has been used locally as fuel since early 1945. Yet the Government seems determined to take advantage of the world shortage of fats and oils and obtain the highest possible price from its purchasers. Such a policy is an open invitation to consumers to pursue their researches to discover a complete substitute if this is technically possible.

* * *

International Shipping Conference

The scope and shape of a permanent international organisation for shipping has been under discussion for many months on both sides of the Atlantic. This question is bound to inform much of the proceedings at the first post-war meeting of the International Shipping Conference, which meets in London next week when representatives of shipowners will attend from twelve maritime countries—Australia, Belgium, Denmark, Finland, France, Greece, India, the Netherlands, Norway, New Zealand, Sweden, the United States, and the United Kingdom. As the Conference has not met since 1928, its main task must be to review its functions in the post-war world. Before the war the Conference secured an important measure of agreement on regulations governing the safety of life at sea, the use of radio frequencies, tonnage measurement and loadline regulations. These matters are all due for revision; what is less certain is how such agreements can be made effective unless non-members can be encouraged to co-operate. Only by Government enforcement can internationally-agreed regulations be implemented, and the Conference will have to consider how its work can be aligned with the international maritime authority which was proposed at the last meeting of the United Maritime Consultative Council.

On the other side of the Atlantic the proposed international consultative and advisory shipping organisation is being discussed by the 15 members of the United Nations Transport and Communications Commission, which includes other maritime nations such as Brazil, China, Yugoslavia, Poland and South Africa. The new organisation is not expected to have any executive powers, but it will provide machinery for inter-Governmental co-operation in obtaining the universal adoption of maritime regulations and standards. Among its main functions would be the "removal of discrimination and restrictions." Any success in this direction, it may be noted, would depend to a large extent on a distinct change in the maritime policies of such nations as the United States, Soviet Russia, South Africa and the Argentine.

It seems likely, therefore, that while the International Shipping Conference may safely adhere to the United Nations organisation as far as technical matters are concerned, its greatest value may lie in international co-operation to protect its members from the effects of uneconomic subsidies or nationalist shipping policies. The success of the various liner conferences and of the International Tanker Pool may well encourage member shipowners to work out details of a plan for an international minimum freight scheme or some other form of mutual "insurance" in tramp shipping. This possibility was already being discussed on the outbreak of war, and the Policy Report of the General Council of British Shipping in September, 1944, urged that "any system to prevent tramp freights falling below the cost of efficient operation of shipping services must necessarily cover foreign as well as British vessels." No far-reaching conclusions can be reached in the first three-day meeting for 19 years, but the question may well be delegated to a special committee. The main object of the London Conference will be to clarify its status, aims and methods.

* * *

The Bondholders' Fate

In their 73rd Annual Report, the Council of Foreign Bondholders draw a comparison between the prospects for foreign bondholders after the two wars. It is a breath from another world to learn that the Council were able to state in their Annual Report for 1918 that "the settlement of the external obligations of the Central Powers and their Allies will form part of the

NOTES OF THE WEEK

The Fourth Republic Begins Work

For a week now the inauguration of a new phase in French parliamentary life has been going on in an atmosphere of encouraging and unusual moderation. In the election of a President both for the new Republic and for the National Assembly and in the choice of a Prime Minister, success has gone to men of the Centre. M. Vincent-Auriol, a skilled parliamentarian with a record of distinguished service in Algiers as well as Paris, belongs, on the whole, to the conservative wing of the Socialists. He was not, for instance, a supporter of fusion with the Communists. M. Ramadier, his choice for Prime Minister, is less well known among the Socialist leaders, but also has the reputation of a moderate. And the new President of the Assembly, M. Herriot, is in a sense the visible embodiment of the political Centre in France.

This team of representative and sensible men gives some hope that the new Republic's political life will open in an atmosphere of sobriety and responsibility. M. Ramadier has had, it is true, to bargain hard for his Cabinet. The obstacle was inevitably the other parties' distrust of the Communists; the MRP even threatened for a time to stay out, if the Communists received the Ministry of Defence—their only condition for participation. But M. Ramadier finally overcame MRP resistance—and has now assembled a Cabinet which includes Socialists (with 9 seats), Communists and MRP (with 5 each) as well as Radicals and Moderate Conservatives.

What has induced this new spirit of sweet reason, after so many months of reckless partisanship and parliamentary deadlock? It is, of course, possible that all parties with a genuine democratic intent have learnt the lesson of the last referendum in which the ordinary men and women of France gave evidence of considerable weariness and disillusion with the whole political process. At the same time, General de Gaulle made so very evident the potentially unconstitutional character of his opposition to the parties, that even the MRP could not go along with him. The Communists seem, in an especial way, to have seen the red light. They have bargained with discretion and have made considerable concessions, for instance, abandoning their claim—as the largest party—to the Premiership and demanding the Ministry of National Defence largely, it appears, as proof of their complete patriotism and respectability. In recent speeches on the anniversary of the death of Lenin, both M. Thorez and M. Duclos went out of their way to say that Marxism was not a rigid dogmatism and that policy should be adapted to suit different circumstances. Certainly in their present approach to Cabinet making they have shown a most flexible abnegation.

But the new mood in the Assembly and the predominance there of the Centre in general and the Socialists in particular, are above all the work of M. Blum. His attack on inflation, the adoption of the Monnet Plan, his visit to London have all given the impression of firm government. For the first time an incoming Cabinet feels that it inherits something valuable from its predecessor. By breaking the deadlock in policy-making, the moderate Blum administration helped to create a new belief in the possibility of combining moderation and effective government. This belief will be seriously tested during the coming session, but its existence has at least given the new Assembly a reasonable start.

General Smuts Puts the Clock Back

Dr Malan's views on the colour problem are no secret. Fortified by his recent success in the Hottentots' Holland by-election, he was bound to try to capitalise the resentment of all South Africans at Uno's strictures upon the Union's colour policy. Accordingly he introduced into Parliament this week a motion that Uno be flouted, that South West Africa be forthwith incorporated in the Union, and that the Indian question be solved either by withdrawal of communal franchise privileges or by deportation. Clearly, he hoped to split the United Party ranks. But before he could do so, his fangs were drawn by General Smuts, and in a manner that will surprise many of the latter's admirers in this country. General Smuts's answer was that the Government did not intend to carry out the requests made in Uno resolutions either as regards the Indians in the Union, or as regards South West Africa.

In view of the by-election already mentioned, this reply may be an adroit manoeuvre at home. But it is fraught with the very

gravest consequences abroad. General Smuts argues that he has not torn up the United Nations Charter; to do so would be "provocative." The Union, he says, is ready to go on administering South West Africa under the old mandatory rules (which means to submit reports about it, but not to admit inspectors). It is also ready to review its Indian policy, but as a "purely domestic concern." But, whatever the domestic interpretation of these statements, they in fact knock a very large hole in Uno's frail structure. That hole is of the kind that others can only too easily enlarge. If South Africa can turn a deaf ear to the voice of the majority, why not also Albania, and, later, Ruritania? The second consequence of his speech is to split Uno into two camps, one white, and one coloured, one reactionary and the other eager for change and a readjustment of values. This deplorable division was already discernible at the First Assembly, where Russia and India took it in turn to lead the innovators. The rift is now bound to increase because John Bull—who is, to far too many of the world's peoples, from his topper downwards, an out-dated reactionary—has begotten a son who stops his ears and covers his eyes and refuses to look ahead.

White Men and Africans

General Smuts's retrograde move affects all white nations. But it has a special consequence for white men who inhabit Africa. It will adversely affect all the three big groups of these—in the Union itself, the British settlers in Kenya and the French *colons* in Algeria. Of these three the Union, in particular, claims a leadership in African affairs. And to this it clearly possesses a title on both economic and strategic grounds. But it has now jeopardised its claim to political supremacy.

All but three million of Africa's 150 million inhabitants are coloured. The continent is within the next half century bound to undergo many of the developments that Asia has seen in the last. If General Smuts were to read the omens now apparent everywhere from Karachi to Manila, he would move with the times and not against them. Each of the three big white groups in Africa—South African, Briton and Frenchman—has in its hands the chance to shape the relation of white minority to coloured majority along lines different from those which Europeans shaped for themselves in Asia. Two out of the three groups offer small grounds for hope; like the average South African, the average Kenya settler prefers to reserve highlands for white settlement and to hope that a life "like old times" will outlast his day.

If South Africans are now to take a step backwards, the third party—the Frenchman in Algeria—offers the more grounds for hope of progressive behaviour. He allowed himself some lapses during the war years, but he has since made amends with an enlightened new Statute for the territory and has been rewarded during 1946 with a series of votes in the national elections which display that Algerian Moslems want to remain within the French Union; in November, 1946, they returned to the Chamber a majority of the party that wishes Algeria to be a decentralised part of France. True, Algerian Moslems are more easily assimilable than Indians, but Frenchmen are anxious to apply the same policy farther south. To do so would be to reduce, instead of magnifying as General Smuts has done, the chances of eventual race war.

The Strikers' Truce

The strike of the London road haulage workers, and of the market workers, dockers and provincial haulage men who came out in sympathy, was brought to an abrupt end at the end of last week, when, after a further meeting with the Transport Workers' Union officials, the strikers agreed to return. But even if the men are back at work, the atmosphere is still electric, and the position is one of truce, rather than of peace. It was officially denied that the men had returned because they had been told of an offer by the employers. No doubt this is literally the case, but it is difficult to resist the impression, which rapidly gained currency, that after their stubborn refusal to return on Wednesday and the evidence that tempers were exacerbated by the use of troops, the strikers would not have surrendered in such a lamb-like way on Thursday, unless they had at any rate been given to understand that their claims would be favourably considered. The newly-

formed Joint Industrial Council, after meeting for several hours on Sunday, failed to reach agreement, and the whole dispute was referred by Mr Isaacs to a special Committee of Inquiry, under the chairmanship of Lord Terrington. The Committee's findings were published too late for comment in this issue.

Even if this particular issue can be satisfactorily settled, there remains the wider question of how similar outbreaks can be prevented in the future. The Prime Minister was asked in Parliament on Tuesday by one Member whether he would appoint a select committee to examine the negotiating machinery, and by another to set up a Royal Commission to investigate trade union structure and organisation with a view to removing any defects in the negotiating machinery. The second suggestion, involving all the paraphernalia of a Royal Commission, would obviously lead nowhere, but the first certainly merits consideration. Indeed, although Mr Attlee said that the prompt and effective settlement of industrial disputes was a matter for each industry to decide, he admitted that the Government was "examining the adequacy of the existing arrangements." This is certainly an advance on the previous Pontius Pilate attitude which the Government has tended to adopt on industrial relations generally, and still clings to in relation to a wages policy. The fact that the Minister of Labour has discussed with the TUC leaders how the machinery can be speeded up is a hopeful sign of official activity.

The Trade Union Underdog

The rebuke administered last week to Sir Stafford Cripps by the Bristol Trades Council has its comic side. Sir Stafford, addressing his constituents on October 27, 1946, was reported to have cast aspersions on the ability of Trade Union members to undertake large-scale managerial and administrative jobs. After the Press had been accused of misrepresentation (always a good first move) he was asked to explain what he really did say. In a letter of reply he pointed out, all over again, the obvious facts that whatever a man's innate qualities or success in his own sphere, they do not qualify him for complex activities of a kind for which he is totally untrained; that the Trade Union movement has not, in the nature of things, been able in the past to provide for its members training of the necessary kind; that he himself had had the utmost difficulty in finding enough Trade Union members of the right calibre for his working parties; and that workers' participation in problems of production and management would have to grow gradually, as training and experience made the right men available. The Bristol Trades Council, describing Sir Stafford's letter variously as "an insult" and "apple-sauce," declined to accept it—a refusal raising interesting procedural queries. Did they return it to the sender, put it in the wastepaper basket, or relegate it to some special black-labelled file?

Comedy apart, however, the episode is frankly discreditable to the good sense and realism of the Trade Union movement, which needs both in full measure. No trade unionist would expect or allow a greaser, however superlatively he might grease, to drive the Flying Scotsman. The notion that business administration and policy-framing are infinitely easier than any skilled craft, so much easier that they can safely be handed over to any amateurish commissar who can produce a suitable trade union card, shows either an appalling ignorance of the economic world or a degree of pure unreason more appalling still. Unreason of this kind is one of the hallmarks of the underdog mentality, along with suspicion, a habit of imputing motives, and an ineffaceable sense of grievance. Such symptoms are not confined to Bristol. That they should so long have darkened trade union relations is, considering their history, hardly surprising; but for the sake both of the trade union movement and of the national welfare it is high time that they were outgrown.

Tariff Preliminaries

Preparations for the Geneva negotiations on tariffs and preferences are now in full swing. The representatives of the 17 nations which attended the preparatory committee's meeting in London last November will meet at Geneva on April 8th to begin the hard process of reciprocal tariff negotiations. Some of the preliminaries have to be completed within individual countries. Such, for example, are the public hearings on the schedule of United States tariffs, which are now proceeding in Washington. In these hearings the strident and divergent voices of vested interests are making themselves heard in unmistakable tones. That was to be expected. The one man who will be hurt by a tariff cut will create far more

noise than the thousand who may benefit. Of comparable domestic character are the preliminary talks which the Commonwealth countries will probably hold before the Geneva meeting opens. There were such inter-family talks before the London meeting of the preparatory committee, and they bore good fruit. Similar exchanges of views between the members of the Commonwealth family will be all the more important before the actual bargaining begins. Some of the Western European countries have also been discussing the methods of negotiating tariff concessions. If each country is separately to conduct concurrent negotiations with each of the other 16 participants and the resultant agreements are then to be "multilateralised" by the application of the most-favoured-nation clause, the Geneva negotiations may well outlast the present year. The whole process might be considerably simplified by grouping certain countries in negotiations with the really crucial participants.

In addition to these "domestic" preliminaries, the various participants in the tariff talks have been putting forward requests of what they will expect from each of the others. The United States appears to have taken the lead in this as in other aspects of the trade discussions and the requests to the Commonwealth countries are said to envisage a complete elimination of Empire preferences. Comment on this must be reserved until more is known of the concessions which the United States are prepared to offer, but it may be that even the full utilisation of the executive power to cut US tariffs by 50 per cent might be insufficient to justify the response of a complete elimination of Empire preferences.

Another item on the time-table is the preparation of the definitive charter. This is being undertaken by a drafting committee which began its labours in New York this week. The ITO time-table is beginning to lengthen out unpromisingly into the "close season" of the conventions that will nominate the candidates for the United States presidential elections of 1948. There is now little hope of calling the full United Nations Conference for implementing the ITO's charter until the late autumn of 1947 and the preparation and submission of the relevant legislation to the US Congress will have to be undertaken with great speed if the whole matter is not to be overtaken and swamped by the far more engrossing topic of the political conventions of the summer of next year. In view of this it may appear advisable to the nations to conclude an interim agreement on commercial policy which might, as a stop-gap, freeze existing arrangements.

More Production in Germany

Whatever other delusions still persist about the advisability and practicability of the Potsdam settlement, one at least is fast disappearing from the victors' minds. The Level of Industry Plan is virtually dead and the occupying Powers are concentrating more and more on the problem not of curtailing German production but of bringing it up to a level at which the Germans can at least live.

The latest news from the Zones is not uniformly discouraging. In spite of the inhuman conditions in the British Zone, coal output is rising again and has reached a new high level at 210,000 tons a day. This increase appears to have been secured by at last making coal the real first priority in the Zone. Since last autumn, a special coal committee has been at work and by decreeing a rise in wages and rations, the rapid repair of miners' houses, the import of Nissen huts and the rectification of a number of the miners' grievances, it has succeeded in stimulating production. Incentives may be still further increased when more consumer goods are made available to the miners under a special priority scheme which has been made possible by a modest but definite increase in the Zone's general level of production.

Among other hopeful signs from the Zone is the appointment of Dr Victor Agartz to the head of the Joint German Economic Agency in charge of the British and the American Zones. As a socialist he represents the trend of German opinion which is anxious to achieve the widest measure of economic fusion, and he replaces Dr Mueller, who was held by many to be sympathetic to the economic separatism of the Southern Linder. Dr Agartz also proved himself an efficient planner and honest administrator in his earlier post as head of the old German Economic Advisory Board for the British Zone. Since Germans are now to control all economic activities, including even the internal allocation of coal, the appointment of a man of Dr Agartz's experience and outlook may make all the difference to the possibility of organising a genuine production drive in the Western Zones.

The Russians, too, seem perturbed by the impact of their economic policy on their Zone. Last week they were partners in an interzonal trade conference at Minden which ended in an

Peace Treaty and the Council have been assured that the interests of the bondholders will be properly protected." Conditions are very different to-day. Indeed, the Council frankly state that no marked progress can be recorded towards a resumption of payments by any enemy debtors; and they underline the obvious fact that the resumption of payments would in any case depend, particularly during the next few years, on an agreed Allied policy "which cannot at present be discerned." Meanwhile, they do not pretend to be satisfied with the present indications of policy so far as these affect bondholders' claims.

Some progress, nevertheless, has been made during the last year. It is true that enemy debts represent more than half of the total of nearly £500 million of foreign issues which are in complete default, and more than half of the remainder is owned by countries, including China and Greece, which have suffered severely from the ravages of war. But the European settlements—with Czechoslovakia, Denmark and certain Norwegian municipal borrowers—have at any rate been encouraging. Salvador has ended a default which had persisted since 1937; and Siam has undertaken to pay off arrears and resume current service on the external sterling debt, though this undertaking is at present held up because the Government are retaining the necessary funds until agreement is reached with the Siamese Government on other issues.

The Report refers to correspondence which the Council has been conducting with the International Bank for Reconstruction and Development. The Council, very properly, have expressed their hope that the Bank, when it is considering applications for assistance from countries which are at present in default on their external debts, will require assurance that these debtors are taking all possible steps to resume payments on their existing obligations in negotiations with the bondholders' representatives. This is a general principle which is clearly reasonable. The Report lends particular point to the principle by noting that the Council, on hearing that the Chilean Government proposed to apply to the International Bank for assistance, took steps to remind the Bank of the unredressed grievances of the holders of Chilean external bonds.

Anglo-Danish Food Contracts

The Anglo-Danish food talks have ended, but there has still been no announcement of the decisions taken. It appears, however, that agreement has been reached about additional supplies of butter, bacon and eggs from Denmark, and that the United Kingdom has been forced to meet the Danes by paying higher prices. Publication of the agreement will no doubt be delayed until the Danish delegation has reported to its Government.

Before the war a very high proportion of Denmark's exports of butter, eggs, preserved milk and bacon found their way to the British market. The restoration of these supplies has been affected by two factors: the condition of Danish dairy farming and the question of prices. German occupation did not leave the Danish cattle population in such a ravaged condition as was at first expected. The total number of dairy cows in 1946 was 1,567,000, compared with 1,613,000 in 1939; but milk production declined more than proportionately owing to the lack of imported oil cake and meal.

Under the long-term contract signed last summer, the United Kingdom was to purchase 43,000 tons of butter plus 90 per cent of the exportable surplus over 77,000 tons. Danish exports in 1946 amounted to 76,500 tons, or 50 per cent of the pre-war level, whilst production totalled some 138,000 tons, or 77 per cent of the 1935-39 average. This discrepancy was due to the Danes consuming butter instead of margarine during the war. If, therefore, larger butter exports are required, it will be necessary to make available to Denmark sufficient oils to enable its margarine production to be increased. Denmark's other markets before the war were Germany and, to a much smaller extent, France and Belgium. Although future exports to Germany will be restricted, there will undoubtedly be increased shipments to other European countries, and possibly even to the USSR. The Danish fowl and pig populations are about 55 per cent of the pre-war level. It should be possible to expand production of both eggs and bacon considerably within a relatively short time, so that increased supplies could be exported.

The question of prices is indeed difficult. The United Kingdom has to consider not only the desirability of keeping food subsidies as low as possible but also the practical limits of paying Denmark higher prices than the Dominion producers receive for similar commodities. The Danish case is that if agricultural production

is to be increased the farmer must be given a fair return for his produce. The Ministry of Food contract price of 220s. per cwt. for Danish butter is said to be less than 90 per cent of an economic price based on production costs; accordingly the Danish Government is paying an equivalent subsidy to the farmers. But the British contract price for Dominion butter is 175s. per cwt.

The obstacles in the present talks proved not to be insuperable. The Danish Government, expecting a trade deficit for 1946 of about 1,160 million kr. (or £60 million) must either increase Danish exports or reduce imports. If Denmark's exportable surplus of dairy produce is to be increased, however, it may well mean that the United Kingdom may be called upon to help in supplying oils for margarine production or concentrated cattle foods or both.

Welfare in the Brickworks

It is regrettable and perplexing that the report of Sir Wilfrid Garrett's committee on amenities in the brick industry—which was appointed nearly a year ago and completed its work last August—should have taken six months to make its appearance. No time should now be lost in giving effect to its recommendations for modernisation and improvement, so that the industry as a whole can be brought up to the standards which have long been accepted by other industries. Modern brickworks, where production is on a large-scale, are highly efficient and provide good amenities for their workers. But large-scale units, despite the trend of recent years, are still not typical of the industry. Of a total number of 1,358 works, over 1,000 employ fewer than 50 men, and 450 of these employ fewer than 20.

In these small and usually isolated works, conditions are often deplorable, and methods of production antiquated. Elementary washing and sanitary requirements, which ought to be taken for granted in the 20th century, are often lacking; in fact, in many respects, this essential industry seems to have been by-passed both by the Factories' Act and by Mr Bevin's wartime legislation. It is not surprising that ex-brick workers have not been anxious to return to an occupation which is both arduous and uncongenial.

The committee makes a number of recommendations both for increased mechanisation, which would lead to greater production, and for improved amenities, which would encourage recruitment. They are surely particularly applicable to conditions in small rural brickfields. Increased mechanisation is urged for extracting the raw clay and transporting it to the kilns; more modern methods of floor-drying, covered tops for semi-continuous and continuous kilns, and covered ways from the presses to the kiln mouths are needed. Among the welfare recommendations are: modern sanitation; installation of wash-basins and showers; shelter huts with facilities for drying clothes; issue of protective clothing; provision for first aid; canteens in works with more than 50 workers and proper messrooms in works employing fewer than that number.

The committee was precluded from discussing wages and terms of employment—though they have a direct bearing on output and recruitment—nor did they consider in detail the question of incentives to encourage higher production. Presumably, the special committee which has been investigating technical efficiency will report on this point. It may also be relevant to consider whether it would promote efficiency to reduce the present number of small local works and to concentrate production on the most efficient units. The answer to this question is not simple, for concentration would involve increased transport costs, and dislocation of labour forces and local building operations. Yet some measure of concentration seems desirable if labour is to be utilised economically and backward sections of the industry are to be properly re-equipped.

Hours and Wages in 1946

The January issue of the *Ministry of Labour Gazette* contains a full statistical analysis of employment, remuneration, hours, and working conditions during 1946. Details are given in the *Records and Statistics* supplement to this issue. The most interesting section of this review deals with wages and hours. By the end of December, the level of weekly wage rates was about 65 per cent above that of September, 1939, and 8 per cent higher than at the end of 1945. Hourly wage rates increased by slightly more, being 68 to 69 per cent higher than in September, 1939, and 10 per cent higher than in December, 1945. The weekly increases in wage rates represented nearly £2.8 million and affected 7,850,000 people. The industries principally involved in these

(Continued on page 263)

LLOYDS BANK

LIMITED

Head Office: 71 Lombard Street, London, E.C.3



Statement of Accounts

31st December, 1946

LIABILITIES		£
Paid-up Capital	...	15,810,252
Reserve Fund	...	11,500,000
Current, Deposit, and other Accounts	...	1,013,925,590
Acceptances	...	613,989
Endorsements, Guarantees, and other Obligations	...	36,699,472
ASSETS		
Cash, in hand, with Bank of England and Reserve Bank of India	...	93,205,404
Balances with and Cheques on other Banks in the British Isles	...	44,574,291
Money at Call and Short Notice	...	64,339,500
Balances with Banks abroad	...	3,519,097
Bills Discounted	...	118,066,348
Treasury Deposit Receipts	...	274,000,000
Investments at or under Market Value	...	273,788,346
Investments in Subsidiary and Auxiliary Companies:		
The National Bank of Scotland Limited	...	3,319,423
Lloyds & National Provincial Foreign Bank Limited	...	600,000
Indian Premises Company Limited	...	54,502
Loans and Advances	...	142,645,111
Other Assets and Accounts	...	16,263,312
Bank Premises	...	6,858,508
Liabilities of Customers for Acceptances, &c.	...	37,313,461



THE NATIONAL BANK

LIMITED

MEMBER OF THE LONDON BANKERS' CLEARING HOUSE

CAPITAL SUBSCRIBED	...	£7,500,000
CAPITAL PAID-UP	...	£1,500,000
RESERVE FUND	...	£1,250,000
DEPOSITS (31-12-46)	...	£67,394,000

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SPECIAL DEPARTMENTS FOR FOREIGN
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AGENTS AND CORRESPONDENTS ALL OVER THE WORLD

THE CLYDESDALE BANK LIMITED.

BALANCE SHEET, 31st DECEMBER, 1946.

LIABILITIES.		
AUTHORISED CAPITAL—		
100,000 Shares of £50 each	...	£5,000,000
35,000 Shares of £10 each	...	350,000
		£5,350,000
RESERVED SURPLUS FUND.		
DIVIDEND payable February and August, 1947, less Income Tax thereon	...	114,409
BALANCE OF PROFIT carried to 1947	...	111,945
		£226,354
CURRENT, DEPOSIT and other ACCOUNTS, including provision for Contingencies		
ACCEPTANCES AND ENGAGEMENTS on account of Customers	...	84,890,053
NOTES IN CIRCULATION	...	1,788,220
		£86,678,273
ASSETS.		
COIN, BANK OF ENGLAND NOTES, NOTES of other Banks, and Balances with the Bank of England	...	£9,830,187
BALANCES with, and CHEQUES in course of Collection on, other Banks in the British Isles	...	12,444,573
MONEY at Call and Short Notice in London	...	5,855,600
BILLS Discounted	...	7,131
TREASURY DEPOSIT RECEIPTS	...	11,000,000
BRITISH GOVERNMENT SECURITIES	...	£39,410,111
COLONIAL GOVERNMENT SECURITIES, BRITISH CORPORATION STOCKS, and BRITISH RAILWAY DEBENTURE STOCKS	...	4,114,344
Other Investments	...	2,014,855
		45,539,310
ADVANCES to Customers and Other Accounts, less provision for doubtful debts	...	11,575,319
BANK BUILDINGS (including London Freehold Property) at cost, less amount written off	...	288,028
HERITABLE PROPERTY yielding Rent, at cost, less amount written off	...	210,000
LIABILITY of Customers for Acceptances and Engagements per contra	...	1,788,220
INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED—		
100 Shares of £1,000 each, £100 paid	...	10,000
		£98,557,366
PROFIT AND LOSS ACCOUNT.		
By Balance at 31st December, 1945		£105,533
Net Profit for 1946, after making an appropriation to Contingent Fund out of which full provision has been made for all Bad and Doubtful Debts. (The total of Directors' Fees and Allowances paid is £8,562.)		354,412
		£459,945
To Dividend at 16 per cent. and Income Tax thereon		£208,000
Staff Widows' Fund	...	20,000
Deferred Repairs Account	...	20,000
Superannuation and Allowances Fund	...	50,000
Reserved Surplus Fund	...	50,000
Balance to 1947	...	111,945
		£459,945

J. J. CAMPBELL, General Manager.

AUDITORS' CERTIFICATE AND REPORT.

We have to report to the Shareholders that we have examined the Books and Accounts of THE CLYDESDALE BANK LIMITED, at 31st December, 1946, and that we have also examined the Securities representing the Investments of the Bank, and the Treasury Deposit Receipts, and have verified the Balances with the Bank of England and the Bills Discounted and Cash Balances in Glasgow (Head Office), in London (City Office), and in Edinburgh (Chief Office). We have obtained all the information and explanations we have required, and, in our opinion, the foregoing Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books of the Bank.

W. M. MILLER, C.A., Auditor.
R. G. SIMPSON, C.A., Auditor.

8th January, 1947.

agreement to expand the exchanges between the zones considerably. The Russian Zone is to receive goods and materials to the value of 105 million marks and to deliver goods of equivalent value to the British-American area.

That the Russians may be anxious to improve standards in their zone is also suggested by a recent statement on Russian policy issued through the Socialist Unity Party. This statement, which, broadly speaking, repeated an earlier private declaration made by Marshal Sokolousky to his German administration, laid it down that the Russians would dismantle no more factories (with a few vital exceptions), would reduce deliveries to Russia from current German production and would raise the level of output in the Zone "two or three times."

Can it therefore be concluded that there is a general movement of thought and policy among the Allies in the direction of higher output and an agreed higher level of industry? Unhappily this possibility does not necessarily follow from the recent moves. For one thing, no concrete statistical backing was given to the Russian statement. Its true significance can therefore only be guessed at, and it is a reasonable guess that the Russians have political, not economic, ends in view. The statement aims at reassuring the German people and also at disparaging Anglo-American policy. For instance, in a speech accompanying the statement, the Communist leader, Ulbricht, accused the British of taking Ruhr coal not as genuine exports nor even as reparations but as sheer "war booty."

It is this propagandist twist to the Russian declaration that makes it a doubtful pointer towards a new Allied unity on the question of German production and the level of industry. The victors may reach agreement later in Moscow, but their policies in Germany itself are still separate and confused.

M. Bierut and the British Council

An article by a correspondent on the Polish elections appears on page 148 of *The Economist* this week. Not directly connected with the elections, but very interesting as a minor episode in Anglo-Polish relations, was the recent occupation of the premises of the British Council in Warsaw by armed Security Police sent under the direct orders of M. Bierut, the President of the Polish Republic, to requisition the building for the Polish Conservatory of Music. The incident had a fine dramatic quality. It is well known that the branches of the British Council in freedom-loving countries are nests of reaction, well stocked with arms and explosives and defended by desperate men recruited from among ex-commandos. A less stout-hearted man than President Bierut might well have hesitated to attempt the seizure of such a stronghold without strong support from tanks and artillery, but his forces carried out this hazardous venture with no weapons more powerful than sub-machine-guns. The British garrison, confronted with the moral force of an Eastern democracy, offered no resistance, and its alleged attempt to corrupt the minds of the policemen with British Council literature does not seem to have deflected the new Poland from its way and purpose.

The affair displayed M. Bierut on the eve of the election in the attractive rôle of a Polish patriot with a care for the national culture. It is perhaps not ungenerous to suggest that on his record he was rather in need of some such advertisement for the strength of his patriotic sentiments. For his past career has not been free from a certain ambiguity of allegiance which causes some Poles to raise their eyebrows. Bierut, like Dzerzhinsky and Menzhinsky, was one of the Poles who took part in the Russian Revolution. In 1923 he came from Russia to Poland as an organiser of the Polish Communist underground movement, but soon had to flee from the country and spent several years in Austria and Czechoslovakia. Returning to Poland in 1932 with a Soviet passport, he was arrested and sentenced to a long term of imprisonment, but, claiming Soviet citizenship, he was exchanged for a Polish political prisoner held in the Soviet Union. Subsequently he held an important post in the NKVD, the Soviet political police, and when the Soviet Union annexed the eastern half of Poland by agreement with Germany in 1939, Bierut not only approved the annexation of the eastern provinces and the extinction of the Polish State then proclaimed by Russia, but also took an active part in the killings and deportations designed to crush all resistance to the Ribbentrop-Molotov partition. There are Poles who infer from this record that he is not single-hearted in his devotion to his own country—and how can he better disarm such suspicions than by bold action to check the menace of the British Council to Polish independence?

Malta's Constitution

How can a politically advanced people like the Maltese be given responsible government when their territory is of such importance to the defence of the British Empire? This question was asked after the first World War. It has been asked again in the last few years, ever since the siege of Malta was lifted. On each occasion the same answer was given. Government in Malta must be a dyarchy; the Maltese should be given full responsibility for their purely local affairs, but to the Maltese Imperial Government should be reserved all matters arising out of the position of Malta as a strategic centre. Clearly this sort of rule is always open to the danger of a clash between the two sides, and when a clash comes someone has to be top dog in order that law and order can be preserved. Thus, in 1930, the power given under Section 68 of the Constitution was stretched to enable the Maltese Imperial Government, through the Governor, to have unlimited authority in Maltese affairs.

It is clear from the account of Sir Harold MacMichael's discussions with the Maltese given in his report (Colonial No. 207) that this method of suspending the constitution has rankled. The Maltese would consequently prefer that any amendment or suspension, as well as revocation, of the new constitution now offered to them should take place only by Act of Parliament. To this the British Government cannot agree. Power for the Governor to exercise full legislative authority in an emergency is to be retained, although it remains for the Maltese to decide what legislative form they would prefer this power to be given.

Is this new dyarchy, in which ultimate power is again retained by the Imperial Government, any more likely to succeed than its predecessor, which so rapidly came to grief? There are several reasons for an optimistic view. First, in its statement of policy on constitutional reform (Cmd. 7014), the Colonial Office has made it clear that on some points—for instance, the appointment of judges—it is willing to defer to the wishes of the Maltese. Secondly, the Nationalist party, based on a pro-Italian faction, disappeared with the war, and there is a chance of more straightforward political splits between Conservatism (the Constitutional Party) and Labour. Thirdly, and perhaps most important, the language question has been settled by the recognition of Maltese as an official language with English. Fourthly, it is possible that the strategic importance of Malta will diminish, which will enable the Imperial Government to view with greater equanimity the islanders' attempts to work out their own destiny. Fifthly, the Maltese wish to remain within the Empire. But it should be emphasised that a people's chances of making a success of responsible government are gravely hampered so long as it suffers from the poverty that prevails in Malta. The grant of a new constitution must be accompanied by vigorous measures to raise the standard of living of the Maltese if they are to live up to the responsibilities it will give them.

Foreign Labour for Britain?

The miners' decision to accept Polish labour for the pits represents a welcome change of attitude after their previous intractability, although it comes too late to make any practical difference to the coal situation this winter. In any case, the numbers involved are very small. It is estimated that not more than 170 Poles are available for immediate work in the mines, with the prospect of a further 226 later. But the effective number could be increased by training and by using foreign unskilled labour on surface and development work, thus releasing other miners for productive work. Three conditions have been laid down by the National Union of Mineworkers—the local branch or lodge must agree; the Poles must join the union; and they must be the first to be discharged if there is any redundancy. It remains to be seen whether local opposition, based either on prejudice or on practical housing difficulties, will present a further barrier, now that the major obstacle of the Union's objections has been overcome.

In the meantime, negotiations for the absorption of Poles in other industries and in agriculture are proceeding, although very slowly. Of the 76,000 Poles who have been declared eligible for the Resettlement Corps, 45,380 have been definitely enrolled, but by the beginning of this month, jobs had been found for only 1,750. The Poles are working on a dispersed basis in a wide variety of industries, and not necessarily in those industries which are most short of labour. From the somewhat partial records that are available, it appears that the greatest number of Poles in any single industry is in building, with 178. There do not appear to be any in foundries or in textiles, while there

are only 18 in brick-making and 27 in farming and forestry. Yet, as nearly half the total number of men in the Resettlement Corps are under 30 years of age, there seems no reason, once the principle has been accepted, why they should not be rapidly absorbed in the mines, farms and foundries.

At the present moment, in addition to these Poles, there are a few thousand Belgians and about one thousand Baltic Displaced Persons doing domestic work in hospitals and institutions, while the scheme to bring 2,800 Italians to work in the iron foundries is making slow headway. German prisoners, of whom there are 255,000 working for different Government departments, are leaving at the rate of 15,000 a month, and although at this rate their departure will be a long process, the deficit will have to be filled somehow.

Conflicting Claims for Emigrants

The restatement of the nation's manpower difficulties given in this week's White Paper gives an added point to the warning of the British High Commissioner to the Ministers of States in Australia that Great Britain cannot afford to release only her highly trained specialists from essential industries, and that the Dominions must be prepared to take a fair cross section of the population. The High Commissioner also added that there are a large number of Poles unwilling to return to their own country, for whom opportunities for emigration are required.

Such a statement was needed, for the other Dominions are also looking for trained operatives, particularly for the building trades, and wish to draw on just those reserves of skill which are in shortest supply here. It is tragic that in this fierce competition for British men there appears to be no sign of a broader approach to the question of foreign labour. It is always British stock which is demanded, and apparently neither the existence of unemployed men of other nations, nor the miserable conditions under which they are living have served to budge the Dominions' attitude. Yet moved it must be, for if full employment is maintained, even a modest stream of skilled emigrants could be highly embarrassing to Great Britain. There is no justification for interfering with the liberty of individuals to emigrate as they wish, but there is a case for re-emphasising that the burden of peopling the Dominions should be more equally shared, and that Dominion Governments should concentrate more attention on other sources of supply. The Poles are the most obvious one: but it would be easier to push for their acceptance elsewhere, if the British trade unions had been more willing to accept them here.

At present an even more effective check to movements of population is the shipping shortage. Instead of a programme of 35,000 immigrants for this year Australia expects that only 6,000 immigrants will find shipping to take them. It is therefore perhaps premature to be worried about severe losses of manpower from Great Britain. On the other hand it will take a long time to persuade the Dominions to alter their attitude.

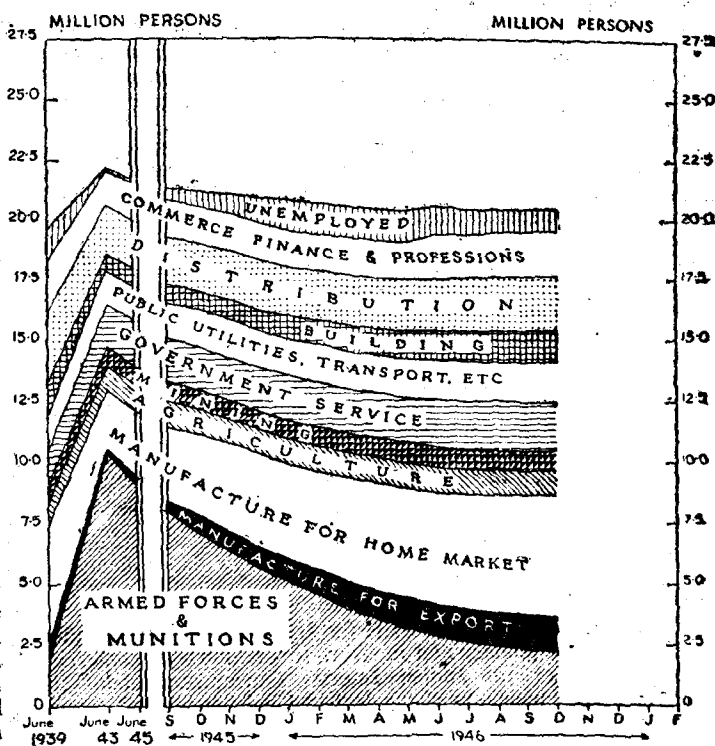
Manpower in November

The Ministry of Labour's employment figures for November, 1946, show little change in the trends which have been developing throughout the year, and which are illustrated in the accompanying chart.

The general significance of the manpower situation is the subject of comment in an article on page 129 and details of the employment and unemployment figures are given in the *Records and Statistics Supplement*. Some encouraging features of the returns are, first, the increase in November of 23,000 in the numbers of women employed in industry, bringing their total up to 5.6 million; secondly, the continued reduction in the numbers engaged on the manufacture of equipment and supplies for the Services, now down to 474,000 or 37 per cent of the 1939 figure; thirdly, the increase in the numbers engaged on production for the home market and exports, which stood in November, 1946, at 111 per cent and 145 per cent respectively above the mid-1939 level. Building is still 5 per cent below its prewar labour strength, and distribution 20 per cent.

The slight drop in the unemployment total is also satisfactory—the figure on December 9th being 362,976 compared with 366,531 on November 11th. Slight decreases in the "danger zones" of Wales, and the North are reported, although there was an increase of less than 1,000 in the Scottish total. However, the proportion of unemployed to the insured population of these regions (7½ per cent for Wales, 5 per cent for the Northern and 5 per cent for the Scottish regions) is high in relation to

the national average of 2½ per cent. It is too early to expect the Government's schemes for the Development Areas to be taking full effect, but unless there is a substantial drop in their unem-



ployment totals by the middle of this year, when the major part of the building programme should be complete, there will be a certain amount of scepticism about the idea of Full Employment.

Demand for Juveniles

Before the war competition to enter the civil service was so acute that the authorities never had to worry their heads about recruitment except as an *embarras de richesse*: the problem of the recruit who was too good for a routine job was much more acute than any shortages. Now the boot is on the other foot, and the difficulties have been so severe that the Government's Social Survey was set the task of finding out why people did not now want to enter the civil service.

The results of the survey, which have just been published, are interesting but also inconclusive. Unfortunately the questions asked were necessarily matters of opinion, and are susceptible of very different interpretation by different individuals: in addition a very high proportion of the people, when asked what they thought about the civil service, inevitably knew too little about it to answer. For instance, 44 per cent of those questioned had no opinion about whether pay in the civil service was satisfactory.

Careers	Schoolchildren		Parents
	Prefer	Expect	Expect
Civil Service (Home)	8	7	7
Civil Service (Foreign and Colonial)	3	2	1
Teaching	24	23	23
Engineering	7	6	7
Forces and Civil Aviation	4	4	2
Other Professions	33	26	25
Business	4	3	3
Clerical Work (not C.S.)	5	5	7
Unspecified Job Overseas	1	...	...
Miscellaneous	2	1	1
Don't Know	9	22	26
Sample	971	971	718

It is thus not possible to lay great stress on the replies. Some of the opinions revealed are, however, of general interest outside the service. Roughly 1,000 school children in the school certificate and post-certificate forms of secondary schools and their parents were asked to say what careers they wished and expected to follow. The answers are shown above.

This table throws up the immense popularity of teaching at the

COMPANY MEETINGS

THE CLYDESDALE BANK LIMITED

RECORD FIGURES

SIR HAROLD YARROW ON THE OUTLOOK

The 109th general meeting of the Clydesdale Bank Limited was held at the head office, Glasgow, on the 5th instant.

Sir Harold E. Yarrow, Bt., C.B.E., the chairman, in the course of his speech said:

Our Balance Sheet totals are now £98,557,366, and constitute an easy record in the history of the Bank. The large increase is attributable mainly to the unprecedented rise of £15,643,589, in Current, Deposit and other Accounts with Credit Balances, which now stand at £84,880,053. This rise is a reflex of Bank Deposits in general, and our figures disclose that we have participated in no small measure. There would appear to be a marked tendency on the part of the public to retain a larger proportion of their resources in the form of Bank Deposits rather than accept the meagre return now obtainable on investments and run the risk of capital loss.

Our Acceptances and Engagements on account of customers, at £1,788,220, show a welcome expansion of over £800,000. The Note Circulation of the Bank has increased during the year by £889,204, and now stands at the record but the rather disturbing figure of £8,162,748, which compares with the pre-war total of £3,013,187.

EXTREME LIQUIDITY

A position of extreme liquidity is disclosed. Cash, balances with the Bank of England and other banks, cheques in course of collection, and money at call and short notice total £28,130,360, while in addition we hold £11,000,000 of Treasury deposit receipts with an average maturity date of three months. These liquid resources, amounting in all to over £39,000,000, represent about 42 per cent. of our deposits and notes in circulation. Our investments, at £45,539,310, record a moderate rise on the year of £2,114,053, and due to the substantial appreciation in Gilt-edged Securities, the market value is considerably in excess of the figure at which they appear in the balance sheet.

Advances to customers show an increase this year of £1,168,725, and while we should prefer to see this item standing at a much higher level, it is satisfactory to note the upward movement. Our resources place us in a favourable position to meet the demands of expanding industry, and no applications for advances which are at all reasonable will be declined.

DIVIDEND OF 16 PER CENT.

The profit for the year amounts to £354,412, and shows an increase as compared with the previous year of £11,384, which I am sure you will regard as satisfactory. Adding to the profit the balance of £105,533 carried forward from 1945, there is a total of £459,945, and the Directors recommend the following appropriations, viz.: in payment of a dividend of 16 per cent. per annum, £208,000; to Staff Widows' Fund, £20,000; to Deferred Repairs Account, £20,000; to Superannuation and Allowances Fund, £50,000; to Reserve Surplus Fund, £50,000; leaving £111,945 to be carried forward to 1947. The proposed allocation of £20,000 to the Staff Widows' Fund is, of course, in addition to the annual contribution of £9,000 presently made by the Bank.

NEED FOR INCREASED PRODUCTION

That the country is enjoying full employment at the present time is reflected in the volume of business undertaken by the Bank last year, but it is necessary to keep in mind that, due to the present world shortage of goods, we are operating in a seller's market. This state of affairs will come to an end

sooner or later, perhaps sooner than we like to believe, and we shall then be faced with serious competition from abroad. Many countries, which hitherto have been ready purchasers of our goods, will in the years ahead manufacture all they can in their own countries. Customers of yesterday will be competitors tomorrow.

Only by increasing production per head of the population, in spite of the shorter working week now general in so many industries, by enjoying a freedom from labour disputes and by maintaining the most modern and up-to-date plant in our various industries, will it be possible for us to hold our own in world trade? At the present time, when there is plenty of work for everyone, it is easy to forget that less happy conditions can exist, but there can be no doubt that as soon as the abnormal demand for goods has been satisfied, we shall be confronted with some very grave problems.

At home, the Government's policy of nationalisation is bound to affect our future prospects one way or the other. It has yet to be proved that the nation will enjoy better services without increase in cost, or the same services at a lower cost, for this will be the test as to whether this far-reaching change in administration is in the national interest.

Apart altogether from the merits or demerits of nationalisation, how is Scotland likely to be affected? In past years we have seen that administration from London has operated in many instances to the disadvantage of Scotland, and with the extension of control it seems probable that our position will be still further adversely affected. Although regional boards will be set up in different parts of the country, virtual control will continue to be administered from London.

VITAL EXPORT TRADE

It may be thought that in drawing attention to the dangers ahead I am taking a somewhat gloomy view of our future prospects, but it serves no good purpose to shut our eyes to economic facts and to live, as I think many of us are doing at the present time, under a false sense of security. The skill and enterprise of our people are well known, and we enjoy a good name throughout the world for giving a straight deal in our business transactions, but these advantages are not enough unless we can produce more goods at reasonable prices, thus increasing our vital export trade and securing for the future our share of overseas markets. This can be achieved only if everyone is prepared to work, and to work with a will.

The Clydesdale Bank, as well as the other Scottish Banks, will certainly do their utmost to promote industrial development and agriculture in Scotland, and will co-operate with any organisation, whether it is nationalised or otherwise, to support any scheme which will be to the benefit of the country.

HELP FOR SMALL TRADERS

I am glad to say that this Bank has given financial assistance to a large number of small traders, involving somewhat greater risk than banking prudence normally dictates. The Board feel that every possible encouragement should be given to them to resume business or embark on new enterprises.

So far as agriculture is concerned, we have a large number of farmers' accounts, and we value this connection very highly and do all we can to assist farmers in their present drive to increase the food supplies of this country, so vital at the present time.

The report was adopted.

LAW DEBENTURE CORPORATION, LIMITED

INCREASED REVENUE

The fifty-seventh ordinary general meeting of the Law Debenture Corporation, Limited, was held on the 31st ultimo, at Winchester House, Old Broad Street, London, E.C.

Mr Robert R. J. Turner, O.B.E., a director of the company, who presided, said:—My colleagues have appointed me acting chairman of the corporation in the absence of Lord Greenwood, who has recently sailed on a business mission to South Africa, and before he left he asked me to convey to you his apologies and regret at being unable to address you today when the accounts are submitted for the first time since our capital reorganisation scheme became effective from January 1, 1946.

14 PER CENT. ON HIGHER CAPITAL

Before calling your attention to the changes necessitated by that scheme, I will refer to the accounts for the past year, for which we are proposing again to pay a total dividend of 14 per cent. but on the increased Ordinary share capital.

The balance sheet and the profit and loss account figures for the year 1945 are printed in italics, but have been adjusted to enable comparison to be made with those for 1946, now under review.

Taking first the profit and loss account, interest and dividends at £80,327 gross are higher by £11,325 than in 1945.

This large increase—over 16 per cent.—is accounted for under three heads; first, as to £6,500 earned on the securities held at December 31, 1945, in the Ordinary Shareholders Dividend Fund, which under the capital scheme are now merged with the investments of the corporation; secondly, as to £3,300 arrears of interest accrued during the war years on 14 separate securities in our portfolio, and lastly, as to £1,500 from additional investment interest earned in 1946.

The next item—Commissions and Fees, £4,322—an increase of £1,582 over 1945—is a satisfactory indication of our participation in the expansion of business which has been so marked a feature of the past year.

Fees as trustees, £40,550, are £989 higher than the previous year, due to receipt of arrears of fees from companies which, during the war, were unable to remit the amounts owing.

PROFIT ON REALISATIONS

Profit on realisation of securities is £5,362. This compares with a loss of £2,178 in 1945. To some extent this substantial profit has arisen from the redemption of securities in respect of which provision for depreciation in former years had been made out of profits of those years.

With a small addition for transfer fees the total of £130,607 on the credit side of profit and loss account compares with £111,331, or £19,276 more than 1945.

Now let me refer briefly to our capital reorganisation scheme, which was sanctioned in the early part of last year. Upon the passing of the resolutions the directors were authorised to capitalise £148,000 of the general reserve fund and to allot that amount in the form of Ordinary shares to the holders of the Founders' shares.

The latter shares were at the same time converted into 2,000 Ordinary shares of £1 each fully paid, making a total addition of £150,000 to the Ordinary share capital. The then outstanding total of 450,000 Ordinary shares of £1 each were converted into stock transferable in units of £1. These transactions were duly carried out.

The report was adopted.

JUTE INDUSTRIES, LIMITED

CONTRACTS FOR NEW MACHINERY

MR. J. ERNEST COX'S STATEMENT

The twenty-sixth annual general meeting of Jute Industries, Limited, will be held, on the 13th instant, in the board room of the Association of Jute Spinners and Manufacturers, 5, Cowgate, Dundee.

The following is the statement by the chairman (Mr. J. Ernest Cox), which was circulated with the report and accounts for the year ended September 30, 1946:—

It is my sad duty to refer to the death, on August 22nd, of our esteemed vice-chairman, Mr T. H. H. Walker's entire business life was spent in the industry, to which he brought to bear a sound judgment, combined with a genial disposition. His absence from our deliberations will be much missed. Mr H. Giles Walker has been appointed vice-chairman in his place.

Three new directors—Mr W. G. N. Walker, Mr R. S. Walker and Mr James Strachan—have been appointed. The first two entered the business in 1927, and but for their war service, would have been offered seats on the board before now. Mr Strachan has been with us for 31 years, and was head of our costing department.

The profit, after making provision for taxation, is £168,937, compared with £137,885 last year. Production was somewhat higher, but there has been, and still is, a considerable shortage of operatives. On account of the number of new concerns which have been attracted to this district, competition for labour will be acute for many years to come.

FIVE-DAY WEEK

In view of the recent reductions in working hours, accepted in the engineering industry, in the cotton, wool and other textile trades, the jute trade has agreed to adopt, as from January 8th, a 45-hour working week of five days, with Saturday free, but with pay as for the former 48 hours. Whatever can be said, in theory, regarding the merits of this departure, we feel compelled to state that, in our opinion, the time is ill-chosen for such a step, involving, as it must, a drop in production and a serious increase in manufacturing costs. It is only fair to say that, in return, the trades unions concerned have agreed to do all they can to reduce absenteeism, and have promised not to put difficulties in the way of new methods designed to improve the output per operative.

Your directors are convinced that the only means by which production can be materially increased is by the further installation of modern and labour-saving machinery in both the spinning and weaving sections of the trade. We were one of the original pioneers in introducing automatic doffing high speed spinning frames, as long ago as 1930. We were also the only firm in Dundee to equip a mill with sliver spinning machinery before 1939. Today a large proportion of our fine and medium yarns is produced on modern machinery, and as I told you last year, our scheme of modernisation, but for the war, would have been even further advanced than it is.

Provisional contracts have been placed for some £400,000 of machinery for delivery in 1947, 1948 and 1949, to which must be added

NOTICES

ASSISTANT COMMERCIAL MANAGER required, possessing degree Lond. Sch. of Econ. or equiv. Alert mind, sound judgment, initiative and tact essential. Quick promotion certain.—Box 420.

GENERAL SALES MANAGER.—Important group of Electrical Manufacturers require Chief Sales Executive to control all home market sales. Applicants must possess extensive commercial and organising experience and have held similar appointment with large organisation. Headquarters of group are in London. Salary for successful candidate, age about 40, is commensurate with responsibility of the appointment. Write, giving fullest details of personal, educational, business record and salary.

expenditure of erection, and alteration to buildings. The installation of this machinery, is vital if we are to meet the labour problem, and to keep our cost of production at a reasonable level.

Modern machinery by itself will not, however, attract labour unless it is accompanied by the appointment of personnel and training officers, the provision of canteens, accommodation for clothing, and other amenities, all of which entail considerable expenditure.

INCREASED DIVIDEND

This leads up to the question of the application of the year's profits, and in spite of the large sums required for modernisation, your directors feel that stockholders are entitled to participate in the increased profit and accordingly recommend a dividend on the Preference stock at the rate of 7 per cent. in place of the 6 per cent. paid last year. Out of the profit we have placed £60,000 to depreciation and obsolescence and £50,000 to reconstruction of buildings and modernisation of plant; the carry-forward has been increased by £1,100.

In the balance-sheet, I would direct your attention to the increase in the amount for plant and machinery, which is due to the installation of the spinning machinery to which I referred last year. The investments in Government securities made in response to the appeal for support for the war effort have been sold and the profit added to investment reserve.

PRICE AND SUPPLIES

The Jute Control is still in operation and prices are regulated by it. Recently the price of jute has been advanced by approximately £26 per ton, with corresponding advances in yarn and cloth prices. Owing to the necessity for concentration in India on the production of rice, it is likely that our raw material will be in short supply. We understand, however, that a sufficient quantity has been secured to meet the demands of the trade for a considerable time. The working party has not yet issued its report, which is awaited with considerable interest.

In conclusion, I may say that the profit for the first three months of our financial year has been maintained, and that our order book is well filled. More business could be secured if we were able to increase our labour force, and every possible effort is being made to that end.

LLOYDS BANK LIMITED

ANNUAL GENERAL MEETING

The eighty-ninth ordinary general meeting of Lloyds Bank Limited was held on the 31st ultimo, at the Head Office, 71, Lombard Street, London.

The notice convening the meeting and the auditors' report having been read, the chairman, the Rt. Hon. Lord Balfour of Burleigh, D.L., said that he assumed that the report and accounts, which had been circulated, would be taken as read and that, as his statement to members had also been circulated, he did not propose to take up the time of the meeting by reading it.

The report and accounts were adopted and the usual business transacted.

Votes of thanks were passed to the chairman and directors and to the staff.

THE NATIONAL BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and twelfth annual general meeting of the proprietors of the National Bank Limited was held on the 30th ultimo at the Head Office, 13, Old Broad Street, London, E.C.

Mr Michael J. Cooke, the chairman, presided.

The secretary read the formal notice convening the meeting and the report of the auditors.

The report and accounts, which had been previously circulated, were—with the approval of the proprietors present—taken as read, and the chairman reviewed the figures of the balance sheet and referred to the payment of the dividend at the rate of 10 per cent. per annum and the transfer of £10,000 to both the reserve and the premises accounts, which left £57,574 carried forward.

The chairman moved: "That the report and balance sheet to 31st December, 1946, be adopted by the meeting and entered on the minutes."

Sir George F. Murphy, Bt., seconded the motion, which was carried unanimously.

The retiring directors, Rt. Hon. Sir Thomas F. Molony, Bt., P.C., Mr Hubert Briscoe, and Mr Edward H. Walpole, were re-elected, and the auditors, Messrs Peat, Marwick, Mitchell and Company, and Messrs Stokes Brothers and Pim, were re-appointed.

RIO DE JANEIRO FLOUR MILLS AND GRANARIES, LIMITED

SATISFACTORY RESULTS

The sixty-first ordinary general meeting of the Rio de Janeiro Flour Mills and Granaries, Limited, was held, on the 30th ultimo, in London.

Mr S. C. Sheppard, the chairman, in his circulated statement, after referring to the accounts for the year ended September 30, 1946, said that the Board's recommendation of a final dividend of 1s. per £1 unit of stock, less tax at 9s., making a total dividend for the year of 8 per cent., less tax, was amply covered and the carry-forward was increased by £2,361 to £67,369.

After referring to the suspension of wheat shipments from Argentina during the year, he paid tribute to the Brazilian Government for their assistance in the emergency which had confronted the country's milling industry.

He referred to the 1946-47 Argentine wheat crops and said that the reports he had were of a reassuring nature.

Regarding the future, the chairman said it appeared to be more difficult than ever to say much, but he thought that the company should have a secure future. The company had a good organisation and was in a sound and liquid financial position.

At the meeting the chairman said that a cable had just been received from the Rio management reading as follows:—"Hopeful of obtaining reasonable supplies of wheat during this calendar year. General trading conditions continue difficult on account of the increasing local cost of production although the demand for our products is satisfactory."

The report and accounts were adopted.

At the extraordinary general meeting which followed, new articles of association of the company were adopted.

THE CHARTERED INSTITUTE OF SECRETARIES.—Employers requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 16, George Street, Mansion House, E.C.4.

SALES PUBLICITY MANAGER.—First-class man required by large industrial group. Candidates should be experienced in Electrical Manufactures and be capable of handling the National Sales Promotion Publicity programme for home market. Preference will be given to high-grade Executives with similar experience with leading concern. Head Office in London.—Applicants, age about 40, should write, giving fullest details of personal, educational and business record, and salary required, to "P.M. Confidential," Box 401.

present time, and the unpopularity of business. The civil service is now employing some 340,000 in the executive and clerical grades, and wishes to recruit about 8,000 a year for the next few years. Some 81,000 boys and girls left grant-aided secondary schools in 1937-38, of which only a proportion were of school certificate standard. If only 11 per cent of these now wish to enter the civil service, including the overseas service, and a still smaller proportion can pass the entrance examinations the prospects are not rosy.

The recruiting troubles from which the civil service is suffering are of two kinds: the particular ones are due to its being the constant butt of newspapers and politicians, so that the worthwhile aspects of public service are overshadowed. This can be partially remedied by more information for the schools about what the civil service does and the prospects of reaching positions where the work is more than just routine hacking. The second difficulty is common to the country as a whole and is due to the absolute shortage of juveniles for all demands. If the civil service receives more than its share, then other employers must suffer. It is, indeed, up to the civil service to show how economies can be made in the employment of the young, by the permanent use of part-time labour on semi-automatic clerical jobs, by the retention of willing people beyond retiring age in dead-end occupations and by the utilisation of the young on work for which their education and scarcity fit them. Cheap and plentiful juvenile labour is a thing of the past.

* * *

The Future of the ICS

The Under-Secretary of State for India, Mr Arthur Henderson, left Delhi on January 21st to return to London after conferring with members of the Indian Interim Government about the future of British members of the Indian Civil Service and officers of the Indian Army. No agreement has so far been reached on compensation for those who wish to leave these services on the final termination of British authority in India.

Two questions of principle are involved: the first, whether those who wish to resign now from the Indian services have any valid claim to compensation for interrupted careers as well as to proportionate pensions, and the second, whether there is any legal or moral obligation on them to remain in the services after the final transfer of power. On the first point, it must be admitted that the claim is a strong one, for an Indian civil servant or officer has had to qualify himself in a highly specialised profession, including knowledge of Indian languages, law, local customs and so forth, which are unlikely to be of value for obtaining other employment at comparable remuneration elsewhere, and in any case such employment is scarce, as many demobilised officers from the war-time Services have found during the last two years. It may be said that, as Indian self-government has been a declared goal of policy for two decades, British entrants to the Indian Services must have known that sooner or later the British control would come to an end; on the other hand, recruiting for the Services has been sustained by repeated assurances that the British Government would look after the financial interests of officials if the existing conditions of establishment were fundamentally altered. The British Government appears to have an obligation in this matter, whether it can persuade the new India to accept any liability or not.

It is clear that it would be of great advantage to the new India to retain the services of a number of expert administrators and army officers with long experience of India, and habits of loyalty to "the Government," conceived as a supreme, impersonal, almost supernatural, authority. But the value to India which these trained public servants represent unfortunately offers no guarantee that they would receive the kind of fair treatment to which they have been accustomed. It is not a racial question, for it affects also Indian officials who share the "non-political" tradition of the services. The prospect is that the intensity of party strife in India will "politicise" all branches of State service. This has already come about to a great extent. There may still be careers for foreigners under such conditions, but they require qualities of a kind which the British Raj in India in the last eighty years has not encouraged in its servants. The British nation has no right to press men to enter the service of a foreign state for whose probable administrative methods their training has not prepared them.

* * *

Key to the Public Boards

The publication of the Electricity Bill completed the list of nationalisation proposals promised for this session, and it may be

an appropriate moment to summarise the astonishingly diverse functions and organisation of the new bodies to be set up. Perhaps their most confusing feature is the extraordinary differences in name. The National Coal Board, the British Transport Commission, and the British Electricity Authority, have similar status, power and authority. Why, in that case, must one be a commission, another an authority, and the third a Board? And why dub two of them as British?

To take the new authorities in the order in which legislation was introduced, there was first the Coal Industry Nationalisation Bill to set up the National Coal Board, with its headquarters, eight divisional boards and 48 area sub-boards. Secondly there came the Civil Aviation Bill, which did not set up any non-ministerial central board, but established three corporations to operate air services in different parts of the world, the British Overseas, the British European, and the British South American Airways Corporations. In the absence of a central board the Minister of Civil Aviation controls policy directly. Third came the Cable and Wireless Bill, under which the directors of the existing operating company have been replaced by a board consisting largely of ex-Post Office officials. This board is a modest affair compared to the new coal, transport or electricity authorities, and is closely linked to the Post Office, the Postmaster-General being answerable for it to Parliament. All these bills were passed during the 1945-46 session.

With the new session came the fourth proposal for complete public ownership with the bill for the nationalisation of transport. A small British Transport Commission is to operate the road, rail, inland waterway and dock services through four corresponding Executives; no regional organisation is proposed. Fifthly, a Land Commission is to be set up under the Agriculture Bill. This is not first and foremost a nationalisation bill, but it is intended that any agricultural land which is taken over by the nation should be administered by the Commission, and it is possible that the Commission will also manage the large amount of agricultural land taken over by the Coal Board, and the land surrounding new towns. Sixth in order is the Central Land Board to be set up under the Planning Bill; it is to control, under ministerial direction, the payment of compensation and of the assessment of development rights. This is primarily a financial and quasi-judicial authority and has only incidental administrative or management functions in relation to land. Finally, there is the seventh proposal, under the Electricity Bill, for a British Electricity Authority which is to be a full-blooded public undertaking responsible for the generation and transmission of electricity in bulk; current will be retailed to consumers through fourteen area Boards. As with coal and transport, the Minister has wide powers to issue directions on specific points and in matters affecting the national interest. Within this context of Ministerial control, the day to day administration of the Authority and Regional Boards are to be more or less independent.

Shorter Notes

The Postmaster-General appears to have beaten a retreat from his earlier stand against the closed shop, which was recorded in the issue of January 4th. At that time he refused to withdraw recognition for purposes of negotiation from a number of smaller unions in favour of the large Union of Post Office Workers. Now he has modified his policy by saying that official recognition will only be given to unions who represent 40 per cent or more of the staff for whom they cater, and that recognition will be withdrawn from those who now cover less than 33½ per cent. This is tantamount to a withdrawal of recognition from most of the smaller unions, and must be taken as a victory for the closed shop in practice if not in principle. The adoption of this line of policy in the Post Office will presumably be followed in the civil service generally.

*

During the hearing of evidence last week by the Home Office committee of inquiry into the health, welfare and safety of employees, it was stated that about half the offices in London and other parts of the country are unsatisfactory by reasonable standards of conditions. This may well be true; but can the poor employer be blamed for it at the present time, when he is lucky if he can accommodate all his staff under one roof, when he cannot find less crowded quarters or, if he does, is not allowed to take possession of them, and when he has a long struggle with bureaucracy before he can improve conditions by alterations and

Letters to the Editor

Planning Bill, 1947

SIR,—In your article in the January 11th issue on the New Planning Bill you criticise the compensation fund of £300 million as "far lower than the kind of figure which both the Barlow and Uthwatt Committees had in mind as reasonable." What are the facts?

The Barlow Report itself contains no suggestion of a reasonable figure. In a separate Note—thus segregated at the bottom of the page—the Committee state that they have been informed by the Chief Valuer that "preliminary calculations" led to a figure "somewhere in the region of £400 million." The Committee add: "This figure should be regarded as an intelligent guess." The evidence of the Barlow Commission has never been published, nor have the methods and data used by the Chief Valuer in his "preliminary calculations." The figure in the Bill is lower than a preliminary guess submitted to the Barlow Commission and mentioned by them in a separate note without either approval or disapproval. That is all. I submit that you have gone beyond the evidence in saying that this is the figure which the Commission had in mind. And if you suspect "hasty and tendentious calculations," why suspect the Bill more than the Chief Valuer, since both workings have remained secret?

The Uthwatt Report mentions no capital figure at all but an annual figure of £9 million, which is "regarded as a shot." If we generously assume this figure to be a perpetuity and not a terminable annuity, and if we reckon 20 years' purchase (this again is generous, since development rights are a risky asset to the individual owner), we obtain £180 million. This would leave £120 million to cover the development rights in respect of the redevelopment of previously developed land (not covered in the Uthwatt figure). What reason is there for thinking that this is an unreasonably low proportion?—Yours faithfully,

The University, Glasgow

H. W. SINGER

SIR,—In your healthily critical leader on the Planning Bill, 1947, it is implied that the need to obtain the consent of local authorities for a change of land use is a new and somewhat intolerable restriction of the liberty of the individual. This obligation has, however, existed ever since the 1932 Act came into use. The change lies only in the new powers intended to make that control effective.

The 1932 Act intended to create effective powers by means of "compensation and betterment," and it was not realised at that time that these weapons would crumble in use. The majority of thinking citizens have often agreed that certain development was against the general interest of their town as a whole, but that, under the law as it stood, it could only be checked by the payment to the owner of a sum based on the speculative value of that land if it were developed in the most profit-making manner. The conflict has arisen most often over the choice between using a site for public recreation or open space, neither of which brings in revenue, or for a block of commercial offices or high-density flats from which a considerable income could be expected. The new Bill should enable this type of argument to be discussed on its merits in relation to the general well-being and prosperity of the town as a whole, and thus, for the first time, make it possible for democratic control to become effective.—Yours faithfully,

J. TYRWHITT,

for Association for Planning and Regional Reconstruction.

34 Gordon Square, London, W.C.1

The Teaching of Economics

SIR,—May I comment, from the student's point of view, on the article by a correspondent in your issue of January 4th? Recent experience of a first-year course suggests that the social accounting approach which your correspondent recommends can be quite as perplexing as the orthodox approach.

At the end of last term two fellow-students approached me and said they were in trouble about their economics. Their course consisted of a series of lectures on supply and demand under "free market" conditions and a parallel series of lectures based upon Professor Hicks's "The Social Framework." Both these

students had mastered the material in the first series of lectures, but they had few clear ideas on national income and were sorely perplexed by the problems of its evaluation and comparison. Yet they were intelligent and interested. Students are not perplexed by abstract theory, so long as it is developed logically, as much as they can be by the most "realistic" conceptions when these conceptions are qualified by such numerous reservations as must be applied, for instance, to methods of comparing national income and cost of living in different years. Once he has understood the reasons for all these qualifications, the beginner is still faced with the very difficult task of deciding upon their relative importance.

I do not wish to deny the usefulness of the national income approach, but I submit that it is slower and more difficult than your correspondent seems to imply. No doubt as information about the national income becomes more complete and more reliable this path will become broader and smoother. Perhaps an annual census of production will alter the picture. Finally, your correspondent is over-optimistic in believing that this approach makes the "essential unity of economic studies" obvious. The hill of national income problems stands between the student and a view of the whole land. It provides a stiff and obstinate climb.—Yours faithfully,

D. L. RYDZ.

Dalton Hall, Victoria Park, Manchester, 14

SIR,—Your correspondent's criticism concerning the unreality of much current economic teaching was significantly restricted to this country. In large measure this atmosphere of unreality surrounding so much economic theory results from the unnatural divorce between economics and economic geography, a separation which, though rarely complete on the Continent, is in Britain normally regarded as absolute and irrevocable. Personal contact with foreign, notably Dutch, economists, whom I have been fortunate in meeting during the war years, invariably revealed their amazement at the woeful ignorance of economic geography displayed by their British colleagues. At present it is possible in most British universities for a student to obtain first-class honours in his economic geography paper without knowing the meaning of Gresham's Law or comparative costs, and at the same time for economists to graduate with like distinction, yet ignorant of the half-dozen leading exports of Britain, France, the USA and the USSR.

It is, unfortunately, true that only a small proportion of educated Britishers have any idea of what constitutes modern geography, though there are welcome signs, especially in the field of town and country planning, that its contribution is at last receiving recognition, and certain universities appear now to be regarding it as a possible link between the social sciences. During the twentieth century, in the period when economics has tended to become increasingly theoretical, geography has steadily developed what has come to be called its "human side." This somewhat diffuse, but very active, branch of learning, whose prophets are constantly accused by economists, historians and sociologists of trespassing, has largely filled the vacuum which was created when political economy became economics. To define economics as "the study of market processes," or something equally technical, may be sound enough, but somebody or other, it is felt on all hands, should study the wealth of nations.

Your correspondent's suggestion of the national income as a suitable starting point for study is excellent. But a true understanding of the enormous variations in scale and content of different national incomes, and of the extremely abnormal nature of our own in particular, implies a sound knowledge of both economic history and economic geography.

I agree entirely that "it is imperative that the student should start off with his two feet on the ground." To bring economic theory down to earth, literally and metaphorically, is precisely the aim of the modern economic geographer. Barbara Wootton has written entertainingly of the "apple-pie world" of certain economists. In the main the economic geographer concerns himself with a very real world, full of variety, teeming with problems awaiting research, and capable of providing endless examples to prove or damn so many well-worn theories, and, by and large, it is surprisingly devoid of desert islands.—Yours faithfully,

C. A. FISHER

Department of Geography and Anthropology,
Marine Terrace, Aberystwyth

Statistical Summary

GOVERNMENT RETURNS

For the week ended Feb. 1st, 1947, total ordinary revenue was £132,743,000, against ordinary expenditure of £100,601,000, and issues to sinking funds £110,000. Thus including sinking fund allocations of £12,365,356, the deficit accrued since April 1st is £424,515,618 against £2,009,958,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1946-47	April 1 to Feb. 2, 1946	April 1 to Feb. 1, 1947	Week ended Feb. 2, 1946	Week ended Feb. 1, 1947
ORDINARY REVENUE					
Income Tax	111,100	936,997	794,811	83,164	68,901
Sur-tax	80,000	40,499	45,592	4,380	4,300
Estate, etc., Duties	140,000	98,590	122,959	2,837	2,360
Stamps	29,000	20,139	30,404	445	950
N.D.C.	325,000	29,922	28,242	860	490
E.P.T.	1,000	370,482	288,801	7,060	4,305
Other Inland Rev.	1,000	293	293	60	...
Total Inland Rev.	168,600	1,496,922	1,311,102	98,806	81,306
Customs	595,000	473,543	507,950	11,948	9,689
Excise	592,000	460,460	485,497	28,989	33,697
Total Customs & Excise	1,187,000	934,003	993,447	40,937	43,386
Motor Duties	45,000	38,680	45,910	2,868	4,166
Surplus War Stores	150,000	...	116,198	...	1,374
Post Office (Net Receipts)	5,000	...	1,000	...	600
Wireless Licences	5,300	4,150	8,210	750	1,830
Crown Lands	1,000	880	840	160	...
Receipts from Sundry loans	15,000	9,486	23,390	...	...
Miscellaneous Receipts	22,000	63,268	36,880	2,173	81
Total Ord. Rev.	516,130	2,547,389	2,576,978	145,694	132,743
SELF-BALANCING					
Post Office	120,900	97,500	108,200	3,400	3,900
Income Tax on E.P.T. Refunds	...	...	140,605	...	587
Total	528,220	2,644,889	2,825,783	149,094	137,230

Expenditure	Estimate, 1946-47	April 1 to Feb. 2, 1946	April 1 to Feb. 1, 1947	Week ended Feb. 2, 1946	Week ended Feb. 1, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	490,000	360,654	394,464	17,827	21,500
Payments to N. Ireland	20,000	8,573	14,539	...	...
Nat. Land Fund	50,000	...	50,000	...	...
Other Cons. Fund Services	8,000	7,665	7,029	17	27
Total	568,000	376,892	466,032	17,844	21,527
Supply Services	324,400	416,862	252,506	78,882	79,074
Total	389,200	454,553	298,918	96,726	100,601
SELF-BALANCING P.O. & Broadcasting	120,900	97,500	108,200	3,400	3,900
Income Tax on E.P.T. Refunds	...	...	140,605	...	587
Total	401,290	464,303	323,793	100,126	105,087

After decreasing Exchequer balances by £342,405 to £3,174,406, the other operations for the week decreased the gross National Debt by £19,465,873 to £25,074 million.

NET ISSUES (£ thousands)	
P.O. and Telegraph	260
E.P.T. Refunds	716
Overseas Trade Guarantees Act, 1939, Section 4 (1)	14
Coal Industry Nationalisation Act, 1946, Sec. 34 (1)	2,500
Local Authorities Loans Act, 1945, Section 3 (1)	3,700
War Damage Compensation	2,000
Finance Act, 1946, Section 26 (7): Post-War Credits	343
Finance Act, 1935, Section 30 (1) 3 per cent. Local Loans Stock	3,600

NET RECEIPTS (£ thousands)	
the Act, 1936, Section 26	225

CHANGES IN DEBT (£ thousands)	
NET RECEIPTS	
Nat. Savings Certs.	1,050
2½% Defence Bds.	4,608
2½% Treasury Stock	51
Ways & Means Advances	32,110
NET REPAYMENTS	
Treasury Bills	26,386
3% Defence Bds.	1,926
2½% Conv. Loan	25
1944-49	...
2½% Nat. War Bds.	50
Tax Reserve Certs.	4,814
Other Debt:	
Internal	80
External	4
Treasury Deposits	24,000
	37,819
	57,285

* Including £1,348,000 paid off on maturity.

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1946				
Feb. 2	1783.0	2434.4	393.7	1576.5
Oct. 19	2000.0	2550.6	430.4	1764.5
Nov. 26	2020.0	2532.2	425.3	1743.0
Nov. 9	2030.0	2505.5	462.5	1743.0
16	2040.0	2474.0	426.6	1743.0
23	2060.0	2481.5	392.4	1742.5
30	2070.0	2460.5	372.4	1742.5
Dec. 7	2080.0	2487.3	376.1	1742.5
14	2100.0	2377.8	388.6	1742.5
21	2120.0	2496.0	375.8	1742.5
28	2140.0	2455.6	448.0	1742.5
1947				
Jan. 11	2150.0	2467.1	411.4	1686.5
18	2150.0	2457.2	432.2	1681.0
25	2145.0	2461.6	395.1	1657.5
Feb. 1	2145.0	2435.2	427.2	1633.5

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Percentage Rate of Allotment	% Allotted at Min. Rate
1946					
Feb. 1	130.0	207.4	130.0	10	1.40
Nov. 1	160.0	290.9	160.0	10	1.37
8	160.0	293.4	160.0	10	1.32
15	160.0	282.2	160.0	10	1.69
22	160.0	272.0	160.0	10	1.67
29	160.0	258.3	160.0	10	0.62
Dec. 6	170.0	313.7	170.0	9	11.25
13	170.0	295.8	170.0	10	0.14
20	170.0	280.3	170.0	9	11.92
27	170.0	285.8	170.0	10	0.27
1947					
Jan. 5	170.0	273.7	170.0	10	0.69
12	170.0	287.6	170.0	10	0.16
19	170.0	275.4	170.0	10	0.41
26	160.0	277.2	160.0	10	1.43
31	160.0	303.0	160.0	10	1.14

On Jan. 31 applications for bills to be paid on Monday, Wednesday, Thursday, Friday and Saturday were accepted as to about 37 per cent. of the amount applied for at 99 17s. 6d. and applications at higher prices were accepted in full. Applications for bills to be paid on Tuesday at 99 17s. 7d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for Feb. 14. For the week ended Feb. 15 the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 2½% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.	2½% Defence Bonds	Week ended	N.S.C.	2½% Defence Bonds
1946			1947		
Nov. 9	3,250	2,530	Dec. 28	2,500	1,960
16	2,800	2,875	Jan. 4	2,600	2,910
23	3,950	3,230	11	3,500	3,240
30	2,900	4,230	18	3,700	6,750
Dec. 7	3,400	4,855	25	5,100	5,820
14	3,200	4,252	Totals to date	1,678,770	886,480
21	4,400	2,590			

* 375 weeks. Up to Jan. 25 principal of Savings Certificates to the amount of £419,925,000 had been repaid.

BANK OF ENGLAND RETURNS

FEBRUARY 5, 1947

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	1,371,055,196	Other Govt. Securities	1438,188,653
In Bank, Department	79,192,637	Other Secs.	788,032
		Coin (other than Gold)	8,215
		Am't of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1450,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	247,783,348
Reserves	3,799,029	Other Secs.	...
Public Deposits	22,909,213	Discounts and Advances	23,661,651
		Securities	26,724,809
Other Deps.	290,742,008	Notes	79,192,637
Bankers	56,427,530	Gold & Silver	1,068,385
Other Accs.	...	Coin	...
			378,430,830
			378,430,830

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

COMPARATIVE ANALYSIS (£ millions)

	1946	1947
	Feb. 6	Jan. 29
Issue Dept.:		
Notes in circulation	1333.8	1371.5
Notes in banking department	66.4	78.7
Government debt and securities*	1399.2	1449.2
Other securities	0.8	0.7
Gold	0.2	0.2
Valued at s. per fine oz.	172/3	172/3
Banking Dept.:		
Deposits:		
Bankers'	13.0	17.5
Public	207.9	288.5
Others	56.7	58.3
Total	277.6	364.3
Securities:		
Government	205.9	261.7
Discounts, etc.	2.6	23.4
Other	20.1	17.8
Total	228.6	302.9
Banking dept. res.	67.0	79.7
"Proportion"	24.1	21.8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,400 million to £1,450 million on December 10, 1946.

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

	Jan. 29 1946	Jan. 14 1947	Jan. 28 1947
Cereals & meat	108.3	110.1	110.8
Other foods	107.3	126.5	126.5
Textiles	105.6	130.5	131.3
Minerals	172.6	211.0	211.9
Miscellaneous	128.1	138.5	137.2
Complete Index	122.4	139.1	139.0
1913=100	168.5	191.3	191.1

THE MONEY MARKET.—Though the floating debt position this week involved a substantially larger net release of funds to the market than the banks, the short loan market appears to have been working on an even narrower margin of cash than in the previous week. There was again no call for fresh money on T.D.R.s, and maturities in the hands of the clearing and Scottish banks amounted to £33 million, compared with £23 million last week. The issue and maturity of bills again nominally balanced at £160 million, but a much larger proportion of the tender offer was evidently absorbed by the authorities, so that total applications rose steeply, from £277.2 million to £303 million, and the market quota dropped to 37 per cent. compared with an effective 50 per cent.

At the end of last week, the market needed official aid (given both directly and indirectly) both on Thursday and Friday (making three successive days) but credit supplies on Saturday, though they had to be strenuously sought, proved just adequate. Conditions were similar on Monday, but in spite of substantial payments for Treasury bills and tax transfers, no official assistance was required, while on

Tuesday credit supplies were quite plentiful. This relief, however, was wholly due to the fact that the market had not tendered for the Tuesday bill, since this is an 88-day maturity; on Wednesday, when payment for bills was resumed, there was a hurried search for funds, and a small amount of official assistance had to be sought. This week's experience is, indeed, a good example of the advantages that would accrue from adoption of a standard 91-day Treasury bill, the possibility of which is discussed in a Note on page 254.

The Bank Return shows an unexpectedly large end-month expansion of the note circulation, but this may be associated with the bad weather and the difficulties of transport. It has obviously contributed to the shortage of credit supplies, which have also been disturbed by the withdrawal of part of the large funds held on the market in connection with the Dobbie issue. At the moment of the Return, a considerable amount—£7 million more than last week—was also immobilised on public accounts, and bankers' balances have dropped to £281 million, their lowest level since the abandonment of window-dressing.

SECURITY PRICES AND YIELDS

(A fuller list containing 370 securities appears weekly in Records and Statistics)

Prices, Jan. 1, Feb. 5, 1947		Name of Security	Price, Jan. 29, 1947	Price, Feb. 5, 1947	Net Yield,* Feb. 5, 1947	Gross Yield,* Feb. 5, 1947	Prices, Jan. 1, Feb. 5, 1947		Last two Dividends	Name of Security	Price, Jan. 29, 1947	Price, Feb. 5, 1947	Yield, Feb. 5, 1947	
High	Low		High	Low	(a)	(b)	(c)							
British Funds*														
103½	101½	Conversion 3% 1948-53.....	101½	101½	f s. d.	f s. d.	113½	111½	(d)	(a)	Australia 3½% 1965-69.....	112	112	f s. d.
103½	102½	War Bonds 2½% 1949-51.....	103½	103½	0 2 2	1 4 5	105½	104½	(d)	(d)	Birmingham 2½% 1966-71.....	105	105	2 3 7
102½	101½	Exchequer Bds. 12½% 1950.....	102	102	0 6 1	1 4 5	102	100½	(d)	(d)	Argentine 3½% 1972.....	101	101	3 8 9
103½	103½	War Bonds 2½% 1951-53.....	104½	104½	0 6 7	1 11 4	104½	104½	(d)	(d)	Anglo-American Corp. 10s.....	127½	127½	3 2 9
103½	103½	War Bonds 2½% 1952-54.....	104½	104½	0 6 7	1 11 4	104½	104½	(d)	(d)	Anglo-Iranian Oil £1.....	130/-	130/7½	3 1 0
103½	103½	Funding 2½% 1952-57.....	105½	105½	0 9 8	1 13 4	105½	105½	(d)	(d)	Assoc. Port. Cem. Ord. Stk. £1.....	67/-	66/6	3 0 3
103½	103½	Nat. Defence 3% 1954-58.....	107½	107½	0 10 10	1 16 11	107½	107½	(d)	(d)	Austin Motor A Ord. Stk. £1.....	40/6	40/-	5 0 0
103½	103½	War Loan 3% 1955-59.....	109½	109½	0 12 10	1 17 11	109½	109½	(d)	(d)	Barclays Bank Ord. "B" £1.....	90/-	89/-	3 3 0
103½	103½	Savings Bds. 3% 1955-65.....	109½	109½	0 10 11	1 17 11	109½	109½	(d)	(d)	Besa Raichid Ord. £1.....	232/6	225/-	2 4 6†
103½	103½	Funding 2½% 1956-61.....	109½	109½	0 13 3	1 19 11	109½	109½	(d)	(d)	British Oxygen Ord. £1.....	58/9	57/6	4 2 0
103½	103½	Funding 4% 1960-90.....	121½	121½	0 15 6	1 18 2	121½	121½	(d)	(d)	Courtaulds Ord. £1.....	55/3	55/-	2 14 0
103½	103½	Savings Bds. 2½% 1960-70.....	109½	109½	0 17 2	2 3 7	109½	109½	(d)	(d)	Dorman Long Ord. £1.....	26/3	26/6	6 1 0
103½	103½	Savings Bds. 2½% 1961-67.....	109½	109½	0 17 2	2 3 7	109½	109½	(d)	(d)	Dunlop Rubber Ord. £1.....	73/-	71/6	3 7 0
103½	103½	Victory Bonds 4% 1920-64.....	122½	122½	0 9 8	2 2 7	122½	122½	(d)	(d)	Imp. Chem. Ind. Ord. Stk. £1.....	45/3	44/-	3 12 9
103½	103½	Savings Bds. 3% 1955-75.....	109½	109½	0 18 8	2 4 7	109½	109½	(d)	(d)	Imperial Cotton Ord. Stk. £1.....	46/3	45/7½	4 7 6
103½	103½	War Loan 3½% aft. 1952.....	109½	109½	1 2 1	2 4 6	109½	109½	(d)	(d)	Lever and Unilever Ord. £1.....	54/-	53/-	2 18 0
103½	103½	Consols 4½% (after 1957).....	115½	115½	1 15 7	2 6 5	115½	115½	(d)	(d)	London Brick Ord. Stk. £1.....	71/3	70/-	1 17 0
103½	103½	Conv. 3½% (after 1957).....	115½	115½	0 9 3	2 0 4	115½	115½	(d)	(d)	L.M.S. 4½ Int. Pref. Stk. £1.....	82½	82½	4 37 0
103½	103½	Treas. Bds. 2½% (after 1975).....	99½	99½	0 15 11	2 5 10	99½	99½	(d)	(d)	N.-Eastn. Elec. Ord. Stk. £1.....	35/-	35/-	4 0 0
103½	103½	Treas. Stk. 3½% (aft. 1966).....	109½	109½	0 6 3	3 1 6	109½	109½	(d)	(d)	P'chin Jenson Ord. Stk. 10s.....	54/-	52/-	3 7 7
103½	103½	Redemption 3% (1966-96).....	116½	116½	1 7 7	2 10 11	116½	116½	(d)	(d)	Prudential "A" £1.....	37½	36½	3 17 3
103½	103½	Consols 2½%.....	98½	98½	1 2 2	2 0 4	98½	98½	(d)	(d)	Stewarts and Lloyds-Ltd. £1.....	59/-	58/6	4 5 0
103½	103½				1 7 7	2 0 4			(d)	(d)	"Shell" Transp. Ord. Stk. £1.....	102½	99/4	1 8 3†
103½	103½				1 2 2	2 0 4			(d)	(d)	Turner & Newall Ord. Stk. £1.....	141/3	135/-	3 6 8
103½	103½				1 2 2	2 0 4			(d)	(d)	Woolworth (F. W.) Ord. 5s.....	142/-	98/-	2 16 3
103½	103½				1 2 2	2 0 4			(d)	(d)				3 11 6

* To earliest redemption, except † flat yield and ‡ assumed average life 17 years 6 months
Net yields after allowing for tax at 5s. in £

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Yield Basis 69-54% ‡ Free of Tax.

The Miners' Pin up

SIR,—Your article "Labour and the Nation" when read in conjunction with your note on "The Miner's Pin-up" makes it clear that an economically sound distribution of the labour force is one of the most imperative tasks of the post-war reconstruction period. "Freedom of Choice" should be written in golden letters over the labour market. It forms an inalienable principle of British democracy and economic liberalism. It is surely a fundamental incentive to work. Yet, to make labour more productive it may be necessary not only to increase general incentives but also to provide that less useful occupations should not draw away labour from more useful channels.

There are a good many occupations which consume labour for purposes which in our days have little justification when compared with genuinely productive employment. Mr. B. Seeborn Rowntree has stated in two letters to the *Times*, which both make most interesting reading, that between 300,000 to 400,000 people are gainfully employed in the betting trade. The leading journal of the shop assistants union told recently its readers that 80 per cent of the most prominent companies in the check trading business employ approximately 250,000 agents. If it should be really desirable to induce the poorer classes to buy their clothing and other goods on the credit trading system there ought to be other means of providing the necessary credit for them without employing agents and canvassers, just as we shall avoid in the future the wastage of thousands of competitive Approved Societies and their exaggerated numbers of staff.

Before the war the total number of full-time agents employed in Industrial Assurance was about 65,000 (see Beveridge Report, I, page 250). With burial benefit included in the new social insurance scheme agents and canvassers of this type should become purposeless, but it seems that insurance offices will be anxious to heap industrial life assurance policies of another type on the poorer classes and thus retain the vast army of employees in this business. The danger that more people than economically desirable are drifting into these and similar trades increases with demobilisation as many ex-soldiers prefer the so-called "independence" of an agent to work in a factory or shop. Should it not be here that with all deference for free choice of the job some restraint should take place until we have reached once more normal productive conditions?—Yours faithfully,

149 Lichfield Court, Richmond Surrey HERMANN LEVY

Armenian Exodus

SIR,—I have read with interest your note on Armenian Exodus in your issue of the 11th. I was in Armenia this summer and able to make a close study of the matter on the spot, and would like to offer corrections to one or two of your statements.

First, "the Russian Government's drive to repopulate the highlands of Soviet Armenia with returned immigrants" is not in my view quite a fair description. The drive in the first place comes from Armenians outside Armenia, and, in the second, is a matter for Soviet Armenia rather than for the Government of the USSR, which is concerned merely to consent to adding citizens to USSR.

Nor is it true that the drive is to repopulate the highlands. A large number of the repatriates are in the capital, Erevan, and large numbers of others in rich collective farms in the valleys. The "more than half" registered for repatriation is in fact 80 per cent. Those already resident in USSR are not 2,000,000 but 1,500,000.

It is true in a sense that those who want to go are mainly the very poor, because those who are expatriate Armenians are mainly very poor; but when I was there in September already 260 intelligentsia had arrived, and I saw a few others who could not be called the very poor.

With regard to the new arrivals settling down, all I saw as well as all I heard of were settling down very well and receiving a magnificent welcome, being lent, for example, housing space and furniture by people very short of these kind of advantages. It was obvious in respect of nearly all I met that the shortages and difficulties of life in Soviet Armenia—which are relatively small—did not seem to them to be shortages or difficulties at all.

The statement in your article to which I take most serious objection is that the grant for a house is valueless because there are no building materials for the money to buy. The repatriates have priority for building materials. I saw with my own eyes in different places hundreds of houses being built for them and by them. I had no reason to disbelieve the statement given to me that 1,200 were being built in Erevan alone; and in truth and in fact the whole movement is really very heartening, and pretty well managed.—Yours, etc.,

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

D. N. PRITT.

Principles of Compensation

SIR,—The proposal in the Government's Electricity Bill to value the private holdings in concerns to be nationalised by reference to Stock Exchange prices will add fuel to the flames already raging over the similar provision in the Transport Bill. The arguments against this method can, perhaps, best be summarised in a phrase from *The Times*: "compensation on this basis can never be fair in principle and can seldom be fair in practice." This contention is not surprising; what is surprising is the poverty of the arguments used by Government spokesmen in defence of their original plan. These seem, reduced to essentials, to amount to no more than a claim that this method of valuation is practically just as fair as that of independent valuation. But surely there is something to be said for the argument that valuation by reference to the Stock Exchange is the only method by which a figure fair to both community and private owner can be reached?

The basis of valuation by an independent tribunal is that the transaction should be deemed to be one between a willing buyer and a willing seller. The tribunal must take into account all the facts relevant to the supposed decision by either side; the physical state of the assets, their likely length of life, and of earning power, the circumstances that will influence the industry in particular and trade in general, everything, in fact, that can affect the amount of money that these assets will bring in to their owner over the years. But the one thing that the tribunal must apparently leave out is the political atmosphere in which those assets work. Why? Is not that a relevant fact, too? Can it be said that gold mining shares should be valued without reference to whether or not there is any likelihood of the world in general going back to a physical gold currency? Can uranium be fairly valued to-day by ignoring the fact that its ownership has certain political implications? In short, why should industrial shares be valued in a kind of vacuum from which politics are excluded?

Yet there is one system of valuation of industrial holdings which does take every relevant factor, political as well as economic, into account. It is the Stock Exchange. Brokers may sigh when political influences do depress—or raise—prices, but the prices do move in response, just as our individual actions do under the same stimuli. Surely it is arguable that if there is one true mirror of our times, so far as economic activities are concerned, it is the Stock Exchange. It reflected political sentiment when the holders of electricity shares bought. Maybe their judgment of the future was faulty then (or whenever they decided not to sell) and they may be excused annoyance now. But does that justify them in denying the entire validity of the measuring rod they have so habitually used in the past?—Yours faithfully,

ERNEST WATKINS

6a Frederick Mews, Knightsbridge, S.W.1

From The Economist of 1847

January 23, 1847

Some men of all parties complain of the profits of traders. The several legislatures of Europe, as well as our own, persisted for a long period in maintaining laws which made food scarce, with a view of securing a high price to those who grew it. The scarcity they promoted has arrived, the price is high, and the protectionists of England now complain bitterly of those merchants and dealers, who take advantage of the artificial scarcity, and act on their own principles. We never heard from them any complaint of the high rents of landlords, or the profits of farmers, when corn was at a much higher price even than at present. Certainly the profit is now made by a different class of men—a class with whom the mere landlords have an hereditary grudge, and we attribute their complaint as much to old prejudice and envy, as to a sense of justice, and what is due to the suffering consumers. Such a circumstance is calculated to excite regret and alarm. It is clearly by the operation of commerce . . . that calamities like the present can be lessened, and the errors of legislators be partially retrieved. Should the power of legislation, then, remain in the hands of those who are envious of commercial gains, who look on society as a clan, and would regulate it on the patriarchal principle of a great man's household, what can we anticipate but a continued hostility, evinced in the corn laws, between legislation and the progress of society? The expressions of animosity . . . against those who . . . gain the ordinary profits of trade, and the force given to individual crotchets, by the breaking up of parties, are the unfavourable circumstances we record on this otherwise auspicious . . . opening of Parliament.

Books and Publications

Economic Harmony?

"International Implications of Full Employment." By A. G. B. Fisher, Royal Institute of International Affairs. 202pp. 15s.

ANY present-day Government of this country, whatever its political banner, is bound to pursue two main economic objectives. One of these, passionately endorsed by the people, is full employment; the other is the freeing and expansion of international trade, an aim having, to say the least, considerably less emotional steam to back it, but to which we are committed by international agreements. Professor Fisher's task is to examine the mutual relations of these two aims. What policies designed to bring about full employment will harmonise, and which clash, with the development of an "open" and expanding system of international trade? Which systems of international trade will be most favourable to the maintenance of full employment?

He sets about his task with an admirable blend of caution and firmness. He is careful of his terms, quoting a number of definitions of the state of full employment and plumping in the end for one likely to madden the purist but to commend itself to common sense; that level of unemployment which will not "provoke an inconvenient restlessness among the electorate." This is very typical of his general treatment; at every point he keeps firmly in mind that it is practical and immediate policy in a democratic state which is being discussed, and that a well-established popular state of mind is, therefore, a fact to be treated with as much respect as the figures of the balance of payments. Similarly, what he prefers to call the "open" international system is less defined than, after considerable discussion, indicated, as one respecting the right of consumers to buy from low-cost producers.

From an argument too close for casual summary there emerges a main conclusion not altogether comfortable for the uncritical advocates of "security first." The requirements of the open international system and the aims of a full employment policy can be harmonised only by a constant, unremitting maintenance of maximum efficiency and maximum mobility. To envisage full employment as a prescriptive right, on the part of every worker, to his present job; or to try to attain it (as most countries did in the 1930's) by exporting unemployment elsewhere; or to temporise with adjustments by subsidies, inflation, or other jiggery pokery, is to make the "open" system finally impossible.

For those who argue that, in this case, it is the open system rather than the handy if internationally regrettable weapons of full employment policy which should be jettisoned, Professor Fisher has his answer. The argument might conceivably hold good for a country like the United States, which would not be ruined, though seriously inconvenienced, if its foreign trade were utterly abolished. But Great Britain's dependence on imports, statistically striking enough, is even greater than statistics indicate, because it is precisely those goods on which the whole structure both of production and consumption rests—food and raw materials—which she is incapable of producing in adequate quantities. To obtain these goods, as well as to pay off past obligations, she must export on a larger scale than ever before. To attempt to carve markets, on this new and larger scale, out of a total of world trade no larger than that remaining after the abandonment of the "open" system, is manifestly hopeless. The total of world trade must expand if Great Britain's economic needs are to be met—including her need for full employment; so far from the two major aims being incompatible, the second is essential to the first.

Professor Fisher would agree, however, that one cannot simply write QED and leave the matter there. World trade is necessarily, for as far ahead as one can see, dominated by the United States, and the economy of the United States appears, on its past record, both to be subject to epileptic convulsions of extraordinary violence and to be guided by individuals singularly unconscious of their responsibilities towards the stability and prosperity of the outside world. Has Great Britain, in fact, a choice (treaty obligations apart) between an open world economy and a system of bilateral agreements and blocs? Is not the choice rather between a system of the latter kind, built up far-sightedly and calmly to achieve as many as possible of the advantages of the open system, and a chaos of the 1929-39 variety? Professor Fisher admits the formal possibility; but he argues, with some evidence, that the United States is not incapable of learning, has every intention of maintaining full employment, and has through the escape clause of the Loan Agreement and the "scarce currency" clause of the Bretton Woods pact provided a con-

siderable safeguard against her own possible shortcomings as a partner in world trade. Even given the doubts felt as to the United States' influence on world stability the balance of advantage remains, he holds, heavily in favour of the "open" system.

Bretton Woods

"Bretton Woods for Better or Worse." By R. G. Hawtrey. Longmans. 142 pages. 7s. 6d. net.

FOR many years Mr R. G. Hawtrey has consistently held the view that the prime object of monetary policy should be the stabilisation of the purchasing power of money. For that purpose it is necessary to ensure an equable flow of money so as to prevent either a shrinkage of the flow which is inevitably followed by trade depression, or an undue expansion which invariably leads to a boom, and in turn is the prelude to deflation and depression.

The best available measure of the flow of money is the wages level, and the theoretical aim of policy is so to regulate the flow that no change in the average wage level is ever called for. In practice wage index numbers would not give a sufficiently precise guide to action, and central bankers in charge of credit control would pay attention chiefly to the returns of unemployment, making due allowance for any special unemployment due to non-monetary causes. Mr Hawtrey is an unrepentant believer in Bank Rate as an instrument for controlling the flow of credit, and has little belief in any of the modern devices.

It is in this context that he writes of Bretton Woods. And it is because, in his belief, Bretton Woods—that is the International Monetary Fund—fails to provide an effective mechanism for the control of the flow of money along these lines, that he is inclined to condemn it. The basic defect of Bretton Woods is in his view two-fold. It provides no safeguards against general expansionism. And by reason of the restrictions it imposes on the alteration of exchange parities it does not cater satisfactorily for a member country which desires to contract out of either a general inflationary or a general deflationary movement. Mr Hawtrey bluntly asserts that "a country's right to alter the par value of its own currency should never be parted with"—which seems to be going pretty far towards denying any value to international co-operation in the monetary sphere.

Mr Hawtrey leaves it in no doubt that he would at the present time favour much higher Bank Rates in Britain and in the United States than now obtain. As a means of reviving London's position as an international marketing and financial centre he also urges that sterling exchange control should be abrogated and treated "an emergency measure only to be reimposed if at some future time the country's reserves are imminently threatened with exhaustion." It will be seen, therefore, that Mr Hawtrey, who marshals his argument with all his accustomed force and brilliance, stands well outside the main current of contemporary economic opinion.

Blackwell's Political Texts

MILL: "On Liberty" and "Representative Government." Edited by R. B. McCullam.

LOCK: "Second Treatise of Civil Government" and "A Letter Concerning Toleration." Edited by G. W. Gough.

HOBBS: "Leviathan." Edited by M. Oakeshott. Cloth, 8s. 6d. net. Paper, 7s. 6d. net each.

At a time when the English political scene is changing rapidly, and Parliament itself and other representative institutions are in a steady process of transformation, it is no bad plan to re-examine the account of the genesis and the functions of the State given by three of the foremost English political thinkers of the past. These first three volumes of a new edition of political texts are equipped with long and valuable introductions. Particular mention needs to be made of Mr Oakeshott's erudite yet forceful introduction to the *Leviathan*, which comes closer than seemed possible to vindicating Hobbes's hoary account of human nature and to sustaining the writer's claim that this work "is the greatest, perhaps the sole, masterpiece of political philosophy written in the English language." Indeed, Mr Oakeshott outshines Hobbes in standards of logical construction.

Hobbes, Locke and Mill are a well-assorted trio. They were all strongly influenced by the circumstances of their age—Hobbes

preaching unconditional obedience to the State amidst the tumults of the Civil War, Locke seeking to justify a limited right to rebellion after the peaceful revolution of 1688, Mill arguing for the maximum development of individualism among a generation which feared society more than the state—yet each contributed something of permanent significance to political theory. Further, all three of them are at one in a peculiarly English rejection of romantic and idealist theories of the state. The state is there to serve the individual, not the individual the state. Moreover, the state, however it is constituted, acts always in a representative capacity—it is incapable of expressing a unanimous "general will," as Rousseau thought, or of automatically acting rightly, as Hegel sometimes seemed to believe. It follows that the state may sometimes act stupidly and unjustly, may be a vehicle for the selfish aims of individuals or groups. Even Hobbes had few illusions about his Leviathan, whose complete authority was necessary rather than desirable.

Nevertheless these three thinkers were far from agreed on the powers which the State should possess. Hobbes was perhaps the first great theorist to realise that sovereignty must be indivisible, that there can be only one ultimate source of power and authority in the state if chaos is to be averted, and that no bill of rights or separation of powers can ultimately bind or limit this sovereign authority. Hobbes's theory is good law in most countries, Britain included; and whereas in the United States, the position is less simple, the ability of the past to bind the present remains something of a miracle. But even a sovereignty that is legally absolute, such as the King in Parliament, is no stronger than the human will that sustain it in being. It is this fact that, contrary to Hobbes's precepts, brings about rebellions and, contrary again to Mill's wishes, makes impossible any permanent guarantee of individual liberties. All that is good in a political constitution, however hardly won, however firmly grounded, can be kept in being only by a continuous will and effort that must be made afresh by each generation.

Documentary Film

"The Factual Film." A Survey by the Arts Enquiry of PEP 250 pages. Oxford University Press. 12s. 6d.

THE social, educational and commercial importance of the film makes the appearance of this 250-page survey most opportune, for it is from the achievements of the documentary movement that British films derive their peculiar virtues. This book, like the documentary film itself, combines realism with vision and projects the whole subject in proper perspective.

The history of the documentary and the development of non-theatrical distribution are faithfully traced, before and during the war; the news film and the record film are examined; and the international use of the factual film is briefly explored. The section on "Films and the Public," read in conjunction with the appendix on "The Development, Structure and Economics of the British Film Industry," shows why the best in public taste is rarely encouraged, and suggests a remedy in the creation of a public film institute, free from the financial and constitutional handicaps of the British Film Institute and powerful and independent enough to safeguard the public interest. The other appendices on "Film Censorship in Great Britain," "The Educational Film Movement in Scotland" and "The National Film Board of Canada" throw interesting sidelights on the central picture.

Special attention is devoted to the use of the film in education. The scarcity of projectors, the lack of interest often shown by teachers and the absence of a working relationship between teachers and producers during scripting and production, are among the reasons for the present highly unsatisfactory position. Government finance and the specialist services of a public film institute are essential if the potential benefits of the film in education are to be realised.

The recommendations of the anonymous experts who have prepared this report under the auspices of Political and Economic Planning (PEP) deserve the close attention of educationists, Members of Parliament and indeed of all responsible citizens concerned with the future of the film; and the drastic reconstitution of the British Film Institute, the need for which has now been convincingly demonstrated, should be undertaken without delay.

Wilderness of Marxists

"The Theory of Capitalist Development." By Paul M. Sweezy. Dobson. 398 pages. 18s.

THE ghost of Ricardo still haunts the world in a state of split personality; a feebly gibbering Jekyll, Henry George, and an

apparently inexorable Karl Marx. Hence Dr Sweezy, who makes a determined attempt to get back to Ricardo and to prove that in Marx and Marx alone is to be found the properly developed economic truth. This attempt, one may as well say at once, does not come off. It simply is not possible, in this day and age, to present the notions of socially necessary labour time, surplus value, and so forth, so as to convince anyone not already prepared to supplement reason powerfully with faith; and the laborious following-out, through diagrams, algebraic formulæ, and ponderous logical sequences, of all the implications of Marx's original errors, and all the glosses put upon them by the faithful, seems a pointless misuse of time and energy. Dr Sweezy's publishers claim that the general reader, as well as the economic specialist, can readily follow his arguments, but this claim can only be described as touchingly optimistic.

Dr Sweezy's later chapters, in which he deals with crises, depressions and the "breakdown theory," have a certain interest in that they link and compare the Marxian and Keynesian analyses of the inherent contradictions of capitalism. Indeed, he comes near—perilously near from the standpoint of Marxist orthodoxy—to endorsing Lord Keynes and agreeing that capitalism can, after all, be made viable. He concludes, however, that submission to Keynesian remedies, including a vanishing rate of interest and redistribution of purchasing power to the benefit of the Propensity to Consume, is something not to be expected of any governing class, whatever the nominal complexion of the government in power. His hopes, such as they are, for the comparatively peaceful achievement of Socialism rest rather on the example which he sees the USSR setting, in the future, to the workers and middle classes of other lands. In the light of this opinion one need hardly add that *The Theory of Capitalist Development* was written well before the end of the war.

A Classic Revised

"A Study in Public Finance." By A. C. Pigou. 285 pages. Macmillan. 16s.

PROFESSOR PIGOU'S *Study in Public Finance*, a classic for the last nineteen years, has been considerably modified in this, its third, edition. Some chapters are omitted as now irrelevant; others, borrowed from *The Political Economy of War* while this was out of print, were reincorporated in its 1939 edition. Instead, three chapters have been added on the mechanism of reparations transfers (an analysis strangely applicable to the repayment of the American loan) and an entirely new section on Public Finance now concludes the book.

This final section, methodically scrutinising all those means—taxation, subsidy, modification of insurance contributions, public works, and monetary manipulation—by which the fiscal and financial authorities can influence the volume of employment, ends on a note of warning on the dangers of inflation inherent in a Keynesian policy. To Professor Pigou, it appears inevitable that a demand for higher wages should follow on the heels of any increase in the total wages bill. He enters into no controversy, draws no morals, never even mentions the name of Lord Keynes; no one, in fact, could be much further above the battle than he. But current events give to his thesis a sinister topical quality.

Shorter Notices

"Food, Famine and Relief 1940-1946." League of Nations Publications. Obtainable from Allen and Unwin. 159 pages. Paper bound: 6s.

This book is an analysis of the causes underlying the present world food crisis. War and post-war scales of rations, rationing systems and food consumption levels are examined, and international relief activities and the state of the public health are reviewed against a background of comprehensive statistical information. Valuable material has thus been made accessible, which must be essential for any successful remedying of the present tragic world food situation.

"Documents on British Foreign Policy 1919-1939." Edited by E. L. Woodward and Rohan Butler. Second Series: Vol. 1. His Majesty's Stationery Office. 603 pages. 21s.

The first instalments of a collection of Documents on British Foreign Policy from 1919 to 1939, promised by Mr Eden in Parliament in March, 1944, are now beginning to appear. The present volume covers a period from 1929 to 1931 dealing with Naval Disarmament, Relations with Germany from the formation of Dr Brüning's administration to the announcement of the Austro-German proposals for a Customs Union, and the attitude of HM Government in the question of international co-operation within the framework of the League of Nations.

AMERICAN SURVEY

Army-Navy Merger

(From Our US Editorial Staff)

THE announcement that the Army and Navy have arrived at a compromise unification plan satisfactory to both services as well as delightful to President Truman would be more pleasing to the rest of the country if there were more evidence that the basis of the struggle has merely been transferred from principles to details, its locale from the public prints to the whispering corridors of Washington. The plan itself bears a sufficiently striking resemblance to those adopted on several occasions during the war, when it became necessary to reconcile the objectives of irreconcilable agencies, whose areas of authority overlapped—the plan of leaving both agencies intact, but setting up a third, super-agency embracing both the others. The notable case at that time was the creation of the Office of War Information, which was to be a policy-making body in the field of public information, but which turned out to be an executive institution for policies determined everywhere else; and policies often mutually contradictory.

The new plan for the Armed Services does not promise much better. One of the Navy's leading objections to previous plans was that it was deprived of a voice in the Cabinet. The Army Air Force's chief desire was to obtain such a voice; and that of the Army General Staff was to have a Cabinet officer who should be above all the services. On this plane, the new plan provides for giving everything to everybody, so that the United States will have not a single Secretary for all the armed services, but four such officers—one for each of the three services, with the new Secretary of National Defence as arbiter. It will be interesting to see who draws this extraordinary assignment, which would seem to call for the combination of Talleyrand and King Solomon—if the plan goes through.

Under it the Army and Navy are to retain their own tactical air forces, while the Air Force operates in the strategic domain. But who decides where the boundaries of this domain lie? The new Secretary? His Staff? Or the Army's General Staff, which apparently wishes to be a Great General Staff on the German model? The Secretary of National Defence is to be the judge, and he is to be a civilian, that is, a man fundamentally ignorant of the subject on which he is arbitrating. It is hard to see in this part of the proposal anything but a victory for the most extreme Army point of view, and in this sense, it is no surprise that the proposal should be delightful to Mr Truman, the ex-artilleryman who seldom saw water in anything larger than a bath-tub before he became President.

But the whole thing is at present merely a proposal, an agreement, whose very approval by the President is not unlikely to make it unpalatable to a Congress acting on the principle that it is sound politics to answer No to any request that Harry Truman makes. Only the Congress can establish the necessary two new Cabinet posts; or alternatively disestablish the present Secretaries of War and Navy in favour of a new single Secretary for National Defence.

Congress—at least the controlling sections of Congress, which are the new Armed Forces Committee of House and Senate—evidently wants nothing to do with the matter at present. The Senate Committee is mute; Mr Andrews, the Chairman of that

in the House of Representatives, issues a statement which presents an excellent imitation of a man holding a hot potato and looking for a place to put it down. Any Bills on the subject of unification (which he prefers to call "integration," apparently failing to realise that it is the stronger word) will be routed, he says, not through his committee but through the rather obscure Committee on Expenditures in the Executive Department. The reason is, once again, that this Committee would be a disinterested umpire—that is, it would be ignorant of what it was dealing with.

The remainder of Mr Andrews's statement, which footnotes and underlines all the hearts and flowers in the official announcement, demonstrates how real the conflict between the services still is, and why he is so anxious to drop the potato. He proposes that Mr Truman shall "gag" Army officers with regard to unification, as he has already forbidden Navy officers from speaking on the subject. The idea may be dismissed as Republican party politics, but it is, beyond this, evidently a bow in the direction of the Navy. Few Navy officers have been able to avoid the opinion that the reason they were put to silence was that the arguments against the unification proposals they advanced were unanswerable.

Mr Andrews proceeds to say that there is no real difference in the viewpoints of the two services, and this is a bow to the Army. There is a very real difference; the question is fundamentally the adoption or non-adoption of the ideas of the Army General Staff, which believes that it should make all large decisions in war, which believes in universal conscription, which believes that there should be no such *corps d'élite* as the Marines, sustained by voluntary enlistment, while the ordinary citizen has no choice of the branch in which he will serve. Either the Army will attain the objective of making the branch of service a matter of direction from higher authority or it will not; but this is the question both Mr Andrews and the "merger" plan that so pleases Mr Truman carefully avoid.

Mr Andrews adds a few cupolas of his own to the remarkable structure of the agreement which conceals so many disagreements. He proposes to set up within the Armed Forces Committee a series of sub-committees of which he himself will be an *ex-officio* member, along with Mr Vinson, the senior Democratic member. These sub-committees will deal with such subjects as (his words) aviation, heavy ordnance, and personnel. They will have their own staffs of independent experts, connected neither with Army nor Navy, and the liaison officers from those departments will be "just that," which apparently means gilded messenger-boys.

It is an interesting picture. Who will those civilian experts in, for instance, heavy ordnance, be, who know so much more about the subject than the officers of the armed services, yet can afford to desert the high salaries industry would offer for the very low ones that the Congress would supply? There is a good deal of opinion, even in the tightest Army circles, that heavy ordnance in land warfare has become obsolete. Its mission is long-range fire, and it moves too slowly, offers far too attractive a target for minor weapons, to serve effectively in this capacity. Heavy ordnance at sea is in a far different position. It is mounted on an active platform and can obtain surprise.

For that matter, how heavy is heavy? The Army considers a 155-mm. gun as heavy; it is almost exactly the calibre of the 6-inch gun which is the standard light weapon of naval war. The conclusions seem unavoidable that the new Congress has not studied the question at all; that the military departments have studied it, and have reached an agreement, not to agree, but to continue the debate behind the scenes, where beneath a surface appearance of accord, they can continue the process of playing for position as grand masters do in modern chess.

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

Paralysis Or Partition?

THE Bevin attack on the Palestine problem has reached and passed its climax during the last ten days. When launched in November, 1945, it was planned as a combined operation with the Americans. But no sooner had the Anglo-American Committee of Inquiry presented its report last summer than President Truman fired some stray shots into the British camp and left the Foreign Secretary and the Colonial Secretary with an exposed flank. At this flank Jews in Europe, Jews in Palestine and Jews in the United States have been hammering away for nine months with their demand for the immediate admission of 100,000 immigrants to Palestine. On the other flank the Palestinian Arabs, with the Arab States in reserve, have been stubbornly defending a position they first took up twenty-five years ago.

Then recently the British ranks have been divided. It is an open secret that there are two schools of thought within the Cabinet. One school, to which the Colonial Secretary belongs, wants to cut the Gordian knot by partitioning Palestine into a Jewish State and an Arab State; whether or not these States were given their sovereign independence at once, they would at least have control of their own internal affairs and, in particular, the Jewish State would be free to make its own decision about the number of immigrants that it would receive. British responsibility for internal law and order would be vastly reduced and might be limited to securing the frontier between the two States; and the British Government would cease to be the butt of violent pressure from both sides on the immigration question. The other school of thought, of which Mr Bevin is the leader, is reluctant either to partition such a tiny land or to incur the Arab hostility that would be aroused by conferring on the Jews the right to determine their own numbers. They would make one more effort to preserve some unity in Palestine by making a federal experiment along the lines of the so-called Morrison plan. They hope that the probationary self-government given to Jews and Arabs within such a federal plan would, in five years' time, lead to such a growth of responsibility and statesmanship that the vital functions of preserving law and order and controlling immigration might then be handed over to a federal government. For the meantime, however, the responsibility for both would necessarily continue to rest on the British administration. The first group in the Cabinet thinks it necessary to come to terms with the Jews of the world, which would necessarily involve some appeasement of the terrorists in Palestine; the second wishes above all not to strain to breaking-point the ties of British policy with the Arabs of the Middle East and the Moslems of the British Commonwealth. Both want peace in Palestine and a cut in the huge expenditure of men and money on administration of the Mandate. Both recognise the vital and legitimate British strategic and economic interests in the area. They disagree about the best method of preserving them.

Fundamentally the two groups are divided by their different estimates of the risks involved in deciding the future of Palestine now and not later. Mr Bevin's supporters seem to think that in five years or so the Arabs and Jews might be disposed to agree about their future status and relationship if those years were spent in admitting a larger but limited number of Jewish immigrants and in testing, with British control at the centre, the Jewish and Arab capacity for self-government and co-operation with minorities. They would also be used—if the Americans agreed—for a British-directed effort at economic development, especially among the Arabs, which would spread more evenly over the country the seeds of future prosperity. It is further argued, by the strategically minded, that during these five years one of two things is likely to happen: either

Uno will develop some efficient substitute for the security provided by national armed forces or it will be much clearer than it is to-day that there is no hope for effective collective security. That is to say, British bases in the Middle East will either become unnecessary or more necessary than ever. Positions abandoned now could not be reoccupied later. Therefore, while the United Nations are making their choice, it would be useful to have British forces sitting in Palestine—instead of in Egypt—and keeping the Arabs sweet even at the risk of embittering the Jews.

The other group argues against Mr Bevin that there is no evidence at all that in five years' time Arabs and Jews will be more co-operative than they are now. Five years hence the British Cabinet will be faced with the same difficult choice that faces it now. By that time conditions, both local and international, may be less favourable than they are now; just as they are far less favourable now than they were ten years ago, when the Peel Commission declared the Mandate unworkable and recommended partition. British military and economic planning must not be distorted and complicated by a liability which represents sheer waste of a large part of the regular army. Prestige will suffer from the world's misunderstanding of British restraint and humanity; and the relief of hundreds of thousands of European Jews will be delayed.

Each party can claim that its policy respects British obligations under the Mandate, so that neither group can embarrass the other or rally waverers by sounding the call to conscience. In such a deadlock of argument the best that can be done is to retrace the steps in the debate and find one argument that one side had not convincingly answered. One such is outstanding: the argument of Mr Bevin's opponents, or Mr Creech-Jones's supporters. This is that there is just a glimpse of common ground between the Jews and Arabs where the argument is fiercest—over Jewish immigration. The Arabs fear reckless, uncontrolled immigration, forced on by Jewish extremists. The moderate Jews want immigration under their own control but kept within limits that would not wreck the economy of their special areas. If, therefore, control of immigration could be assured without direct British interference, some on both sides would be happy. This could only be achieved by partition. Partition would give the Jews control of immigration into their part of Palestine and also the responsibility of settling the immigrants; while a British—or international—guarantee of its frontiers would amount to a check on any overflow of immigrants into the Arab part. By such a solution, carried out now, every party to the dispute, not least the British, would gain something. So, approximately, runs the argument.

There is reason to believe that the Arab States—or some of them—would accept partition as a basis of discussion, and that they see the appeal that it might make if the Palestine problem came before the United Nations. Even if the proposed frontiers were not entirely satisfactory the Jews, too, might accept this basis of discussion, which concedes their principal demand of Jewish control over immigration. There is no reason to believe that effective British public opinion would reject it, unpopular though the Palestine Jews have become.

There are, of course, risks, even if partition did not mean immediate withdrawal of British administration and troops. The Jewish Labour Party and the moderate Zionists might be unable to control the flood of immigrants now pent up in Europe or to keep their extremists in check. There might be a struggle for power in the Jewish State between moderate influences and the revolutionary traditions of eastern Europe, to which the British Government could not remain indifferent.

Minority difficulties might lead to border incidents or to Arab terrorism. These risks would have to be recognised and guarded against. But what reason is there for thinking they would be any less serious five years hence, or any more serious now than the risks which face the British administration while the present paralysis of Palestine continues? That is the chief question that the opponents of partition have to answer.

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The door having been again slammed in his face by Arabs and Jews, Mr Bevin has to secure from the Cabinet this week-end a final decision about his next step. He appears to have the choice of recommending either persistence in the modified Morrison plan, with its offer of five years of semi-autonomy to Arab and Jewish areas and of 96,000 immigrants in two years; or the revival of partition plans; or the abandonment of all specific plans and reference of the whole issue to the United Nations. The second of these alternatives is the most statesmanlike, but it would mean yet another effort of negotiation, particularly with the Arabs. Mr Bevin should pursue it vigorously before he leaves for Moscow and not leave Palestine in a state of paralysis during the many months which would pass before an international verdict could be secured. Better still, he should spare himself and leave the pursuit to Mr Creech-Jones. For the Colonial Secretary is less likely to be dogged by those traditional strategic considerations which haunt the Foreign Office and more likely to be free to follow any chance of settlement through to the end. To the Foreign Office falls the very important secondary task of persuading the governments of Europe and the Americas that each should admit some small quota of Jewish immigrants to assist their resettlement in parts of Europe where they can be sure of toleration and oppor-

tunity. For even the drastic remedy of partition might fail if Palestine could be represented by the zealots of Zionism as the only land promising a future for European Jewry.

The British threat to appeal to the United Nations does not seem to have impressed either Jews or Arabs. Some of them doubtless recall how the Permanent Mandates Commission used to hand back the problem to London with rather aloof exhortations to do better next time. One cannot imagine the Security Council, for example, soberly and disinterestedly pondering Britain's most perplexing administrative problem. Nor can one imagine that there is any desire to encourage the Soviet Union, or France, or any other Power, to take over the British position in Palestine. Nor, again, is it likely that a Uno committee would hit on any solution of the problem which has not already been examined and rejected during the inquiries of the last twenty years. If, on the other hand, it is Mr Bevin's idea to submit a workable plan to the United Nations, to say that the British Government are determined to carry it through, then the favourable verdict of the Assembly nine months hence would be well worth having and waiting for. If that is the idea, then it is surely clear that a federal plan which maintains British control at the centre of Palestine for several years to come without the promise of a final settlement would be bitterly opposed by the Soviet voting bloc and even by well-disposed governments. But a plan of partition, with its promise of diminished British forces and greater Jewish and Arab independence, would have a reasonable chance of acceptance. And acceptance by Uno would make it far easier for the United States Government to take in Palestine as a whole the political and financial interest which has been so far concentrated on the Jews. If Mr Bevin still believes in his original Anglo-American plan, here is the way to revive it.

A Food Policy

BRITAIN has been committed, almost unawares, to an important set of proposals on world trade in foodstuffs which were debated in the Commons last week shortly after their publication in this country. These proposals are contained in the Report* of the Preparatory Commission appointed by the Food and Agriculture Organisation of the United Nations to consider the suggestions for a permanent executive World Food Board put forward by its Director-General, Sir John Boyd Orr, at the Conference at Copenhagen last year. The Orr plan has been scrapped for the reasons that it would involve more international control than some nations, particularly the United States, will stomach, and more international finance than other nations, such as Britain, can afford. But this new report does not merely give the Orr plan, as Mr Richard Law put it, a decent burial. It envisages in its stead a high degree of international control over world trade in foodstuffs and in other primary products such as cotton and timber as well, with the important difference that the plan of control, though drawn up by an international body, will fail to be implemented by individual action of the nations concerned. It is thus of first importance to Britain's trading future and to domestic agriculture and food supply.

Nothing is easier, where world food supplies are concerned, than to get lost in a maze of sentimental aspirations. It is desirable to prevent disastrous fluctuations in world food prices, to provide stability and prosperity for primary producers and to raise the deplorable nutritional standards of backward nations. These are the aims which the new food plan sets

out to achieve, and it points once again to some of the measures essential to their realisation, such as frequent international consultation over production and consumption (to be carried out through the medium of a World Food Council) and the provision of international finance on a much larger scale than at present for development schemes in backward areas. But any scheme needs to be judged, not by its intentions, however good, nor by the quality of its advice, but by what is likely to be the actual effect of such practical recommendations as it embodies. On this test, the new FAO proposals warrant, at the best, only a cautious and qualified approval.

The hard core of the new proposals—the section which is capable of being translated into practice at an early date—is the formulation of international commodity schemes. The idea in most cases would be to fix a floor price and a ceiling price for the commodity in question, and to keep the actual price within this range by a system of Government-held buffer stocks. The world price would be prevented from falling through the floor by purchase of stocks at the floor level, in the first place by exporting nations, and later, if necessary, by importing nations as well; and these stocks would be sold if the world price threatened to rise too high. Some limit would be placed on the size of the buffer stock which any nation would be required to accumulate. If, however, as is anticipated, there is a persistent tendency for supply to outrun demand, it is proposed that exporting nations should be encouraged to sell their surplus stocks at specially low prices to needy nations for nutritional projects that have received the prior sanction of FAO.

The attractions of this scheme, at least in theory, are obvious.

* FAO Report of the Preparatory Commission on World Food Proposals. Cmd. 7031. HMSO. 1s. 6d.

Community-Property Taxation

(From a Correspondent in Colorado)

THE principle of taxation which says that taxes should bear equally upon members of the class taxed has been split right down the middle by the community-property laws of a group of Western States, under which different and preferential federal treatment has been accorded members of the same class of tax subject, because of their residence. When the United States took over territories from Mexico the property laws were left unchanged in those territories and in the states which grew out of them; and in states formed from neighbouring territories the Spanish law was likewise followed. As a result, at the time of their being received into the Union eight states had what is called the community-property law in regard to the property acquired by married people—that is, it was owned in common, and the manager was legally responsible to the other party. If the marriage split up, half the communal property went to each spouse.

When the federal amendment authorising the graduated income-tax was adopted in 1913, lawyers and officials of the so-called community-property states contended that their system permitted married persons likewise to split their income up into two halves for the purpose of paying federal income tax, and thus to pay on two smaller incomes rather than on one larger one, with a consequent saving. The Treasury dissented, but in test cases the contention was upheld by the Supreme Court.

So for many years married couples in these eight states, Louisiana, Texas, New Mexico, Arizona, Nevada, Idaho, Washington and California, have been enabled to pay federal income-tax on a different and less burdensome basis than have those in other states. Their savings and the added burden thrust on to taxpayers elsewhere, did not amount to much in the days of lighter income-taxes, but in the past five or six years the disparity has been very great indeed. It has been somewhat blunted by certain provisions regarding the reporting of earned income and by the fact that many other states have provisions which enable some saving to be made by married people who derive their income largely from property. But it has become increasingly desirable to be spouses in community-property states.

Senators and other officials from the community-property states have always contended that it would take a constitutional amendment to remove this privilege, but they have never consented to Congress putting the question to a test by inserting in the federal income-tax law a stipulation that all property income of a couple should for income-tax purposes be considered the income of one. They have filibustered whenever this proposal has been brought up. Such paladins as Senators Connally of Texas and Johnson of California may have differed on every other subject under the sun, but on this they stood as one.

The last time the attempt was made in the Senate was in 1941, just before Pearl Harbour, and when, on that occasion, it became apparent after some days that no business would be done for months if the provision were pressed, its sponsors reluctantly withdrew it. One of the claims of the filibusterers has always been that the provision promotes stability of the married relation and that the attackers therefore were attacking marriage. As a matter of ironic fact the divorce rate in the eight states with community-property laws is much more than twice the national average; climate, custom and character seem to have a great deal more to do with stable marriage than money. In any case, the savings are so small in the lower income brackets as to be negligible.

But the situation has had one striking effect. If a man who is preparing to retire in New York or Ohio, say, on an income of \$25,000 yearly, is shown by lawyer-friend that by moving to California he and his wife can save \$2,622 yearly, the attractions of the famous climate are likely to become so impelling as to cause the move to be made. Then, too, a glance at the map shows certain states that are in effect islands among community-property neighbours. One of them is Oklahoma and one is Oregon—the latter is entirely surrounded. Exploitation of Oklahoma's oil and

other natural resources has developed many large fortunes and incomes in that state. But just across the border in several directions lie fair provinces where federal income-taxes are much less onerous. The same is true in Oregon.

In recent years both states have grown restive under rapid and continuous loss of wealth taken away by departing couples. In 1939 Oklahoma passed a state law which gave married couples the privilege of entering the community-property status if they so desired. The Federal Government resisted the application of this act to the payment of federal income-tax. The Supreme Court held in effect that such an act was not a true community-property act, since the community-property status was not mandatory on all married couples in the state. If Oklahoma desired a community-property act, the Court said, it must pass a real one.

Oklahoma in 1945, therefore, passed a mandatory act, and the Treasury threw up its hands and conceded that Oklahoma couples are hereafter may enjoy the benefits of community-property. So the way is now legally open for other legislatures to act. Most of them meet in 1947, and all that are not in community-property states will be open to the pressure from wealthy couples that caused Oklahoma to act. (Oregon passed a law in 1943, but repealed it when the original Oklahoma statute was struck down. Now a fresh start is in order.) How long, in particular, should the legislatures of such wealthy states as New York, Massachusetts and Illinois be expected to resist? There is a kind of Gresham's law in taxation as well as in coinage, and a lenient tax situation will always drive out a more stringent one.

Mr Stanley T. Surrey, tax legislative counsel of the US Treasury, has proposed—as an individual suggestion and not as departmental policy—another approach. Since it seems impossible to equalise the situation by the remedy heretofore sought, Mr Surrey would permit married couples anywhere to report their taxes in joint form, but to pay tax at the rates which would prevail were the incomes to have been earned separately, a close approximation of the community-property result. For the first time he gives estimates of the savings made by couples in community-property states. Nothing is saved yearly at an income below about \$3,400. Then the savings are as follows:

Net Income Before Exemption, Married Couple with no Dependents	Total Tax, Community-Property States	Total Tax, Other States	Saving	Percentage of Saving
\$	\$	\$	\$	
5,000	760	798	38	4.8
10,000	1,843	2,185	342	15.7
15,000	3,154	4,047	893	22.1
25,000	6,460	9,082	2,622	28.9
50,000	18,725	24,795	6,070	24.5
100,000	50,274	63,128	12,854	20.4

Mr Surrey also calculates that in the 10 years 1937-46 couples with an average yearly income of \$5,000 would have saved \$320 in all; those with \$10,000, \$2,864; those with \$25,000 would have saved \$20,633; those with \$50,000, \$53,144; and those with \$100,000, \$132,187, by residence in a community-property state. (Since tax rates in the earlier years were lower, the savings in the table above would not have applied throughout.) He says that under present rates, wealthier married couples "get a tax holiday every five years." He figures that his suggested change would mean a \$900,000,000 yearly loss to the Treasury. (No one has estimated the actual saving to taxpayers in community-property states and corresponding loss to the Treasury under the present situation.) With the Republicans promising a 20 per cent overall cut in income-tax, the community-property amendment, as proposed by Mr Surrey, is sure to come in for a great deal of discussion in Congress. It is, however, politically touchy in that it is an amendment for the rich—to 99 out of 100 American married couples it would have no meaning whatsoever.

American Notes

Ford's Diagnosis—

The Ford Motor Company last week-end made a determined and courageous bid to end the wage-price spiral by reducing prices for current models by \$15 to \$50. These reductions are, perhaps, modest enough on a price-list ranging from \$1,200 to \$1,600, but they have been made at a time when the rest of the industry has posted a sharp advance on general list prices, and when the Ford Motor Company itself has been rather gloomily assessing the probable inevitability of a further upward move. In his statement to dealers and purchasers, Mr Henry Ford Jr. declared that the company had made very heavy losses over the first year

of post-war operations, but that these losses would be written off as "a down payment towards a continuing high level of production and employment." The price policy was also declared to be "shock treatment" directed against an "insane spiral of mounting costs and rising prices."

Mr Ford's statement showed that he was not altogether certain of the final success of this treatment, however accurate the diagnosis may be. But he has certainly gained a very considerable success in giving a sharp jolt to a community which was already beginning to realise that the price gains of the last six months could not continue for very long without some very damaging repercussions. Most of the publicity attaching to price reductions over the last month or so has centred upon such luxury items as furs, jewellery, and luxury products. Retail food prices, however, have also shown a declining trend since the Christmas buying peak, and predictions of a wider decline in consumer goods items are now general.

Beyond this there is now evidence that a more cautious mood is spreading through the whole industrial community. There is far more concern about the level of inventories, the possible duplication of orders, the development of "sales resistance," and the growing reluctance to accept "price escalator" clauses in longer-term contracts. All this does not, of course, mean that the United States is heading for the depths of depression. Indeed, it seems more than probable that over the next month or so the pace of industrial activity will quicken as manufacturers urge shipments forward against the possibility of deadlocks in wage negotiations. Beyond then, however, is the certainty of a slower pace in re-stocking, the probability of a pause in plant and equipment orders, and the prospect of a decline in farm incomes through 1947.

If such a setback begins to develop, it will almost certainly be greeted with prophecies of impending doom. In the last quarter of 1946, gross national product was running at a peak annual rate of \$205 billion with civilian employment, at 58 millions, more than 10 millions higher than in 1940. It needs no special gift of imagination to predict that a decline in industrial production of only 15 per cent (to the highest pre-war level of 1941) would bring a very rapid rise in unemployment figures, since in that year the number of workless averaged about 5 millions. The actual decline in activity may well exceed 15 per cent, though fortunately, there seems no reason to believe that it would be prolonged for more than a few months.

—And Wage Negotiations

In any event, Ford price policy brings a new factor into current wage negotiations, and Mr Ford himself was careful to add that his company was well aware of "the great interest taken by the United Automobile Workers in lower prices." So far, the UAW delegates, who are now engaged in bidding for better terms from Chrysler, have been the most determined advocates of specific wage claims. Their demand is for an increase of 23.5 cents an hour, plus insurance and pension funds, and other concessions which are said to total an advance of more like 30 cents.

A year ago, with the whole weight of the Government on the side of the unions, employers in major industries were forced to accept substantial wage concessions. This year, with only a mild blessing from President Truman on the justice of wage concessions "in some cases," organised labour is facing the same stubborn resistance from employers in an atmosphere which does not promise similar successes. Most of the unions concerned in wage negotiations over the next few months have been content to lodge new claims without making specific demands, although the general attitude of organised labour has been strengthened by the recent declaration of the Congress of Industrial Organisations, that wage rates could be raised by 25 per cent, without price adjustments.

The CIO delegates have made no public retraction of this claim. But over the last few weeks there does seem to have been a growing realisation that CIO claims, based upon 1946 price levels, were not too soundly based, and that the 1936-39 yardstick for corporate profits—based on an average return of less than 3 per cent on the "net worth" of all corporations—is a standard which would not support business activities at the high level now needed to sustain full employment. There seems to be a growing impression that CIO leaders would now be willing to settle outstanding claims on a much more moderate basis.

If this be true, the problem for CIO leaders is now to convince the rank and file that 1947 is no year in which to press full claims regardless of consequences, for the one certain factor in the wage equation is the general unwillingness of industry to concede wage



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December 31, 1946

ASSETS

Cash and Due from Banks.....	\$180,479,947.06
United States Government Obligations.....	303,260,703.22
Other Bonds and Securities.....	23,486,281.51
Loans and Discounts.....	218,394,732.82
Real Estate Bonds and Mortgages.....	147,780.04
Customers' Liability for Acceptances.....	2,144,580.18
Interest Receivable and Other Assets.....	2,803,616.52
	<u>\$730,717,641.35</u>

LIABILITIES

Capital.....	\$15,000,000.00
Surplus.....	35,000,000.00
Undivided Profits.....	12,869,853.81
General Reserve.....	\$62,869,853.81
Dividend Payable January 2, 1947.....	4,358,438.52
Acceptances.....	600,000.00
Reserve for Taxes and Other Liabilities.....	2,390,156.03
Deposits.....	5,324,061.52
	<u>655,175,131.47</u>
	<u>\$730,717,641.35</u>

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FALKLAND IS. UGANDA SWAZILAND GAMBIA WINDWARD IS.
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FEBRUARY NUMBER PRINCIPAL CONTENTS

Nauru: An Empire Mandate in the Pacific
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"Federation of Malaya" Instead of Union
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A Constitutional Experiment in Barbados
Form of Party government to be introduced
Plantation and Peasant Production Systems
Extracts from Sir Alan Pim's survey
United Nations Creates Trusteeship Council
Notable event in Colonial history

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33, TOTHILL ST., WESTMINSTER, LONDON, S.W.1

It is designed to impart stability to world trade at its most vulnerable point and also to raise the living standards of backward peoples. On the need for preventing excessive fluctuations in world prices of primary products there is little need to expatiate, and on the desirability, on humanitarian grounds if no others, of feeding the hungry, still less. There are, it is true, limits on what can be done by international means. There are so many needy persons in the world—some 800 million of them in India and China alone—that their diet will benefit in very small degree from the food available, and any appreciable improvement can only be brought about, if at all, by an agricultural revolution on their own soils. Moreover, there are grave technical difficulties in assessing need and in ensuring that the cheap food really does reach the persons for whom it is intended and is not resold on the commercial market. But at least this project, even carried out in a rough-and-ready way, is capable of alleviating the worst distresses of a hungry world.

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Despite these attractive features, the new FAO scheme contains at least three serious dangers, the cumulative effect of which may strongly work to Britain's disadvantage. In the first place, it will have a strong tendency to keep the average commercial price of food well above its free market level. Theoretically, floor and ceiling prices could be fixed which did no more than iron out seasonal or cyclical fluctuations in price in order to provide stability. But the political pressure from exporting interests to obtain a price which they regard as "fair" and "reasonable" (e.g., one that is well above the economic price) will be too strong to be wholly resisted. Again, in theory, any loss on the special price sales to needy nations is intended to be borne by the tax payers of the exporting nations; but, in practice, this heaven-sent opportunity of dumping food surpluses in a humanitarian cause cannot but make it easier to fix and maintain artificially high prices for normal commercial transactions. In consequence, commercial importers, which means first and foremost the British nation, will be subsidising the special sales to needy nations quite as much as, or more than, the exporting nations. Between the exporters, who will want a high commercial price to cover their losses on the subsidised exports, and the needy nations, who will want it so as to create a large "surplus" for subsidised export, the British delegations to the price-fixing conferences will find themselves, as they did at Washington, in a minority of one, and it would take the stubbornest bargaining to secure reasonable prices.

It is as well to be hard-headed on this issue. The war has so upset Britain's balance of trade that her only hope of attaining equilibrium lies in a policy of buying in the cheapest market and selling in the dearest. Yet at the moment the world, under American leadership, is expecting her to do exactly the opposite. The price of all her principal imports—namely, foodstuffs and raw materials—is to be stabilised in the joint interest of producing nations and needy nations. But, at the same time, no such "stabilisation" is proposed for Britain's manufactured exports. The principles of free multilateral trade and hard bargaining on the world's markets are to be departed from in the one instance but not in the other. However desirable in some respects, a policy of this sort is inevitably cruel to Britain in her present undeserved embarrassments and, unless pursued with great care and consideration, is capable of driving this country to making drastic cuts in its imports in a desperate effort to balance its accounts, which would defeat the ends of the whole scheme by wiping out the one and only big commercial market for primary products.

The second danger in the FAO scheme, and indeed one that resides in every scheme of commodity control that has so far been propounded, is that it may leave the door wide open to

restrictive practices. The report envisages that for certain commodities, such as wheat and sugar, the effective demand—even with the aid of special price sales—may be too small to absorb the export surplus that is likely to come forward. Although some foodstuffs, such as butter, may be in short supply for many years, this general prophecy is firmly based. Under war-time pressure, food production outside the invaded areas has been rapidly expanded—by 30 per cent in North America, for instance—and contraction to a lower level would in many cases be uneconomic as well as difficult and wasteful. But who is to buy the enlarged export surplus? Europe, which imported a high proportion of its food before the war and is the only continent that was a net importer of food, faces the future with a reduced purchasing power on the world markets. It is not surprising that the FAO report gives a qualified blessing to restrictive practices by stating that

it is our view that subject to adequate safeguards quotas can be usefully written into international agreements for certain types of agricultural products.

The United States Government has made no bones about its satisfaction that these proposals leave the way wide open to restrictions on production. There are products for which world demand is so inelastic that restriction of their production is unavoidable. For one or two products, such as sugar, the blame lies on the stupid fiscal policy of importing nations. But economic restriction is always undesirable in principle, and applied to a wide range of commodities would be pernicious. Perhaps restrictive agreements for certain commodities, such as wheat, were inevitable in any event, and the present FAO scheme may serve to postpone and to modify a ganging-up of the large wheat producers to parcel out the market. But this is not certain, and in any case the "non-discriminatory" principles that have been firmly written by an American hand into the new FAO scheme will penalise Britain, by making it difficult under any quota scheme to obtain maximum supplies of a foodstuff from its most economical source of supply and by prohibiting any long-term contract, such as the present wheat agreement with Canada or egg agreement with Eire, which purchases the whole of some nation's exportable surplus.

The third danger attaching to the FAO scheme is the very real one that it may not work at all. Commodity schemes will only be adopted after a review by a study group and will be set up, as the Americans insisted, under the aegis of the International Trade Organisation, when it is formed, with FAO in no more than an advisory position. But if many schemes for individual commodities are drawn up in this way—and present intentions extend to wheat, sugar, rice, salted fish, and some livestock products—then the lack of a close co-ordinating policy may have awkward repercussions on the supply of products which are closely interrelated. A system of international commodity regulation will only work in a context of multilateral trade and freely convertible currencies, which has still to be created. And even in these conditions the particular scheme propounded by FAO presupposes that each individual government will faithfully do what it is told—as regards fixing prices, maintaining stocks, complying with export quotas and so on—by an international agency that is only advisory. In view of recent experience, these assumptions are not a little optimistic.

In sum, the danger is that commodity controls, if they work at all, may severely penalise nations importing food on a commercial basis. This is an alarming prospect for Britain, which normally purchases 80 per cent of the meat, butter and eggs, and a large proportion of grains, that enter into world trade. A lot has been heard about the distresses of primary producers, but it is necessary to remember that it is Britain's principal suppliers which will be creditor nations in the future and it is this country that will be the debtor nation, struggling hard to keep alive in a world where the dice are already heavily loaded against her. Most of the main exporting nations now have

the means to subsidise, if they so desire, their own food producers in the same way as Britain is now doing. To pass the buck to this country is to risk killing the goose that lays the golden eggs. For, if Britain defaults on her international obligations and is then duly relegated to the ranks of the "needy" nations, then the only important channel of regular commercial trade in foodstuffs will be dried up, and the elaborate bulwarks for giving stability and prosperity to the primary producers of the exporting nations will be demolished.

No doubt these views are unduly alarmist, yet they may at least serve as a corrective to the too easy acceptance of world food plans, whose surface appearance is all towards good results and whose hurtful effects, like the dangerous part of an iceberg, are hidden from view. The debate in Parliament last week showed only too clearly how many sentimentalists there are who will vote without thought for anything that

NOTES OF THE WEEK

The Peace Treaties Signed

The treaties with Italy, Hungary, Rumania, Bulgaria and Finland have at last been signed, seventeen months after the first discussions on their content began. All the victors concerned and all the vanquished have put their signatures to the documents, although, in the case of Yugoslavia, the delegates went on proclaiming their determination not to sign until the last possible moment. But this general concurrence is more apparent than real. Each defeated Power has signed with some reservations and only Finland has kept the reservations to itself—naturally, since only in the case of Finland would revision be all at the expense of a single and neighbouring Great Power. The other Powers have either voiced their protests or handed in formal memoranda requesting early revision. It does not follow that revisionism will be as disruptive a force in Europe after this war as after the last. But it is certain that the continent will still contain faults in its political crust through which new volcanoes of destructive nationalism may erupt from time to time. One such fault runs from Trieste along the frontiers of Italy and Yugoslavia, doubles back across Carinthia, skirts the frontiers of Hungary and Slovakia and ends in the mountains of Transylvania. Along this line the slightest shift in the European balance is likely to produce a recrudescence of revisionist activity.

However, it is not in Danubia but in Italy that the chief pressure for revision may grow. Of all the satellites, Italy had the best claim to the title of "co-operator" and it can be argued, as the Italians do argue, that of all the satellites, Italy bears proportionately the greatest burden. Count Sforza, the new Foreign Minister, in a statesmanlike interview with the British press, disclaimed revisionism and wounded nationalist reactions, but he equally admitted to the Italian Assembly that the Treaty had roused little but resentment in Italy as a whole. On two points, in particular, passions are strong—the virtual destruction of the Italian Navy and the loss of sovereignty over all the Italian colonies, including those acquired before Fascism. The British Foreign Secretary, who with or without Count Sforza's expressed desire to improve Anglo-Italian relations, must at some point consider his country's future ties with Italy, would do well to remember that Italian public opinion will lay the punitive naval and colonial clauses in the Italian Treaty at Britain's door. It is therefore fortunate that Sir Noel Charles has been able to assure the Italian Government that the British Government are ready to consider such modifications of the Treaty as it lies within their competence to propose.

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Skirmishing Before Moscow

The empirical, not to say contradictory, character of Russian diplomacy has been more apparent in recent weeks than perhaps at any other time. At one time, agreement and understanding appeared to be the basis of Soviet diplomacy. The Russian concessions on the satellite treaties, the agreed agenda for Moscow, the series of interviews given by Mr Stalin to the Press, all couched in conciliatory terms, have not only broken the prolonged diplomatic log jam of 1946; they have even led to better hopes

sounds like "the marriage of nutrition and agriculture," and how many Socialists there are who will accept any proposal to plan what was previously unplanned. That there is much good in the operations and the proposals of the Food and Agriculture Organisation it would be churlish to deny. That the British delegation to Washington was able, against heavy odds, to make a number of improvements in the original proposals is apparent. Regular food consultations, the creation of famine reserves of foodstuffs, technical assistance to backward areas, and (despite its dangers) the stabilisation of the prices of some commodities—these are all good works; but their praises have been sung elsewhere and it is desirable to stress for a change the one big hidden danger. This is, that in rushing forward with arms outstretched to assist the primary producer, his chief customer may be further deprived of the wherewithal for buying his food.

for agreement over the most difficult and involved of the issues still outstanding—the settlement with Germany

Yet in recent weeks it is precisely over the settlement with Germany that the other face of Russia's Janus head has pulled its worst grimaces. Only those whose melancholy duty it is to follow the outpourings of Russian press and radio can have any conception of the heights and depths of vituperation that have been reached. The chief target of the Russian outburst is Anglo-American policy in the Western Zones. The authorities there are being accused of every villainy—from "looting" Ruhr coal to conscripting German slave labour for the colonies—but the underlying criticism is the same: that the "Anglo-Saxons" are building up the Junkers and the industrialists and restoring the military potential of Western Germany. It was agreed in New York before Christmas that the Control Commission should report to Moscow on the achievements of disarmament and denazification in the four zones. The Russian campaign reached a new pitch of fury when the Russian representative on the Control Commission accused his colleagues of sabotaging the proposed report. Since the Russians had steadfastly refused to divulge any information about the dismantling of war factories in their own zone, Sir Brian Robertson's formal rebuke to his Russian colleagues can hardly have caused them much surprise and should certainly have caused them no resentment.

It is usually fruitless to ask what are the aims behind any given phase in Russian diplomacy. Part of the attacks on the Western Powers probably spring from genuine fear. Some of the old centres of economic power in the West have not been destroyed and the decision to make credits available for German reconstruction could lead to a restoration of their old predominance. But the chief reason for Russian outbursts is probably a manoeuvring for position before the Moscow Conference opens. The more the German people can be induced to distrust Anglo-American motives, the more they may overlook the fact that on almost every point—reconstruction, foreign trade, economic unity, frontier revision—the Western Powers have something substantial to offer and the Russians have not.

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M. Ramadier's Prospects

M. Ramadier's Coalition faces problems intractable enough to bring down more solidly united Cabinets. In the domestic field, a cross between a tug-of-war and a balancing act is going on in the field of wages and prices. The trade unions have, it is true, decided for the time being not to press for the complete realisation of their minimum wage programme. In return, the Cabinet has decided to follow up the first price cut of 5 per cent with a second. On the other hand, a certain flexibility has been introduced. Meat prices have risen—unofficially—with the result that meat is again obtainable in Paris for the first time for many weeks. But the unions may be compensated for this breach in price control by the Government's hint that some wages may be allowed to rise. The danger of the situation lies in the continuing lack of balance between purchasing power and output—of which the meat crisis is a typical example. The unbalance also shows itself—ominously—in the necessity of introducing an extraordinary Budget to cover special costs, such as reconstruction, while the

advances of 20 to 25 per cent. The Ford price decision will strengthen that attitude, while recent evidence of a decline in foods and other consumer goods prices may assist union leaders to "sell" a peaceful settlement.

Margins on Wall Street

After more than a year of strictly cash dealings, Wall Street has this week expressed qualified satisfaction with the Federal Reserve Board's decision to reduce margin requirements to 75 per cent of purchase prices. The new terms will be effective from February 1st.

This relaxation of margin requirements was by no means an unexpected move. Throughout the latter half of 1946, when security values were slumping, there was a general demand for revision, and Mr Marriner Eccles, the chairman of the Reserve Board, declared many weeks ago that action would be taken so soon as it became clear that the country had passed through the dangerous phase of post-war inflationary pressures. A few weeks ago, credit facilities were restored for stockholders enjoying subscription "rights" to new issues, and there was a simultaneous—though modest—relaxation of terms for consumer (hire purchase) credits. The significance of the new move is that Mr Eccles, who has taken a very cautious view of probable price movements, now believes that the productive capacity of industry will from this point be sufficient to prevent any runaway price movement.

Mr Emil Schram, as president of the New York Stock Exchange, believes that a further reduction in margin requirements is now justified. Certainly, there seems to be little danger of any undue speculative movement on Wall Street for some way ahead. The investment community is at present far more concerned with the probability of a setback in industrial activity some time this year, than with the relatively good profit records of the third quarter of 1946—profits which will be sustained and enlarged so long as activity continues at about current levels. An early settlement of outstanding labour claims could bring a substantial rally, but altogether the odds would seem to be against any early movement that would carry the Dow-Jones Industrial average (now 174) beyond the 1946 peak of 212.50.

Governor for Georgia

The struggle for succession to the Governorship of the State of Georgia has this week brought scenes of violence and civil dis-

turbance fully reminiscent of those earlier days when physical possession of office, and the presence of an adequate guard of State troopers, tended to outweigh rival claims based upon a strict interpretation of constitutional law.

In Georgia, the death of Governor-elect Gene Talmadge last month brought a legal problem which was generally expected to arouse a storm of controversy. In drafting the State constitution, lawyers had expressly denied the right of re-election (in this case to Governor Ellis Arnall) and made due provision for the exercise of executive power following upon the death of a Governor; but they gave no clear directions about the course of action to be taken when—as in this case—death intervened between the declaration of victory, and the formal acceptance of office.

From this distance, it seems quite clear that any sensible interpretation of the constitution could have brought a rapid solution, either by the appointment of a junior officer to hold office pending a new election or by continuance in office of the former Governor, or, as Mr Arnall claims, by the succession of the newly-elected Lieutenant-Governor. The constitution does in fact provide that any Governor shall "serve until his successor shall be chosen and qualified."

The Talmadge forces, however, who controlled the legislature, moved that body to "elect" Mr Herman Talmadge, son of the dead Governor-elect. And when Governor Arnall refused to recognise this title they proceeded to reinforce their claims by a direct assault upon the State Capitol, and the forcible ejection of officers to the accompaniment of the usual scenes of mob disorder. For a few days, the rival Governors both issued their commands from the State Capitol, until Mr Arnall resigned his side of the contest into the hands of the Lieutenant-Governor.

Meanwhile Mr Talmadge awaits a Court ruling on the legality of a vote by which the State legislature "approved" his claims to office. Rival claims for governorship are by no means a novel feature of American political life. Since the days of Lincoln more than ten States have suffered disturbances, amounting in Kentucky and Arkansas to conditions of civil war, in which Federal troops were called upon to maintain order. But that was many years ago, and the present struggle in Georgia is more than a parochial struggle between rival groups for political power. Governor Arnall has proved himself to be a capable, progressive administrator, and men of that calibre are desperately needed if the Old South is to break with the bigotry and ignorance of the past and regain its due share of national prosperity.

THE WORLD OVERSEAS

The Polish Elections

(By a Correspondent)

THE Polish election returns show the expected overwhelming majority of the Government bloc. As in the Rumanian and Bulgarian elections of last autumn, there is ample reason to doubt the genuineness of these results. It is true that foreign journalists have reported that the proceedings were orderly, but this does not mean much. Many candidates of Mr Mikolajczyk's party were "disqualified," and Opposition observers had little or no opportunity of seeing what was done with ballot boxes after the votes were cast. In some places voters have been encouraged to march together to the polls to vote openly for the government. Few believed that secrecy was ensured even when in fact it was, and so feared to incur reprisals by voting against the government. Detailed evidence, for and against, will doubtless accumulate in the next weeks. But the essential fact is that nobody in or outside Poland, friend or foe of the government, believes (whatever he may say in public) that the results reflect opinion. The Polish Government is doubtless genuinely supported by a section of the Polish people, but we are no better able now than before the election to say how big this section is.

The British Government and the British public are sincerely indignant. British recognition of the present Polish Government was given at Yalta on the express condition that "free and unfettered elections" would be held. To secure this pledge was considered by most British people a moral obligation to a brave and loyal ally. The pledge was given, and has now been broken.

And yet the most cursory survey of the political and economic

forces in Poland must cause grave doubts as to whether the pledge could ever have been honoured. There was no "western democracy" in Poland in 1939, and everything that has happened since has made its establishment more difficult. War ravaged Poland. Warsaw was destroyed, and other towns and villages suffered heavily. Robbery by retreating Germans and requisitions by advancing Russians made things worse. Communications were disrupted both in Poland and in neighbouring countries with which the Poles used to trade. Even where industrial plant was not irreparably damaged (for instance Lodz and Silesia), the loss of old markets and raw material supplies created almost insuperable problems. Finally, the huge transfers of population, caused by the loss of western Ukraine and White Russia and the annexation of eastern Germany, imposed an unbearable strain on a weak economy. In these circumstances the country needed above all a thorough reconstruction plan in order to ensure the most rational use of the slender national resources. An impartial observer might reasonably argue that party politics in such a situation were a dangerous luxury and that a coalition of all patriotic forces for an agreed task of economic recovery and social reform was the first necessity.

Unfortunately political passions in Poland are such that this is no more than an armchair-critic's formula. "Moderate patriots" doubtless exist in Poland, but they have no opportunity of affecting policy. The country is torn by the blood feud of the extremists of Left and Right.

The present Government are the heirs of the "Lublin Committee" set up by the Russians in 1944. It is dominated by the Communist Party. The Polish Communists, like their comrades in other East European countries, sincerely believe that social transformation and economic progress can only be achieved if they, the "revolutionary vanguard," capture the State. The Government coalition must be controlled by them, and the other parties must be willing or unwilling prisoners within it. At present the only other important government party are the Socialists. There have been various reports of friction behind the scenes between Socialists and Communists, but co-operation continues and at least outwardly appears cordial. The Socialist Right Wing, led by Zulawski, has broken off, but there is no clear evidence that the majority of the party prefer this Right Wing to the official leaders. The Democratic and the Peasant parties (the latter should not be confused with Mikolajczyk's "Polish Peasant Party") are splinter groups, similar to the "National Popular Party" and the "Ploughmen's Front" in Rumania. They have the same purpose of catching bourgeois and peasant votes, and have been about equally unsuccessful.

The Mechanism of Communist Control

Even more thorough than the Communists' domination of the government is their control of the "commanding heights" of the political and economic administration. The heads of the civil service and directors of key nationalised factories are either Communists or men on whose loyalty the Communists have solid reasons to rely. The State Security Police, directed by Mr Radkiewicz, is for the greater part in Communist hands. The Army's loyalty is assured by the appointment of officers trained in Russia and by the institution of political commissars. All this shows that the Polish Communists, though by no means committed to copy in detail the Russia of the Bolshevik Revolution, intend at all costs to prevent the levers of power from falling into hands which could be turned against them. The Polish State which they intend to build is a revolutionary dictatorship.

The Opposition is as bitter and ruthless as the Communists. One type of opposition is social. The old ruling class of bureaucrats, landowners and business men hope one day to undo the administrative purge, the land reform and the nationalisation laws. Though a small minority, they are intelligent and resourceful. A second type is religious. The Government claims to guarantee religious freedom, and President Bierut recently appealed for the co-operation of the Catholic Church. But though the Church's lands and other property have not been touched, and religious services and education continue as before, most Catholics undoubtedly fear for the future. And on the ideological plane the conflict between Church and Communism is as fierce in Poland as anywhere.

But probably the most general ground for opposition for the average Pole is the national issue. Traditional mistrust of Russia was increased by the loss of the eastern provinces and by the unhappy experiences of contact between the Red Army and the civil population. Nationalist propaganda attributes all present hardships (including those caused by German rule and by military operations) to the Russians, and denounces the Government as a traitor gang employed by Moscow. These three types of opinion cut across the existing opposition organisations, which are of two kinds. These are on the one hand, Mikolajczyk's Polish Peasant Party and, on the other, the underground Right Wing terrorist "Freedom and Independence" and "National Armed Forces."

Mikolajczyk is a democrat, and so no doubt are most members of his party, who accept social reform and friendship with the Soviet Union, but also desire political freedom and greater national independence. But it is also certain that the party is supported by the Extreme Right, who hold very different views. These are the men who always opposed social reform, mistrusted political democracy, and implacably hated Russia. Many of them thought the 1921 frontier inadequate, and hoped that victory in the second World War would extend Poland at least to the Dnieper. The collapse of 1939 might have been expected to discredit this old ruling class of landowners, bureaucrats, and Pilsudskist army officers and business men. This was indeed the first effect, but it was not lasting. Inside Poland the military leaders of the resistance movement came largely from these circles, and in the Emigration men of the same type retained almost complete control. The Ministers in the Governments-in-exile were democratic politicians, but the Ministry officials, diplomats and officers were men of the old regime, if not Pilsudskists then "National Democrats"—personal opponents of Pilsudski but no less devoted to the old social regime and no less chauvinist and dictatorial in outlook. These officials and officers controlled policy in the

Emigration. Above all, they controlled communications with the resistance movement, and used their position to strengthen within it the elements loyal to the old regime. Mikolajczyk as Premier was aware of this situation. He doubtless deplored it, but he did nothing to stop it. Nor, it must be added, did the British Government.

Mikolajczyk's tenderness to the Right won him the mistrust of Moscow and of the Polish Communists long before he returned to Poland. The interest constantly shown in his career by the British Government also did him no good. The Communists, always eager to imagine sinister British machinations against the Soviet Union, regarded Mikolajczyk as the chief instrument of such plans. Ever since his return he has been treated as an enemy by those who should in theory have welcomed him as a cabinet colleague. At the same time he has been courted by the Right Wing underground. There is no solid evidence to connect him with the terrorists, but it would hardly be surprising if, as the violence of government attacks on him increased, his dislike of the Right should have diminished. Inevitably Mikolajczyk's party to-day is less a peasant movement with a positive social programme than a nationalist movement inspired by hatred of Communism and of Russia. And inevitably, as historical experience shows, in such a movement the effective leadership must pass to men of the Extreme Right.

The practical choice in Poland to-day lies between a revolutionary dictatorship of Communists and a counter-revolution by the nationalist and near-Fascist Right. Neither alternative is likely in the foreseeable future to lead to "western democracy."

The choice before the British Government is thus unpalatable, but it cannot be long postponed. If British interests require regular diplomatic and commercial relations with Poland, the British must do business with the present regime. This means that they will abandon their old friends, the former rulers of Poland (and their followers in Poland and outside) just as Britain abandoned its old friends, the former rulers of Russia, when it established relations with the Soviet Union in the twenties. Many brave men will feel betrayed, as in Russia twenty years ago. The alternative is to decide that the moral principle outweighs all else, and to break relations with the present regime. This means the sacrifice of all British interests in Poland, and the further deterioration of Anglo-Soviet relations.

British policy hitherto has made the worst of both worlds. The Polish Communists believe that Britain, through its Embassy in Warsaw, is organising subversive action against them, and intends to use Poland as a base against the Soviet Union. They seem convinced that the "Anders Army" is being busily trained for the next war, and that the "Treasury Committee" is a mere cover for every sort of sinister political activity. On the other hand, the Opposition believe that the Yalta pledge was never meant seriously by any of the Powers, that it was a consciously dishonest alibi of the British Government, intended to trick the British public into surrender to Russia. To-day it is difficult to say which group hates and despises the British Government more—the Polish Right Wing which feels betrayed or the Polish Left Wing which feels menaced.

If the Yalta pledge was sincerely given and was not simply a cover for a diplomatic sell-out of the Poles, then the British Government would be consistent in returning to-day to a policy of non-recognition. But little in the diplomatic history of that time suggests that the Yalta negotiations were perfectly sincere. The agreement, dishonestly made, has now returned to roost in the shape of a difficult and uncomfortable diplomatic dilemma. The British Government have only themselves to blame if, using the ideal of free elections as a "face-saver" in 1945, they need to look for yet another in 1947.

The Republic at Last

[FROM OUR PARIS CORRESPONDENT]

THE Congress of Versailles, nearly nine hundred strong, elected M. Vincent Auriol as first President of the Fourth Republic on January 16th, and achieved, in the midst of massive ceremony and the singing of the *Marseillaise*, a moment of rare emotional unity. He was not everyone's candidate—far from it; but he is a man of long-trying and moderate views. For a people in love with logical forms, too, his election had more than a personal or political significance. It marked the completion of a constitutional system. In the tortuous construction of the Fourth Republic, the keystone at last was safely laid.

No doubt the rapidity of the election—an absolute majority after the first round of voting rather than after the third or fourth—explained some of the general satisfaction. There was the illusion,

ordinary Budget already threatens a deficit of not less than 110 milliard francs.

In the foreign field, M. Ramadier's Cabinet is faced with the Indo-Chinese War, an issue over which deep divisions have already appeared between Right and Left. It now seems clear that the Government is feeling its way towards a more moderate approach than the fighting policy advocated by the High Commissioner, Admiral d'Argenlieu. He has now been recalled, and General Leclerc may take his place with a mandate to end hostilities and to open new negotiations with President Ho Chi-Minh. This step will certainly be unpopular with the Right wing in the Chamber and probably with the more conservative members of the Cabinet.

Yet it seems unlikely that any violent storm will capsize M. Ramadier's ship at least until the Moscow Conference has come to an end. All Frenchmen—from Left to Right—are conscious in every fibre of the German menace, and they wish M. Bidault to plead their case unimpeded by political dissension at home.

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Miss Wilkinson's Successor

The death of Miss Wilkinson has led to Mr Tomlinson's appointment to the Ministry of Education. This must come as something of a disappointment for it is doubtful if the new Minister has the qualities now critically needed to drive the central educational machine along its appointed road energetically and fast enough. It is true that Mr Tomlinson has a better background for this post than most of the other front bench ministers, for he has served on the Lancashire County Council Education Committee and knows the teachers' organisations. The language and problems of the educational world will therefore be familiar to him, and it will not be necessary to waste time teaching him a new departmental language. He will also be able to bring to his new ministry a knowledge of the building industry which may serve it in good stead in its battle for new school buildings. But here the advantages are exhausted. It has taken Mr Tomlinson eighteen months to fathom the problems in his old ministry, and it would have been far better to have left him there, where he was doing an extremely important job controlling the building resources of the nation, and to ignore the niceties of political promotion. Such experience is not an asset which the Labour Government has in such an abundance that it can simply be wasted.

The Ministry of Education is not hatching any major bills nor any revolutionary new policies. The Minister has a large administrative job to put the 1944 Education Act into effect, and for this work there is needed the ability to harness the department's diffused energies and to whip them into a canter. Mr Hardman's statement last week about the progress of emergency training schemes demonstrates only too clearly the inadequacy of the advance planning and the weakness of the execution of this operation, and what is true here is true in other parts of the machine. As the result many areas of the country will be in the greatest difficulties when the school leaving age is raised.

The new appointments demonstrate one of the great difficulties of Mr Attlee's administration. There is a plethora of latent talent, the restive back benchers, aching for a chance to prove themselves, but far too little experience of office. On the other hand many have had administrative experience in departments during the war, and this opportunity might well have been used to promote a promising candidate, who would have been prepared to stay at his post for a reasonable period without demanding a new seat in the political musical-chairs. A younger man would surely have filled the bill better.

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Agricultural Policy

The first day's proceedings of the Standing Committee considering the Agriculture Bill saw a more interesting and lively debate than took place on the floor of the House, primarily on the issue of whether the Bill should specify that agriculture will be "fully productive" as well as "stable and efficient." The words themselves are vague; but the argument turned on whether a guarantee in some form should be given that British food production should be expanded to the maximum level or whether the Minister should, as he successfully urged, retain complete discretion to determine what proportion of Britain's food needs should be home produced. Some members fear that British production may in due course be curtailed so as to economise expenditure on food subsidies and take advantage of cheap food imports from overseas.

The answer to this fear is not to lay down more paper guarantees, which may not in fact be honoured, but to make sure that British agriculture reaches a state of efficiency that enables it to produce all it can without undue cost to the Exchequer. There is no reason why British agriculture should not have a considerably higher output, in terms of value, than it has to-day, so long as—and this is the vital condition—it grows the right kind of foods at a rising level of efficiency. This is quite possible. The demand for protective foods—and in particular for milk and dairy products—should rise a great deal further than its present high peak if the nation is to be properly nourished; and these foods are enormously expensive to import, which gives added urgency to the need for the Government to exert more successful efforts to obtain feeding stuffs from overseas. But the Government must guide production into the right lines, which means, for instance, that it cannot allow the uneconomic production of certain wartime crops, such as potatoes, wheat and sugar-beet, to continue indefinitely under normal conditions.

It is certainly necessary to make sure that British agriculture is not tossed to and fro on the tidal waters of commercial policy; but it is for the Minister in the role of pilot to steer a firm course and the rest is up to the agricultural community. It is impossible to tie the Government to a promise to support a large agriculture which may prove to be inefficient. Sooner or later, the taxpayer would insist on a drastic axing of inflated food subsidies and, as a consequence, the demand for the costlier protective foods grown in this country would rapidly shrink. British agriculture warrants Government support in two ways—by a limited assistance to the food producer to protect him from foreign competition and a limited assistance to the food consumer to assist his purchase of nutritious foods. But in both cases there really is a limit to the assistance that can be made available; and the motto for British agriculture is that within this framework of limited aid its size can be as large as its efficiency makes possible.

* * *

Migration Merry-go-Round

The Polish Resettlement Bill debated this week in the Commons is a legislative outcrop of a huge and paradoxical problem. By this Bill, which provides for an estimated expenditure of £4,450,000, the Poles of the various resettlement forces take their place in the scheme of British social security and a step towards absorption in the British national fabric, a proper and necessary step. But for every Pole now in Britain there are hundreds of Displaced Persons, Polish and other, festering in camps in Germany and elsewhere, to whom he is an object of envy; while—and here lies the paradox—hundreds of British workers have their names down on the immigration lists of the Dominions and await only shipping space and the fulfilment of formalities to shake the dust of England permanently from their feet.

They will be welcome in the Dominions, whose attitude to immigrants has greatly changed since the war. Great Britain, on the other hand, is short of some 700,000 workers in coal, textiles, building and agriculture. It is practically impossible to disentangle from the verbiage in which Mr Isaacs wrapped the subject in Parliament on February 4th how far, and in what circumstances, the Government is now prepared to fill this gap by allowing European immigration; their change of heart, if it is a change of heart, certainly deserves a welcome. Yet there seems a serious element of waste in this contemplated merry-go-round. There should be scope, in the needs of Europe, Britain and the Dominions, for some kind of arbitrage operation which would send overseas to a new life the homeless, the stateless, the potentially valuable but actually unvalued, rather than the established, the civically secure and the essentially occupied. But while the International Refugee Organisation itself remains embryonic and inactive it is presumably too much to hope that world migration for the voluntary as well as the involuntary migrant shall—with due regard for individual freedom—be envisaged as a whole.

* * *

Displaced Persons

Bit by bit the problem of over 800,000 displaced persons is being attacked. There is still no general plan, and there cannot be one so long as the new International Refugee Organisation, to which the United Nations have passed their responsibility, has no budget guaranteed by sufficient members. The British Government has wisely signed up and to it goes a great deal of the credit for there being an IRO at all. If the governments of eastern

Europe had had their way the displaced persons of Baltic, Yugoslav and Polish origin would have been left to choose between an uncertain reception by the new regimes and starvation in the camps of Germany and Austria. But now the delegates to IRO are assembled in Geneva taking stock of the functions, assets and machinery which they inherit from Unrwa and other organisations. They will do well if they are at grips with their task by the end of next summer.

Happily, some governments are ready for action, however unconcerted. In Austria the Government is giving to some 120,000 *Volksdeutsche* from German-speaking minorities in Balkan countries the chance to settle in working communities instead of camps. These people, who were forgotten in the Potsdam Agreement, may qualify by work and residence for Austrian citizenship. Even when this bold and sensible plan is under way, there will remain in Austria over a quarter of a million more displaced persons to be dealt with.

Then Belgium is to bring in 20,000 refugees from the Baltic states who are now in displaced camps of the American Zone in Germany. They will take the place of German prisoners now working in the mines. They are to settle in the Limbourg region, where houses will be built for them. There is also an Argentine mission in Rome organising the selection of family groups for immigration, and a Brazilian medical mission studying similar possibilities in Germany. And Mr Isaacs said in the House of Commons last week that inspectors from his Ministry were in the displaced persons' camps studying the capabilities of possible immigrants.

All this leaves nearly three-quarters of a million genuine refugees, political irreconcilables and idle rogues mixed up together in central Europe to be dispersed, settled and rehabilitated. It is high time that some practical American contribution should be made to their future by a relaxation of immigration quotas.

* * *

After the Polish Election

"You have sprung into existence in a fussy, brutal and disgusting manner. But since you seem to be alive and kicking—we are going to recognise the fact of your existence." This seems to be Washington's and London's attitude to the new Polish Government headed by M. Cyrankiewicz. The magic formula about "free and unfettered elections," that had been composed in Yalta and recited ever since in varying tones of blissful promise, uneasy expectation, embarrassed disappointment and ful promise, has proved utterly ineffective; and it has thundering indignation, has proved utterly ineffective; and it has now been tacitly discarded. No honest observer has described the election as even remotely approaching a "free and unfettered" vote. But neither has any sincere observer thought a free election to be even remotely possible in the Poland of today, torn as it is by latent civil war, upset by the migration of millions and morally and politically deranged by the events of the last seven or eight years. The statesmen at Yalta stipulated that the new Polish regime, essentially illegitimate and revolutionary, should produce a certificate of its legitimate birth and respectable parentage—an impossible stipulation.

M. Mikolajczyk's name is not to be found in the list of the new Polish Cabinet. His party has been reduced to a score of seats in the new Sejm. His own following—apart from the insincere and purely tactical support given to him by the terrorist underground—is certainly large; but this is a typically peasant-like

passive following which will not raise a finger in defence of its leader, now that he has manoeuvred himself into a *cul-de-sac*. The individualistic countryside has been nearly reduced to political silence by the socialist towns. The more important will from now on be the economic relationship between town and countryside. This will certainly be the hardest nut for the Socialist-Communist coalition to crack.

The new Polish Premier, M. Cyrankiewicz, is a remarkable personality. A very young Socialist—he is still in his thirties—he led the Leftish youth in the old Socialist Party before the war. During the war he spent four or five years in Auschwitz, the worst of all Nazi death-camps in Europe. From there he managed to keep in touch with Socialist underground organisations in the country and even to take part in directing their activity. Nobody among the political leaders that have emerged from the European anti-Nazi underground has gone through a similar test of character and will power. In the previous Diet he showed himself as a politician of the radical Marxian tradition, with a civilised and independent mind and an indubitable sincerity of purpose.

Following a familiar Polish precedent, the new Diet is to adopt a "small constitution," which means an interim charter that is to remain in force for about three years, pending the adoption of a completely new constitution. The Socialists want the "small constitution" to state explicitly that in the transitional period civic liberties will be restricted only as an emergency measure, and that when the emergency is over, freedom will be established. Meanwhile they want a division of powers between the President, the Government and the Diet modelled more or less on traditional parliamentary lines. The Communists prefer to model the relationship between the legislature and executive on the Soviet pattern and seem to be naively reluctant to admit the present restrictions on civic liberties and to commit themselves to their relaxation in the relatively near future. Meanwhile the Government has appealed to its opponents for reconciliation and promised a new amnesty, the curtailment of expenditure on the security police and so on. It remains to be seen how far the promises will be carried out and, if carried out, what effect they will produce.

* * *

Disarmament Deadlock

The Assembly of the United Nations having passed the buck of disarmament to the Security Council, the latter has been trying to do something about it. Conflict has arisen at the outset on the terms of reference for a disarmament commission. The American delegate on the Council has insisted that the scope of the disarmament commission should not include atomic weapons, which are already within the field of the Atomic Energy Commission; he has proposed that the new commission should be called the Conventional Armaments Commission, leaving the atomic bomb in the lonely eminence of being an "unconventional" weapon. The Soviet delegate, declaring his desire to get on with disarmament without delay and protesting that any discussion on terms of reference would be a waste of time, has refused to agree to the American proposal and for the moment there is a deadlock.

The reason for this combat of wills over the terms of reference appears to lie in the fact that the majority report of

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that party quarrels had been set aside for long enough to give the new Republic its first protector. More lasting, perhaps, was the relief springing from the knowledge that there now existed a constitutional framework—imperfect perhaps, but sufficiently effective—within which the political battle of the coming years might be fought.

It was appropriate that the new Republic should have been ushered into existence under the auspices of a Government which has tried to steer a middle course between the Communists and the right-wing parties. It cannot be said that the French Socialists have succeeded as a government any better than as a party in steering between capitalism and socialism. True, M. Blum's policy of reducing prices by decree in the hope of bringing hoarded stocks of food and manufactured goods to market is only half applied, and a full judgment should wait upon events. Yet there are reasons for thinking that the next decreed reduction, due for March 1st, will be swallowed up as quickly and entirely by the continued upward adjustment of prices as was that of January 9th.

M. Blum's London Talks

Something of the same air of unreality attaches to M. Blum's discussions in London. A progressive integration of the two economies may be desirable—most Frenchmen think that it is—but only under conditions of "sovereign equality"; and this phrase in France means the immediate and generous delivery of coal and machine tools. Without large supplies of coal and machinery French industry cannot hope to raise present levels of production very much. And they are approximately those of 1938, a bad year. But without greatly increased production, both for home and for export, France cannot meet the obligations imposed by agreements such as those of Bretton Woods on a nation with world-wide trade. France, in other words, would remain commercially a second- or third-rate power. Integration of the two economies would therefore be on British terms; and what went for commerce would soon go for politics and diplomacy as well. Even if the French Socialists would accept this, seeing in it perhaps their last hope of survival, the Communists and the MRP, though for different reasons, would not.

If M. Blum's attempt to patch up the present economic system fails—and it would be rash at least to say that it will not—then his successors must make an economic choice which can scarcely avoid far-reaching political repercussions. In the end only two solutions seem feasible: either to return to the laws of supply and demand by removing all controls on those sectors of the market where no real shortage exists, or to intensify the present controls until they become effective. Such drastic treatment would inevitably mean a few months of unpopularity for any government which undertook it. And this period of unpopularity is precisely what no government of late has felt able to risk.

The political dilemma became acute as soon as M. Blum had handed in his resignation to the new President on the evening after the election. M. Blum might have been willing to remain the leader of an all-Socialist Cabinet, but he was unwilling, in advanced age and enfeebled health, to submit himself to the additional strains of a coalition. An all-Socialist government was favoured by many Socialists and MRP deputies, and it would have pleased the Right, anxious above all to keep the Communists out of office. Precisely for that reason, the Communists would have none of it: and their co-operation in economic revival is essential. The deadlock of December, when M. Blum himself had failed to form a coalition Cabinet, reappeared again; and this time it was a little-known Socialist leader, M. Paul Ramadier, who was asked to try his hand. To expect courageous and unpopular decisions from the coalition formed seems like crying for the moon he has. Yet only such decisions can save the day. President Auriol has difficult times ahead of him.

Union for Trade

[BY A CORRESPONDENT]

THE new combined customs tariff for the Netherlands, Belgium and Luxembourg should come into force on November 1st. The mixed commission responsible for it should have finished its work last year, but to the inevitable technical difficulties was added the absence of economic and administrative experts attending the preliminary committee of the International Trade Conference in London. Their time there was not wasted, and the readiness of the three Governments and their experts to work together was made plain before an international audience. The same cannot so far be said of public opinion in the three countries; private initiative, the business world and the press have done less than was hoped to stimulate public interest. The atmosphere in which people discuss co-operation between the three countries—political

as well as economic—is still too *defrig*, by which the Dutch mean "solemn" and "stiff." Most of the running is made by the experts at the high level.

In their various commissions the experts have made considerable progress and the main problems to be overcome are already clear. The problems fall into three sections, and the Governments propose to deal with them in three successive stages. No official time-table has been fixed for these stages, but it is generally assumed that they will fall in March-April, 1947, November, 1947, and the first weeks of 1948.

The first stage will see the coming into force of the common customs tariff: that will put an end to the collection of duties at the common frontiers. The main lines of this tariff have been drafted in record time and represent a rise in Dutch and a reduction in Belgian duties. It will be on this basis that the Governments will negotiate at the second meeting of the preparatory committee of the International Trade Conference in Geneva, due to open on April 8th. The Benelux Union will there be represented by a joint delegation. This delegation will in fact be negotiating on behalf of a commercial Power third only to the United States and Britain. Although it represents a compromise, this new tariff is homogeneous, drawn up on lines recommended by the League of Nations in 1937 and covering only *ad valorem* duties. It will levy standard duties on the movement of all goods across frontiers not common to Benelux. But there will remain a considerable difference between the charges on production and on the movement of goods due to differences between the excise charges and transit charges in the three countries.

Standardisation and unification of these charges will mark the second stage in the working out of the customs union; the change is necessary in order that these charges should have in each country a similar economic effect.

Standardisation of excise charges will present no major difficulties, either in principle or in practice. The traditional—and for revenue purposes the most important—charges exist in all three countries: on beer, spirits, tobacco and sugar. In Holland there is also an excise charge on salt, which does not exist in Belgium, while in Belgium and Luxembourg excise revenue is raised from vinegar, matches and margarine. The abolition of these is expected.

The problem of equalising transit charges is more complicated, and its solution may raise more than technical difficulties in the quarters directly affected by the proposed changes. In Belgium, for example, the tax is fairly simple; it consists generally of a charge of 4½ per cent on each movement of goods, save for sales to the consumer. In Holland, on the other hand, there is a differential system of rates varying from a ½ to 2 and 4 per cent. Here there will have to be a compromise.

Complete Union

At the present stage of economic development a customs union does not automatically ensure a common economy. In addition to the obstacles presented by customs frontiers, there are quantitative quotas for goods and currencies to be dealt with. It will be the task of the third stage to remove such obstacles and to pave the way towards complete economic union, such as exists already between Belgium and Luxembourg. This final phase—which must include a new agreement, foreseen in the convention signed between the three Governments in London in September, 1944—will bring about the integration of the two economies, thus making necessary the adaptation of internal equilibria and certain structural modifications.

Work to this end has already begun. Five mixed administrative commissions are at work: on industrial development; agriculture and fisheries; distribution and priorities; prices, wages and currency; transport and harbours. A sixth is on the point of beginning work on colonial questions. So far attention has been concentrated on administrative planning, but it is intended to bring in representatives of professional organisations so that no special interest, no aspect of the problems shall be overlooked.

Apart from the future of the ports of Rotterdam and Antwerp, whose prospects depend largely on those of their German hinterland, two problems stand out: the problem of agriculture and the problem of price and wage levels. The agricultural systems of Belgium and Holland are not complementary in the way that many parts of their industrial systems are. They have certain features in common, but there are also contrasts which will cause conflicts of interest unless solutions are found beforehand. On the one hand Belgium and Holland have almost the same area of arable land and both have a net import surplus of primary agricultural products; on the other hand, the area of pasture in Holland is considerably greater than in Belgium. As for farm

products, Belgium is roughly self-sufficient in cheese, whereas Holland is an exporter: in a normal period fifty per cent of the volume of her butter and cheese production is exported, often at prices below those of the home market. The method of quotas by which Belgium defended herself before the war against what was called Dutch dumping, will be, of course, out of question in the customs union, and special agreements will have to be reached. The question is important because it affects almost the whole Flemish area, which is essentially agricultural and has a chronic surplus of man-power, which makes it very liable to unemployment. As for the problems of price and wage levels, these are important to the whole of both economies. It is generally agreed that the greatest possible equality between these levels is indispensable to the proper working of the Union. It is probable that no such equilibrium exists at present. Available figures show that the level of wholesale prices, compared with that of the years before the war, is very much the same in Belgium and Holland; retail prices, on the other hand, are much lower in Holland, notably because the activity of the middleman is better organised.

A preliminary study shows that wages in Belgium have shown a tendency which compares unfavourably with that in Holland. It is generally held that in Belgium the wage index—compared with pre-war—is near the coefficient 300, whereas wages in Holland stand at only 166 for industry and 241 for agriculture, but if such differences persist, equalisation and—in consequence—economic union will be achieved only gradually, and must begin in sectors where equilibrium exists already.

The relative scale and importance of the foreign trade of the members of the Union since the war has to be judged from statistics which can only provide a comparison since last June. Since that date the trade of the Union—excluding trade between the members—is shown in millions of Belgian francs in the next column.

The figures show very clearly the marked progress of the Belgian-Luxembourg Union in its export trade. But both parties have an unfavourable balance of trade.

As for trade between Holland and the Union, the figures show a considerable import surplus for Belgium. In 1945 this amounted to 1,635,000,000 Belgian francs and for the first ten months of 1946 to 1,275,000,000 Belgian francs.

The question is everywhere being asked whether the Union of the three countries will succeed. Numerous requests for information from economists and business men are already reaching the secretariat of the Union. It can be said that the political and psychological conditions have never been more favourable. As for the economic conditions, the international climate is propitious, although allowance must be made for the different effects of war and occupation on the three countries. Those who have pointed

	Imports			Exports		
	Belgo-Luxembourg	Holland	Total	Belgo-Luxembourg	Holland	Total
1946—						
June	3,927	1,972	5,899	1,951	482	2,433
July	3,723	3,065	6,788	2,519	773	3,292
August	4,952	3,023	7,975	1,846	771	2,617
September	4,297	2,820	7,117	2,536	1,251	3,787
October	6,155	2,900	9,056	3,130	1,425	4,556

	Belgo-Luxembourg	Holland	Total	Belgo-Luxembourg per cent of Total (A) : (B)
	(1)	(2)	(3)	(4)
1946—				
June	+ 1,976	+ 1,493	+ 3,469	57
July	+ 1,204	+ 2,392	+ 3,596	34
August	+ 3,106	+ 2,252	+ 5,358	58
September	+ 1,761	+ 1,586	+ 3,347	53
October	+ 3,025	+ 1,474	+ 4,500	67

out the political, economic and administrative difficulties inseparable from the organisation of customs unions have emphasised that they are only possible when there is a movement towards freer trade. This tendency towards freer trade can be seen at the moment, though perhaps in unfamiliar and artificial forms, and showed itself in the hopes raised by the partial success of the recent London conference on trade and employment. Success in forming the Union might well stimulate similar attempts by other groups of countries or the extension within Europe of the Benelux Union.



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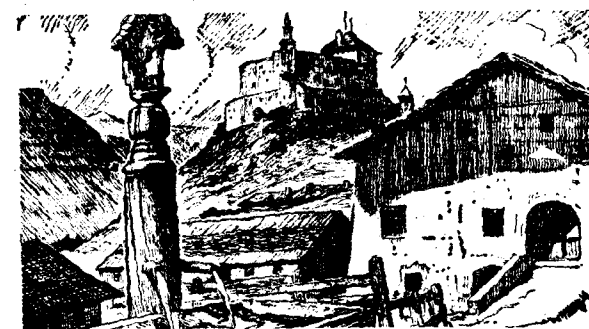
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the Atomic Energy Commission is unpalatable to the Russians and that they reckon on having a better tactical position if the report is rendered subject to revision by the Disarmament Commission and any action on it thus postponed. The Americans, on the other hand, are anxious to keep the question of the atomic bomb separate from the general issue of disarmament, partly, no doubt, because they have put forward definite proposals on atomic energy and want them to be publicly debated without being mixed up with endlessly complicated schemes for "conventional armaments." There is, indeed, a strong case for the American point of view, for atomic energy is a sharply defined technical field in which there should be a chance of reaching an international agreement, whereas it is difficult to take seriously the prospect of an effective regulation of armaments in general in the immediate future. The experience of disarmament between the wars, when the only real success was in limitation of heavy naval construction—technically more suitable for regulation than military or air arms—indicates that definition of special terms of reference is an important condition of progress in a notoriously baffling enterprise.

* * *

Congress and the Princes

The agreement reached on February 9th between negotiating committees of the Indian Constituent Assembly and the Chamber of Princes has been in striking contrast to the complete breakdown in relations between Congress and the Moslem League. Actually, the ease with which agreement was reached between Congress and the Princes, in spite of the fundamental divergence of their theoretical claims, has been indirectly due to the intransigence of the Moslem League, for the threat of Pakistan and the need for endowing the Constituent Assembly with a character as all-Indian as possible in the absence of the League, has forced the Congress leaders to yield to most of the demands of the Princes. The Princes are now able to enter the Assembly virtually on their own terms and, generally speaking, it is their interest to produce a Constitution by agreement with Congress. They do not want the central Government of India to be too strong; but they can hope for nothing from civil war. They are as monarchs little affected by the communal ranging of India's population; in any case, most of them are Hindu by religion and thus incline towards Congress or the Mahasabha. The most important of the Moslem Princes, who is also the most important of all the Princes, the Nizam of Hyderabad, has not only a majority of Hindu subjects, but is so enveloped territorially by "Hindustan" that it is essential for him to get an understanding with Congress while the going is good.

While the Princes are thus making the most of their opportunity, the Moslem League remains in a position which presents the Viceroy and the British Government with an acutely embarrassing problem. Congress has demanded the resignation of the five Moslem League nominees in the Interim Government on the ground that, if the League declines to participate in the Constituent Assembly, it has no right to be represented in the Government; the League Ministers have refused to resign, claiming that as the League originally accepted the Cabinet Mission's plan without reservations, whereas Congress did not, the League has a better right than Congress to be in the Government. The League seems determined to retain a share of executive power by keeping its Ministers in the Government. But can such a Government continue to function as a Government at all, and if it does not, what is now the constitutional position of the Viceroy? Can he dismiss what is still legally his "Executive Council" and form a new one? It is an irony of the present situation that Congress, which was so impatient for the Viceroy's powers to be terminated even before India had a Constitution, now wants him to use them to get rid of the League Ministers.

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Dr Salazar Reshuffles

Something more than a routine rearrangement of Ministers seems to have been going on in Lisbon. Dr Salazar has divested himself of one of his offices—that of Foreign Minister—and handed it over to Caetano da Mata. The former Minister of Labour, Canceled Abreu, has moved into the Ministry of the Interior to take the place of Colonel Bothelo Moniz, who was notorious for his intervention in all the affairs of the country. Most significant of all, the former Minister for the Colonies, Marcello Caetano, has been made president of the National Union,

the one legal party and political movement in Portugal. How do these changes relate to the army officers' revolt of last October and the slight slackening of control which Dr Salazar allowed to the opposition in 1945?

They appear to work at cross-purposes. There is a more liberal Minister of the Interior, but the change at the head of the National Union suggests the intention of tightening up discipline in its ranks, where spirits have been flagging lately. Although only this party is represented in the National Assembly—the opposition, *Movimento de Unidada Democratica*, works underground—its members have been complaining about rising inflation and the inadequate resources allotted to the colonies in the 1947 budget. Foodstuffs generally are short, and prices, according to the cost-of-living index, 100 per cent above 1939 level. Wages have barely risen and black-market prices are on the usual European scale. The situation is one which an active opposition could exploit, and Dr Salazar may have hoped to take all necessary precautions against this by strengthening the National Union on which his regime rests, while making at the Ministry of the Interior what would look outside Portugal like a liberal gesture.

* * *

Consumption of Potatoes

One of the main reasons for the relatively high calorific value of the British diet (2,750 calories) is the large quantity of potatoes that the average person consumes. Before the war, apart from the importation of special varieties, the United Kingdom's output was sufficient to meet the demand. Since 1939, however, potato acreage has more than doubled, reaching the record figure of 1,423,000 acres for the United Kingdom in 1946. Production has followed suit, although the annual yield has varied.

Demand for food consumption has increased correspondingly from a weekly average of 58,600 tons before the war to 112,400 tons in 1944. (Fuller figures are given in this week's *Records and Statistics Supplement*.) The following year it declined by 5 per cent and fell again slightly during the first eight months of 1946, the fall being matched to some extent by an increase in the consumption of flour. Since bread rationing, however, there has been a sharp increase in the demand for potatoes, and weekly consumption for the last four months of 1946 averaged 128,400 tons. This was only to be expected, as bread and potatoes are good starch substitutes and increased quantities have also probably been fed to livestock. The present acute supply position has not been brought about by the abnormally bitter weather. Not only has it kept supplies from reaching the consumer, but those potatoes held up in transit as well as those insufficiently protected in store have been affected by the frost to such an extent that a large proportion of them is unusable. This wastage will mean that the demand for potatoes will increase still further. To this increase in home demand must be added the demand from abroad: in 1938 the United Kingdom had a net import balance of about 100,000 tons, whereas in 1946 this had become a net export balance of some 200,000 tons, mainly to Germany.

To ensure that stocks will last till the new crop becomes available, exports this year will be reduced to 28,000 tons—no potatoes being sent to Germany—only 38,000 tons will be fed raw to stock and none will be processed into stock feed. But these savings alone will not be adequate. Either additional supplies must be obtained—the Ministry of Food is at this moment negotiating with the United States for imports and has just concluded a contract with Canada—or the present level of consumption must be reduced by at least 5 per cent. Failing these alternatives the stocks of old potatoes will run out before the new crop comes on to the market.

* * *

Progress Towards the Health Service

More steps have been taken towards setting up the machinery of the National Health Service. The Minister of Health responded to the conciliatory resolution passed by the special representative meeting of the British Medical Association on January 28th by inviting the negotiating committee of the medical profession to resume discussions with him. At the end of last week, the representatives of the BMA and the representatives of the other bodies on the negotiating committee decided to accept this invitation.

In the meantime, Mr Bevan is going ahead with the establish-

ment of the Central Health Services Council and the Regional Hospital Boards. The Act lays down that the members both of the Council and the Boards are to be appointed by the Minister, after consultation with the appropriate organisations. He has accordingly requested various bodies to submit to him the names of persons considered suitable for membership. In the case of the Council, the details of whose membership are laid down by the Act, Mr Bevan has addressed himself to the various bodies representing the medical, dental, nursing and pharmaceutical professions, the hospitals and the local authorities. In the case of the Boards, he is requesting names from the university with which the hospital service for the region is associated, organisations representing the medical profession and the voluntary hospitals, and local health authorities. In so doing, he has given some long-winded-for light on the character of the Boards. They are each to consist of 20-30 members, of whom, originally, about one-quarter will have experience in the voluntary hospital service, one-quarter with local government experience, and a smaller proportion, in each case, from the medical profession and the universities. The balance will be made up of two or three people with experience of mental health services and others with a varied background. The members will give part-time unpaid services receiving only their expenses.

It is the Minister's declared policy, in appointing both the Council and the Boards, that their membership should be expert, but at the same time should allow a fair hearing to the views of interested parties. During the Act's passage through Parliament he emphasised the expert rather than the representative nature of the Council and the Boards. It will be the contribution the members can make as individuals that will be valued; they are appointed after consultation with interested parties only in order "to secure a proper balance of the various types of experience and local knowledge." This sort of public body is typical of the times. It is a compromise which tries to secure that an instrument of government is both efficient and democratic. Experience so far leads to the conclusion that bodies thus appointed are liable to be too sectional. It is up to the hospital Boards to prove that their members can act as independently as Mr Bevan has emphasised they should act and as the success of the new hospital service requires.

Control of the Public Purse

Obstinacy was more than usually undisguised in a tussle between the Opposition and Mr Key in a debate on the Ministry of Health's supplementary estimates on February 11th. The argument arose over a report published by the Comptroller and Auditor General a few weeks ago on the comparatively minor matter of an increase in the contract price for 2,400 pre-fabricated houses from £1,242 to £1,515 per house. The Opposition sought, perfectly reasonably, to find out why it had been necessary to increase the contract price by so large an amount.

The details of the argument are unimportant but the principles of the control of public expenditure are not, and there appears to be a serious loophole in that control. Mr Key may well have been correct in the letter of his answer that it is the Ministry of Works' business to supervise contract prices and that it was not for him on the last day of his association with the Ministry of Health to answer for the affairs of his future Ministry. But the implications of this answer cannot be accepted, for the supplementary estimates of the Ministry of Works show no sign of this additional expenditure, and when they come to be debated there appears to be no handle for the Opposition to grasp. Either the Ministry of Health must be prepared to give the full story for increases in their estimates even if they are merely paying local authorities for excess expenditure incurred by the Ministry of Works, or Mr Key from February 12th must be prepared to answer as Minister of Works. He cannot have it both ways, and Mr Hudson was perfectly right to ask that the Committee should sit again and be given the answer. Since this request was outvoted, are both Ministries to escape further examination? This is too easy an escape.

* * *

Principles of Dispersal

A few details were given last week of the plan for the permanent dispersal of parts of Government departments to towns outside London. The first list covers 40,000 staff, which is far too small a proportion of the members of the Civil Service in London to ease the problems of over concentration, and the discussions which are now progressing for other departments ought to dispose of another 60,000 if the Government is to make a valuable contribution towards decentralisation.

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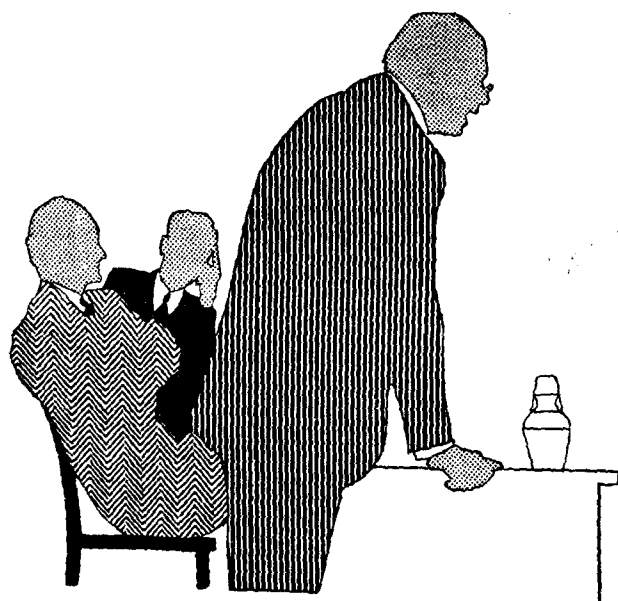
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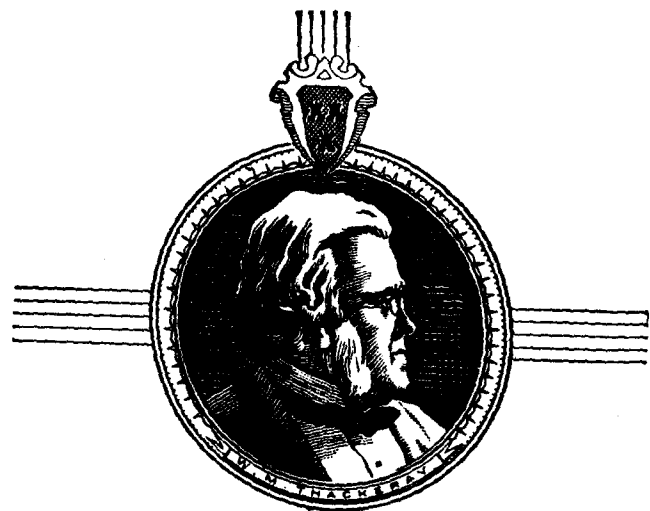


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THE BUSINESS WORLD

The Banks in 1947

THE bank chairmen in their annual pronouncements last year, amid the uncertainties of the Government's partially disclosed financial programme, were somewhat tongue-tied. This year they are in full voice. Their statements have regained some of that virility which in former times made them among the most important public judgments upon economic policy. Their dicta upon exports and the balance of payments, upon coal and man-power, upon wages and the need for effort, have indeed been echoed in this week's White Paper.

But, with one exception, the bankers have said little about the important changes which are taking place beneath the surface in their own business. A frank retrospect of 1946 would admit that Mr Dalton has upset many of their earlier calculations about reconversion. Since Government borrowing from the banks had for six years been the whole cause of the big expansion in bank deposits, many bankers found it natural, twelve months ago, to assume that contraction of Government expenditure would check this growth, and perhaps cause an actual shrinkage. Even after due allowance for reconversion finance there seemed no reason to expect any large further increase. In view of transitional frictions, cessation of industrial overtime, and withdrawal of women workers, civil demands for capital could scarcely expand as fast as Government expenditure declined. Moreover, part of the reconversion outlays would at the outset be met, not by borrowing, but simply from industry's large cash balances and from the stream of Government payments for war damage, EPT refunds, and the like.

In fact, bank deposits in 1946 rose faster than ever before. The final figures can now be estimated with a high degree of accuracy. They indicate that clearing bank deposits on December 31 totalled about £5,680 million, compared with £4,850 million at end-1945. This increase of £830 million contrasts with £305 million in 1945 and £529 million in 1941, the year of heaviest wartime credit creation. Yet the fall in Government expenditure, and especially in the Budget deficit, last year reached the best expectations. The "ordinary" deficit for the calendar year totalled £686 million, in contrast with £2,447 million in 1945. On the other side of the account, few people would say that the rate of expansion of civil industry, of housing and re-equipment has bettered expectations.

There is, unfortunately, no means of measuring the extent to which the year's new money was created for reconversion purposes, as distinct from those of the Government. Bank advances, of course, are money creations for these purposes, and they rose by £160 million—more substantially than many bankers were predicting around VE-day, though less so than was expected after the peace-time applications began to stream in. But industry has also been financing itself, to an unknown extent, by selling part of its accumulation of gilt-edged investments. This finance, too, has in effect been provided by the banks, since they have increased their own investment portfolios. But, in view of the extent to which supply shortages have prevented direct borrowers from the banks from taking up more than a moderate part of the credit facilities which have been sanctioned, it seems reasonable to guess that the industrial sales of securities—strictly for the purpose of reconversion finance, as distinct from merely adding to liquid cash—cannot yet have reached very large proportions.

It can certainly be said that the total of industry's new demands on the banks could not have exceeded the decline in the Government's net requirements so greatly that it accounted for the year's huge creation of money. The Government's requirements from the banks, of course, are not measured simply by the Exchequer deficit. The banks are residual lenders and finance the Government only to the extent to which it cannot meet its needs by borrowing from the public. Hence, a considerable part of the increased credit creation reflects the decline in the public's purchases of savings securities. But this decline, like the industrial sales of securities—to the extent to which they have exceeded industry's immediate need for finance—is only part of the dominant factor which has been working upon the banking system. This main factor, as the bankers' speeches plainly recognise, is the Chancellor's cheaper money policy.

It has been demonstrated in *The Economist* repeatedly (and in some detail again last week) how Mr Dalton's efforts to force down gilt-edged yields have necessitated large-scale intervention in the market. The Government can finance these

LONDON CLEARING BANKS
(£ Million)

	Aug., 1939	Dec., 1944	Dec., 1945	Dec., 1946*
Deposits	2,245	4,545	4,850	5,680
Acceptances, etc.	132	105	119	195
Cash	233	500	536	500
	10.4%	17.0%	17.7%	8.8%
Money Market Assets ...	427	345	627	7,038
Call Money	147	198	252	428
Bills	279	147	369	610
T.D.R.s	Nil	1,667	1,523	1,559
Investments and Advances	1,584	1,918	2,049	2,400
Investments	699	1,165	1,234	1,425
Advances	985	753	815	975

* Partly estimated.

operations only by turning nominal floating debt (that is, debt held by public departments) into active debt by selling the paper to the banking system for new money. Estimates of such activities for any given period are necessarily subject to considerable error, though the general direction and broad magnitudes can be established. But since some people find these calculations too technical to be, to them, demonstrably sound, it should be emphasised that there is no need to rely upon them to demonstrate the connection between cheaper money and the phenomenal growth of credit. Although, with the appetite for goods at its present level, it is hardly likely that higher interest rates would have added materially to the volume of genuine saving, it is surely axiomatic that they would have made the public much more ready to hold its savings in less liquid form—in other words, to lend more to the Government, to abstain from turning securities into cash, and to buy the securities sold for the finance of reconversion. It is the public's demand for liquidity, rather than its reluctance to save whenever opportunities for spending present themselves, which has produced the rise in deposits. And it is significant that a substantial part of the new money is piling up on "personal" accounts.

It must not be forgotten that the "widow with limited capital resources" and others in that same category do not suffer materially from the taxation of the whole annuity since they are

These tendencies have been accentuated in the past few months. The dominant consideration for the banks in 1947 is whether they will grow stronger still, and that depends upon Mr Dalton. On a short view, the banks have little reason to complain, for the increase in their resources explains why, as *The Economist* pointed out last week, their earnings experience in 1946 was substantially more favourable than had been expected. But almost every one of the chairmen's statements so far published has deplored the plethora of money, in the national interest as well as the banks'.

After meeting demands for advances, the banks have no alternative but to employ their additional resources in Government paper. Of the £830 million of new deposits created in 1946, some £640 million was thus invested, directly or indirectly. The extreme distortion of the normal banking structure by wartime influences, instead of being corrected, is therefore being perpetuated and in some respects accentuated. The proportion of deposits employed in advances, which used to be over 50 per cent and before the war was about 45 per cent, is now no more than 17 per cent—an even lower ratio than at end-1943, when total advances touched their nadir at £250 million below the present level.

The recovery in advances will continue in 1947, and may conceivably exceed the expansion achieved last year. In the past twelve months, industry has been repaying war-time borrowings from the banks, as war contracts have been wound up, and it has also received substantial sums in various compensation payments in addition to the £167 million from net EPT refunds. In the current year this stream of receipts will dwindle, so that industry will have to finance itself by other means. Moreover, new advances will not be significantly offset by repayments of wartime loans. But the volume of new borrowing demands, as one after another of the bank chairmen has emphasised, will depend upon the extent to which reconversion is hampered by shortages of labour and materials, as well as upon the size—which can hardly be estimated—of industry's remaining liquid resources. The potential demand for advances is obviously substantial, and one bank chairman, Sir Noton Barclay, went so far as to say that the long-run prospect was good. But the District's business is probably not typical of the Big Five, and none of the larger banks has ventured upon really optimistic prophecy. Current political trends, notably nationalisation and centralised buying, will eventually make the State the financier in spheres which formerly were financed by the banks. It is true, as Lord Linlithgow of the Midland pointed out, that new ventures may be developed, but such activities as

the Midland's "special advances" scheme—under which £21 million has been lent to about 1,500 small enterprises "primarily on the character and capacity of the borrower"—hardly offer scope for any really large business, unless the banks were to venture much more deeply into the provision of fixed capital.

But a very large expansion indeed would be needed to make much impression upon the advances—deposits ratio. There is no reasonable ground for believing that the function of direct lending to industry can again become the banks' primary function and the principal source of their earnings. It is to services, especially services arising from international trade, that the banks must look for elasticity in their earnings structure. Here the prospect is more heartening than seemed possible a year ago. Several of the banks have drawn attention to the large increase that has occurred in confirmed credits, acceptances and bill collections; the Midland's credits and acceptances are now "several times" what they were in 1938. Especially reassuring is the important and growing part of this business which is financing trade that does not touch British shores—trade in wheat, fish, meat, jute, rubber, phosphates and wool. These tendencies, as Lord Linlithgow points out, are welcome evidence of "an unimpaired degree of confidence, on the part of traders abroad, in sterling and in the technical services available in London as a financial centre." But unless progress towards economic internationalism proceeds much faster and further than at present seems probable, the scope for extension of such banking services must be limited.

Unless and until income from commissions reaches much higher levels, the banks will be impelled by pressure of costs to keep a high proportion of their assets in gilt-edged investments—or, at least, as high a proportion as Treasury financing policy will in effect permit. In the past eighteen months this policy, by switching the banks' liquid assets from Treasury deposit receipt to the much more flexible bills and call money, has allowed the banks a great deal of latitude, and almost one-third of the increase in bank resources in this period has gone into gilt-edged. It cannot be taken for granted, however, that Treasury policy will never be more constricting than this. In any case, the shape of the banking system, the extent of its earnings, and even its security, are in effect more than ever at the mercy of official policy. Lord Linlithgow is convinced that the adaptability of the system and the spirit of enterprise within it will find new ways of flexible service to the business community. It would be faint-hearted to think otherwise. But it would be equally foolish not to face the fact that those who so creditably strive may have to press their way against the main traffic stream. The more nearly British banking approximates to a national service, the more there is the danger that a proportion of its bankers will tend to swim with the tide.

Electronics in Industry

DURING the war years and since, the public imagination has been frequently stirred by scientific discoveries which are thought to promise a new industrial revolution. They have crowded each other out of the headlines at such speed that anything pre-atomic might almost be antediluvian in the popular view. So it is with electronics, which in a brief space has attracted much public attention, and generated a great deal of popular nonsense. The headlines have produced an "electronic brain," which as a name has the single merit of being a shorter way of writing "Electronic Numeral Integrator and Computer." To most people, "electronics" means radar; it has something vaguely to do with back-room "boffins" and "Gee" and "Obce." It is regarded as a new and esoteric study, the latest child of the technicians, which was discovered overnight and is capable of transforming the face of British

industry. It is, unlike the atom bomb, one of the romantic hangovers of the war.

It is not easy to give a five-word definition of electronics. There is a rich confusion in the average layman's mind about where it begins and ends. It was not a product of the war—for radio and television are part of electronics—though it was highly developed during the war. To the technician, the development of electronics is a branch of the study of electrical phenomena which involve the use of the thermionic valve—like the radio valve or the television screen. To the industrialist, electronics is more likely to mean the application in production processes of devices which depend on such valves. It is not exactly a new study, for its foundations can almost be said to be a century old, dating from the study of the electro-chemical reactions of light by Becquerel. But much of it is new discovery with an

old pedigree. Some of the most recent and significant developments in electronics were being studied only a few years ago by Post Office research workers as "interference"—that is, interference with radio signals. The positive nuisance of a decade or so ago has become a new branch of knowledge.

There are certain clearly defined scientific principles and basic techniques which govern all applications of electronics, but in the practical field of industry these uses are distributed in a number of compartments which superficially appear to have little in common. Four such compartments can be identified. First, electronics is closely related to the broadcasting of sound, and to further developments of film recording and television. Secondly, it has particular importance in telecommunications, including cable and high-speed wireless transmission. A third branch covers navigational devices, including radar. And a fourth is concerned with a wide range of industrial applications like control instruments, special heating devices, and X-ray equipment.

All these uses are linked by the common feature of the thermionic valve, which is employed at one stage or another in each of the processes to generate, to rectify, or to amplify a series of radio frequencies, or electro-magnetic impulses. This feature is common to all applications of electronics, whether to communicate a signal, as in radio or television, or to carry out an industrial process, like certain special quick drying processes. Naturally, the devices which are used for the transmission and reception of signals are widely different in function and design. A simple comparison of television, radar and the di-electric process of industrial heating is instructive, for it illustrates the great diversity of the devices which have developed from the common source of electronic knowledge.

When an image is televised, its variations of light and shade are converted into a rapid succession of electro-magnetic impulses by means of an electron camera and a cathode tube. The process is the generation, amplification and transmission of high radio frequencies; at the receiving end, these impulses are broken down into light and shade on the receiving screen—which is in fact the end of a cathode tube. In radar, the accidental discovery that radio signals "bounced back" from passing aircraft—at first regarded as a nuisance to radio transmission—led to the investigation of the "echo" effect which resulted, and to the discovery of a definite relationship between the time of the echo and the distance of the object which caused it. From that point, it became possible to depict the position of objects or their movements on a cathode ray tube, almost as clearly as on a map. Thus a ship or aircraft, by sending continuous pulses at the right frequency can now steer a blind course, following the radar plottings, and relating them to navigational charts to identify wrecks or large buildings. Other navigational aids, such as the Decca Navigator, which has now been officially adopted, also operate by the transmission of radio pulses, but do not work on the "echo" principle.

The third case illustrates the application of electronics to industry. To dry materials which are poor conductors of heat—such as timber, tobacco and grain—is a slow and inefficient process when heat is applied only on the surface. But by using electronic equipment, heat can be applied simultaneously throughout the substance by passing an amplified frequency through it at the required point. Nor is this technique limited to drying. Some materials are more efficiently processed if they can be quickly heated to an exact temperature. In the plastics industry, di-electric pre-heating of moulding powders to a precise temperature, in a fraction of the time used by other heating processes, has been found to increase the speed and efficiency of the moulding process. Again, in induction heating (a sort of twin brother of di-electric heating) tremendous heat can be applied at a specific point, so that localised hardening of steel, for such uses as gears, can be efficiently carried out by electronic means. Brazing, soldering

and annealing processes can be simplified and improved by the same technique. In each case, the process is fundamentally based on one or more of the three functions of the thermionic valve to generate, rectify or amplify radio frequencies.

The field covered by electronics in industry is exceedingly wide. Perhaps the most important application is in electronic measuring devices, such as the control of mechanical processes by the photo-electric cell and the use of electronic pyrometers in furnaces and kilns. In every case the chief advantage of these measuring and controlling devices is their accuracy to within the smallest unit of measurement, their ease of control, and their tremendous speed of operation. The Electronic Computer is an instrument of this sort, which uses thermionic valves as infinitely faster substitutes for a series of cogwheels such as are employed in ordinary calculating machines.

These illustrations suggest the directions in which the application and appreciation of electronics in industry could be widened. Greater accuracy (and increased detail) are required in television and radar; cost of equipment is an impediment; some industrialists have a prejudice against the use of valves which are often—and wrongly—thought to be too flimsy to be used in industrial equipment; and finally there is considerable room for international co-operation.

Achieving greater accuracy is a technical problem on which much work has already been done. For example, two problems in making radar a commercial proposition have been to improve the reproduction of the "map" delineated on the cathode ray tube (that is, to reduce any blurred effect) and to increase the sensitivity of the equipment used so that it responds to small objects within, say, 50 yards from the transmitter, enabling a ship, passing up a channel to identify by radar small objects close at hand, such as buoys, and to distinguish them from other objects shown on the tube. Firms engaged on radar research have now overcome these difficulties sufficiently to conform with the requirements laid down by the Ministry of Transport and are now able to produce commercial radar sets. Decisions to embark upon quantity production of devices based on a new, rapidly developing technique involve, of course, the essence of risk-bearing. And they are not confined to radar, for similar issues faced the Hanks Television Committee in 1943 when it recommended that the 405-line system should be the basis of immediate post-war television development in this country, but argued for the ultimate adoption of the 1,000 line system, which would give sharper detail.

Cost of equipment is an important consideration in installing any type of electronic device. Where large-scale installations are necessary, as with television, a delicate choice is involved to find the right stage of technical development at which funds can reasonably be expended on a large scale; if the new infant is hustled too quickly from the laboratory to the outside world, it may be a prodigy for a time and then die prematurely. It was difficult and expensive to reach uniformity between standard and wide gauge railway tracks in this country. It is much more difficult to reach, at the very outset, the right answers in such a new subject as electronics. The risk of technical obsolescence is high; hence although radar devices for ships are compact and simple to operate, their present cost of about £2,500 must be measured against the risk of their early replacement by something even better.

Even in small units, as in some electronic devices in industry, equipment is still highly priced, for it frequently incorporates items such as large amplifying valves which are, at present, expensive to manufacture. Moreover, most electronic devices are not yet being mass-produced and it follows that assembly costs are high. The most promising industrial field for the application of electronic equipment, therefore, would seem to be in the manufacture of mass-produced articles, where minutely accurate repetitive work is required and where the

able to claim back the whole, or a very substantial part, of the income tax deducted. The person who does suffer is the wealthy annuitant, who—it is conceivable—might have to bear tax at 19s. 6d. in the £ on his annuity.

May I also in this letter comment on the article on page 252, "The Chancellor's Week-end." I hold no brief for Mr Dalton, but surely the position is this, that if the whole of the shares of an entire industry were offered for sale on the same day the result would be a very substantial lowering of the price. I have heard this side of the problem (of share valuations) put up to the Revenue many times when it has been a question of valuing very large holdings. The Chancellor, therefore, in taking quotations for small blocks as governing the value of the whole is not working on the cheapest lines. Looked at purely from the logical standpoint he is doing just the opposite.—Yours faithfully,

W. ROBINSON, Chartered Accountant
97 Burges Road, Thorpe Bay, Essex

[Last week's note had in mind the problem of valuing large holdings for death duties, and claimed only that securities held by the average deceased estate can almost always be realised at the prevailing market prices; special arrangements for valuing in the case of large holdings are, of course, necessary. The compensation for nationalised industries is quite a different case—not of an entire industry being "offered for sale," but rather of being bought on terms chosen by the purchaser without discussion with the sellers.—EDITOR, *The Economist*.]

SIR,—Compensation arising out of the nationalisation of industries and utilities has been based in some cases on Stock Exchange values on the argument that the exchange shows the price between a willing buyer and a willing seller. That assumes that all the stockholders are willing sellers both as a group and individually at that price—an incorrect assumption. Those compulsorily dispossessed of their property being unwilling sellers surely should be entitled to compensation for disturbance over and above the alleged market value, that is for the element of force and compulsion.

Stock Exchange values provide a fair basis as between the several classes of stocks or shares and save much time and litigation in assessing compensation, but to those values should be added a fair percentage for the element of compulsion. The amount of the percentage is arguable but it would probably run to at least 20 per cent in flourishing industries so acquired.

He who is deprived of something forcibly and against his will is surely entitled to more than a willing seller.—Yours faithfully,

R. C. NORTHCOOTE

Denton House, near Harleston, Norfolk.

Tobacco Consumption

SIR,—The greatest surgical lesson of the last war was that even urgent and life-saving operations on an injured man may be fatal if performed before he is properly resuscitated. The same is true of nations, and the Continent is full of examples. The present electricity crisis is an alarming manifestation of the feebling respiration and failing pulse which can be felt throughout the nation. It is the natural result of attempting too many drastic operations, even if well planned and well meant, on the national structure before it had been resuscitated from the wounds of the war.

To enable us to stand these operations the Government sensibly arranged for a blood transfusion in the shape of the American loan to rehabilitate our industries. The figures for the past half year, however, show that only 5 per cent was used for this, its primary purpose, 32 per cent was spent on tobacco and 7 per cent on films. Why is this? I suggest that it is because tobacco raises a relatively enormous amount of indirect taxation and films do the same through entertainment tax. In other words the American Loan, our blood bank, is being used as an easy way to finance extravagant Socialist expenditure, and it is hard to imagine a more indefensible misuse of a loan on the wise use of which our recovery depends.—Yours faithfully,

Dingle House, Winsford, Cheshire

W. N. LEAK

SIR,—The Chancellor of the Exchequer has admitted the desirability of economising in the imports of American tobacco, but did not mention the possibility of switching purchases to Empire sources and the Balkan countries. The public prefer Virginia

tobacco as a matter of taste, but would doubtless smoke any kind of tobacco rather than go without or do with less. A change-over would serve the double purpose of saving dollars and helping to stabilise the economy of countries badly in need of financial support, notably Greece.—Yours faithfully,

Larchfield, Churt, Surrey

GEOFFREY BRACKEN

Agriculture Bill and Farming Efficiency

SIR,—Supervision of farming efficiency within the terms of the Agriculture Bill does seem likely to be on a modest scale. Any expectation, however, that mediocrity and indifferent farming may therefore flourish as never before is one which hardly takes sufficient account of the nature and effects of the Price Review system.

A system of recouping increased expenditures on a "Global Total" basis is one which progressively worsens the relative position of the under-average farm or farmer. On the other hand, price schedules which take note of reducing expenditures in the future, and which therefore it might be supposed would rebound to the relative advantage of such land or farmers, will almost certainly be reflecting reductions of which the better-than-average, and better equipped, farmer can take most advantage.

It seems most likely therefore that "internal" pressure on even the average farmer will be increased rather than reduced. In fact, so pronounced in some directions has the pressure already become that there is danger that the less well equipped farmer will be in difficulties long before opportunities of readjustment to labour and other problems are available to him.—Yours faithfully,

38, Dreghorn Loan, Edinburgh

M. ALLAN KNOX

Road Hauliers' Victory

SIR,—It is difficult to imagine why in your comment on February 1st on the recent road haulage strike you should accuse the employers of "making full use of the opportunities for obstruction which the machinery offered." The position was set out quite clearly in the following extract from a press notice which was issued by this association during the dispute:

"The Wages Board was set up by Parliament after an exhaustive public enquiry and the fullest consultations with both the employers' organisations and the trade unions. The procedure laid down was designed to give every opportunity to take into consideration the views of all interests on both the workers' and the employers' side in this complex industry with its diverse and nationwide activities. It is not reasonable, therefore, to describe the machinery as cumbersome, but in any case, if any change in the procedure is necessary, it is not a matter for unilateral action but for Parliament to decide after taking into account the interests of all concerned."

The last two decisions of the Road Haulage Central Wages Board came into effect on February 11, 1946, and July 1, 1946. When the latest proposals were put forward by the workers, they included among other things a demand for two men to be employed on all vehicles with a carrying capacity of 3 tons and over. Such a demand obviously called for careful consideration in view of the national need for economising in labour, particularly in the distributive industries, apart altogether from the claim for a 44-hour week, which represents a revolution in transport operation.

The official application from the workers' side came before the Board at the end of September, and agreement was reached on November 26th. There seems, therefore, to be no reason for the charge of "obstruction" on the part of the employers, as is shown by the following short statement issued after the acceptance of the award of the Court of Enquiry:

"The Road Haulage Association has accepted the Award of the Court of Enquiry. In doing so it wishes to point out that it has been actuated throughout the negotiations by a desire to do nothing to prejudice the industrial recovery of the country, and it has been impressed by the repeated warnings by members of the Government of the need for increased production. For these reasons, therefore, it has hesitated to accede to a claim which will add many millions to the Nation's Transport Bill. The Court of Enquiry set up by the Haulage Association has now made its recommendations, the Road Joint Industrial Council of its acceptance of them."

It should also be remembered that the employers were supported in their attitude to the 44-hour week by the three independent members of the Central Wages Board.—Yours faithfully,

H. T. DUTFIELD, Chairman

Road Haulage Association, 146, New Bond Street, London, W.1

Books and Publications

Offensive Bomber

"Bomber Offensive." By Marshal of the R.A.F. Sir Arthur Harris. Collins. 288 pages. 21s.

THIS book has many very good qualities. For one thing, it is very readable, written in a direct and lucid style that is in refreshing contrast to most memoirs written by men who have won their eminence with instruments other than the pen. The earlier chapters have some excellent anecdotes, which do not suffer overmuch from having a single hero. For another thing, Air-Marshal Harris has been very frank about the part that he played in the war. Though there is plenty of self-defence, and here and there a hint of retrospective embarrassment, there is no apology in this book. It may therefore serve as opener to an equally frank discussion of one of the most awkward questions for the British people connected with the winning of the war. Was the all-out "strategic" bombing of Germany successful? And was it justified?

Sir Arthur Harris, it is clear, has many of the qualities that are required of the successful militarist engaged in total war. He believes in himself and his own judgment. He is a hard man, determined to go to any lengths to impose his will on those whom he thinks less clear-sighted, less decisive or more subject to their emotions. To use of him the polite phrase that he "is no respecter of persons" is a ludicrous under-statement; only the vernacular gives an accurate description: he evidently doesn't give a damn for anyone. He is a great enthusiast for his own side. And he is also a very good hater. The Navy, the Army, all Civil Servants, especially those in the Air Ministry ("I can recall one civil servant whose whole-hearted devotion to the country and to his work was worth at least a division to the enemy on every day of the war")—these are only the beginning of his hates. (It is of surprising, and not a little flattering, to find *The Economist* on the list. We had always supposed that the destruction of our premises "by enemy action" was Goering's work. After reading Sir Arthur Harris's book we are not so sure.) Nobody would suppose, from reading "Bomber Offensive," that Air-Marshal Harris is an endearing man to know or an easy colleague. But war is a nasty business, and if it is to be won, it can only be won by men who are arrogant, hard and fearless.

Sir Arthur Harris's case is that Bomber Command won the war and could have won it earlier. Moreover, he defends with great skill his own policy of "saturation" bombing of whole industrial areas and derides the American policy of "precision bombing" on "panacea targets."

Even within the narrow framework of the war, can this thesis be maintained? It would be silly to claim that the bombing of Germany did not do very great damage to German war production and transport. Of course it did, and if there had been more of it, more damage would have been done. But the real argument is whether the resources of manpower and of industrial production that were engrossed by the heavy bomber programme for a long period at the crux of the war could have been used elsewhere to better effect. In particular, did the Bomber Offensive delay the invasion of Europe? The probability is that it did.

Moreover, Europe cannot close its book at the end of hostilities and go off to Rhodesia. The really great war-maker is he who wins the war in such a way that his country (let us, for the moment, leave out all others) can enjoy the peace. Manifestly, that was not done in the last war. The gravest threat to the present uneasy peace lies, it need hardly be argued, in the festering chaos that was Germany. Without some economic and political stability there, there can be no real peace in Europe. The Allies have, it is true, done their best, since the last bomb was dropped to prevent any rational policy from emerging. But perhaps Air-Marshal Harris's work did not leave much room for reason. For all the individual heroism that went into it, the final judgment on the contribution that Bomber Command made to the war must remain in doubt; the contribution that it made to the peace is, unfortunately, all too clear.

Exasperating Economics

"Economics for the Exasperated." By Gordon Rattray Taylor. The Bodley Head. 408 pages. 10s. 6d.

THIS is an infuriating book. It misses, by a margin which at first appears narrow but which grows steadily and hopelessly

wider, achieving what every student of economics, and every intelligent citizen conscious of the haziness of his economic ideas wants: the perfectly comprehensible, realistically based, up-to-date and well-written account of the economic system, its workings, its problems and its underlying principles. Mr Rattray has a good expository style, his blending of facts and figures with theory, his use of each to reinforce the other, could hardly be bettered; his setting of British problems against a world background is first rate; he has an uncanny gift for summarising and simplifying the toughest theoretical problems. Only . . .

To begin with, *Economics for the Exasperated* shows every sign of having been drafted, or at least mostly thought out, before the war, and pitchforked prematurely into publication with no more than a few hasty addenda. The reader who has followed the excellent account and criticism of the gold standard, but who finds himself fobbed off with a couple of two-line references to Bretton Woods, has every reason to be exasperated.

Then Mr Rattray's easy writing and swift survey of events mask some curious pitfalls. There is an extraordinary paragraph (pp. 341-2) from which not even the most sympathetic reading can extract any other conclusion than that he believes the Russo-Finnish war to have broken out before World War II. No doubt he does not really; but, assuming that one has not, in other and less violently illuminated fields, followed for oneself the course of the events which he chronicles, how much confidence in his accuracy does such a passage inspire?

But the most serious drawback to this paragon of might-have-beens is its core of theory. Mr Rattray starts off with what looks like a first-rate popular statement of the main Keynesian propositions and an outstandingly good account of the structural changes and rigidities of the economic system. But it gradually appears that to Mr Rattray the Keynesian relatives are absolutes. The industrial countries of the world do not merely have to reckon with a decline in the marginal efficiency of capital; they are "capital-sated." Recipients of large incomes do not merely tend to save a larger proportion of their receipts than recipients of small ones; they are literally incapable of spending what they receive. And so on. The consequences of these divergences, of whose correspondence with the facts Mr Rattray offers no evidence, run and ramify throughout the whole book, as a small error in a compass bearing distorts a chart.

His book is probably the ideal prod in the ribs for the complacent economist—if there are any complacent economists these days—but the reader for whom it is intended, the exasperated ordinary citizen anxious to learn what it is all about, should read it, if at all, with extreme wariness.

Brazilian Civilisation

"The Masters and the Slaves." A Study in the Development of Brazilian Civilisation. Gilberto Freyre. Translated from the Portuguese of the fourth Brazilian edition by Samuel Putnam. New York: Knopf, 1946. Published in Great Britain by Secker and Warburg. xliv + 537. 35s.

THIS remarkable book which has just been published in this country, was first published in Brazil in 1933, under the title of *Casa Grande e Senzala* (the Great House and the Slave Quarters), and has already run into four Portuguese and two Spanish editions. Its author is the most distinguished of the younger Brazilian anthropologists and historians, and this particular book, though greeted with a storm of abuse by reason of its frankness, its iconoclasm, and its indifference to national, racial and religious prejudice, has long been recognised as a major work of sociology and, it may be added, of literature. It is an analysis of the relation between aboriginal Indians, Portuguese coloniser and negro slaves in colonial Brazil, and to it Freyre brings the skill of the trained anthropologist, a wide-ranging erudition and an unfailing capacity for asking questions. The result is a fascinating study of the semi-feudal patriarchal society, based on a system of monoculture and slave labour, which developed in the great plantation houses of the colony. It is, in addition, the most penetrating analysis that has yet appeared of Portuguese colonisation and of the roots of Brazilian nationality, and it is, finally, an important contribution to the wider problem raised by the contact between so-called superior and inferior races.

In Brazil—a society at once the most stable and the most tolerant that Latin America has seen—that relationship was conditioned by the dominance of the sugar-crop on the one hand and by the

overhead cost of electronic equipment can be spread over 2 large output.

Under the third heading, the removal of prejudice, a warning may be needed. In "selling electronics" to industry there is perhaps some danger that the pendulum of prejudice will swing to the opposite extreme. The benefits which this new technology can bring to industry are manifold but they often have to be weighed against alternative mechanical means of performing the required functions. An electronic calculator is not required where a simple machine will do. There are some indications that electronics is regarded as an open sesame to a new post-war "gadgets industry." Such an impression would do no good either to industry or to electronics; the time and money spent on electronic research and development should be properly and not wastefully applied, particularly while British industry is in the throes of capital re-equipment.

Before long, electronic development will have seriously to be tackled internationally. Until agreement is secured on certain key questions, particularly between countries with adjacent land frontiers and between the principal trade-carrying nations, progress will be impeded. Agreements on uniform practices in navigational aids are especially important. This need was recognised at the informal international conference on navigational aids last May and discussions on the standardisation of aircraft equipment have already begun. Co-operation in these matters points in turn to a much wider problem, namely, the need for an ordered allocation of frequencies in the radio spectrum between different countries. All forms of electronic technique use radio frequencies and are therefore concerned with the best and fairest use of the wide range of frequencies which is theoretically available through the bands used before the war for navigational aids, the long, medium and short wave broadcasting bands (including television), the ultra-high frequencies for radar purposes, the infra-red frequencies and up to the ultimate frequencies used in X-rays. Before the war, the broadcasting frequency bands were already becoming overcrowded, and the far greater use of radio communications today makes an international agreement on the allocation of frequencies all the more urgent.

Congestion in the ether has had important technical consequences. Attention has been concentrated more and more on economising frequencies, especially in those sections of the spectrum used for sound broadcasting where the overcrowding

of different stations is most acute—as listeners to the Third Programme will appreciate. Research, both in this country and in America, has been exploring the possibilities of "frequency modulation" for use in particular on the short wave bands to relieve the pressure on the medium and long wave lengths, and it has produced encouraging results. Less emphasis has been placed in this country than in the States on the potentialities of "FM" as a cure for the congestion of the ether, but it has been established that high-quality, noise-free reception can be obtained in this country by employing "FM" transmitters, and making modifications in wireless receivers. Alterations in receiving sets to reproduce short wave "FM" transmissions should not be expensive—indeed, such sets are in the prototype stage—but a complete change of receivers and transmitter to frequency modulation is still a long way off.

Industrially, electronics manufacture is closely connected with the electrical and radio engineering industries. During the war many of the leading firms were diverted from civil research on electronics to special war-time investigations. Ideas and experience were to a large extent pooled. Co-operation among the leading firms on basic technical problems still exists, but some measure of competition is reasserting itself in the supply of equipment. It is too early to say how large a part electronics will eventually play in the business of the leading electrical, telecommunications equipment and radio engineering firms. For some years, at least, electronics can represent only a relatively small contribution to total output, and costs of development will be high. But expansion in production is necessary if export markets are to be won in competition with American firms who can develop their ideas and exploit the economies of large-scale production in a much larger domestic market.

Much progress has been made in this highly diversified field of electronics. In television and navigational aids, research is active and the consumer is beginning to see its results in new services and devices. In industry, electronics has been applied over a wide field, above all in control instruments, welding and electronic heating. Progress in its application is assured. But there is no new industrial revolution in prospect. It is in the particular, not the general, application that electronics can play its part in speedier and more accurate production.

Business Notes

"Extremely Serious"

The psychology of the security markets in these days of economic difficulty is particularly hard to predict. Perhaps the hot-house atmosphere of cheap money dulls the taste for rational analysis of market forces. It has been difficult for several weeks to find any alternative explanation for the market's casual taking in its stride of the coal crisis and, more recently, of the transport strike. But it is hardly less difficult to account for the depressing impact on the City of the White Paper on wages and output. Little, if any, of the factual material provided in that document is new; it omits many points that could have been made, particularly about the country's prospective external position, and it stops well short of positive recommendations of policy.

Yet it has seized the imagination of the market far more dramatically than the details of its component parts, as they have unfolded during the past six months. Doubtless the ordinary share market, after its headlong rise during the previous fortnight, was more than ready for a reaction. The *Financial Times* index of industrial ordinary shares (July 1, 1935=100), which on January 2nd stood at 136.0 had by January 17th bounded up to an all-time "high" of 140.6. On Tuesday, a particularly sharp setback occurred, which took nearly 2½ points off the index, and stability had not been achieved on Wednesday, when it registered 136.2.

It is difficult to rationalise these extremes, either of boom (save on cheaper money arguments) or of correction. Perhaps some speculators, armed with the authority of a White Paper which refers to the "extremely serious" position of Great Britain, are now visualising, in terms of to-day's prices, the potential future consequences for industrial earning power which may result from the cut in coal deliveries and of other shortages. The new "realistic" basis for coal allocations will have extremely unhappy consequences for the steel industry, where it entails a 25 per cent cut in the throughput of coke ovens, with all the consequences of a dislocated balance of production in integrated plants, short time working, inability to blow in new furnaces—and, indeed, the likelihood that some may have to be taken out of production. It is ironical that a plant like that of Colvilles at Clydebridge—on the doorstep of the Lanarkshire coalfield—will be as badly affected as any. Equally, it is inevitable that production of ships' plates, constructional steel, sheets and other products will be seriously reduced. The new system of allocation is intended to bridge the particular difficulties of the next six weeks, but even over that period the output of steel might well be reduced by 400,000 tons, compared with the projected target for this year of 13½ million tons.

The equity share markets seem at last to have sensed the nature of an industrial crisis, in which one shortage generates another, and where the mechanism of production shows an unmistakable

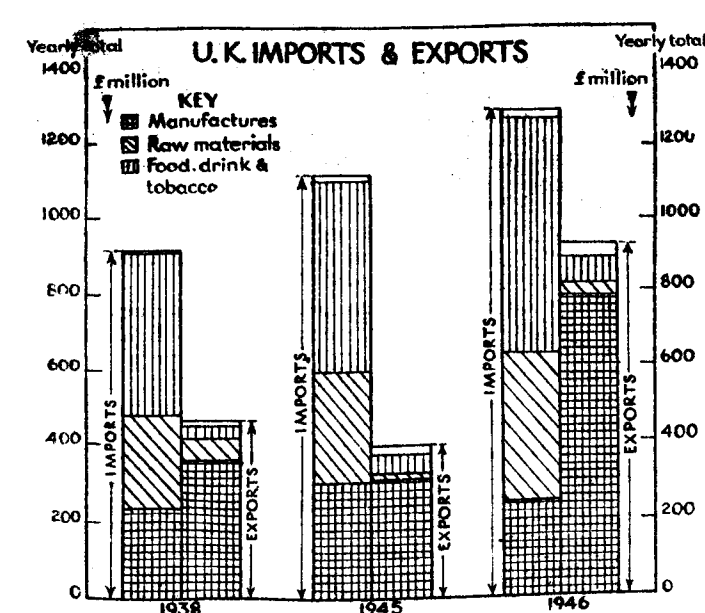
tendency to run down. Perhaps the second White Paper will tackle some of the aspects of economic policy which the first left untouched. But it can hardly produce a recipe which will be capable of restoring the conditions of insouciant boom which so recently prevailed on the Stock Exchange. That requires a different kind of magic, of which Mr Dalton, with his cheap money policy, is the only master. And he himself will hardly fail to take note of the observations of the bank chairmen on the dangerous potentialities of a further drive for even cheaper money.

Australia Cuts the Terms

The new Australian conversion operation came as no surprise to the market in any of its details, save only that the stock, which carries 2½ per cent for a minimum period of 23 and a maximum period of 28 years, is issued at par, and not at a slight discount. Holders of the £17.1 million Australia 4 per cent stock, 1943-48, on whom notice of repayment on April 15th had already been served, and of £1.4 million Western Australia 3½ per cent stock, 1927-47, which matures on June 1st, may convert into the new stock at par until February 5th. Cash applications, however, were received last Wednesday, and will be allotted to the extent that conversion applications are insufficient to cover the required total of £18,516,193.

Undoubtedly Australia is forcing the pace with these terms. They represent a notable advance on the 2½ per cent stock, 1967-71, which was issued last June at par, and now stands at 105. At this price the gross redemption yield is £2 8s. 6d. per cent; consequently the new stock, for all that it represents a further tightening of the screw, cannot be said to be out of relation with the level of Australian credit in the London market. In these cheap money days that level is, in fact, a common datum, which extends over the whole of the trustee market; one of the most spectacular consequences of Mr Dalton's all-pervading policy of cheap money is to compress the yield structure to such limits that municipalities, Dominion and Colonial borrowers can come to the market on terms which are only fractionally different from those which the British Government itself can command.

Nevertheless, the presence of a date—even one which is 28 years remote—is something of an attraction in these days of the 2½ per cent one-way option stock. The fact that Australia will finally repay in 1975, whereas the British Government in that year only may repay the new 2½ per cent Treasury Stocks, is something of an attraction for those investors who must have a dated stock and are prepared to accommodate themselves to 2½ per cent for such an extended period. The results of the issue—for it must be hoped that, on this occasion, the Australian authorities will ensure that the results are published—will be of particular interest, since institutional investors at the moment are, in fact, satisfying their gilt-edged needs very largely by buying railway and electricity Stocks at a discount on their take-over prices, and are thus concerned to a much smaller extent in direct operations in the gilt-edged market.



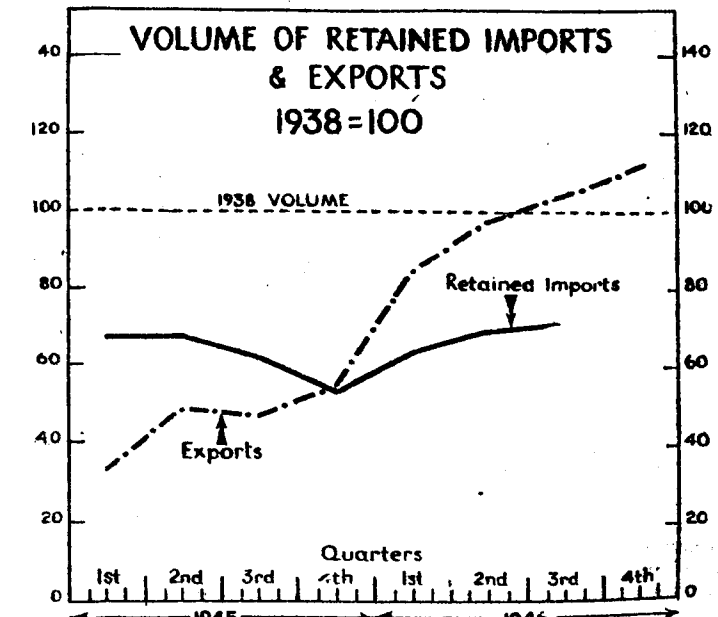
Argentine Railway Doubts

Conflicting stories have come from Buenos Aires during the past week about difficulties in the talks between representatives of the British-owned railways and the Argentine authorities. Señor Miranda, the president of the Argentine Central Bank, caused some initial dismay—even among those who recalled the chequered course of the negotiations conducted by the Eady mission last summer in Buenos Aires—by his statement last week-end that the negotiations had broken down completely as a result of the British representatives' refusal to accept the Argentine Government's offer for outright purchase of the railways for a maximum sum of 2,000 million pesos—or £125 million. This statement was the more surprising since Sr. Miranda had declared only a day or two earlier that any suggestion that Argentina was contemplating outright purchase was absurd. No official statement has since been made about the course of the talks, but the mere fact that contact between the two sides has been preserved at least converts Sr. Miranda's statement that negotiations had broken down completely. It is, in fact, understood that until his statement was made the course of the discussions had not been unpromising. It is, however, quite understandable that the British side would be extremely reluctant to contemplate an offer of £125 million and that anything below would stand no chance of acceptance.

Evidently the recent negotiations have changed the direction, if not exactly the basic intentions, of that part of the Anglo-Argentine agreement, which was signed in Buenos Aires last September, which provided for the taking over of British-owned railways in Argentina by an indigenous company as from January 1st this year. What now appears to be in issue is not the constitution, capitalisation and the distribution of shares in such a company, but the use of Argentina's sterling balances, which now amount to about £130 million, for outright purchase. But the negotiations have evidently taken a course which calls for considerable watering down of the optimistic guesses in some quarters of the City last September that the Argentine authorities might be prepared to pay as much as £180 million for the railways. The negotiations were always expected to be tough, particularly since with the expiring of the Mitre Laws British Companies have lost a number of financial advantages and are now faced with substantial demands for increased wages. Hence if the negotiations should in fact break down, their position would be extremely difficult. There is, however, no firm indication, as this issue of *The Economist* goes to press, that total breakdown is in question.

The Trade Deficit

The December trade figures, being affected by the incidence of holidays, bring the year's trade totals to a close with something of a question mark, for they fail to show the extent to which the normal rate of export was already being affected by shortages of coal and raw materials towards the close of last year. A prospective fall during the coming months in such items as steel, coal and textiles has already been anticipated by Mr Marquand.



scarcity of white women on the other. The Great House and its slave quarters became an "entire economic, social and political system" and its social history "the intimate history of practically every Brazilian"; and while the latifundary system, of which it is the symbol, made possible the economic development of Brazil, that system was also to result in a perversion of agriculture and in deficiencies in the supply of food which poisoned "the sources of life itself." Malnutrition, slavery, monoculture, help to explain phenomena too easily ascribed to climate and race.

This book may raise more questions than it draws conclusions, but one conclusion is certain. It is essential for any understanding of Brazil and the Brazilians, and the English reader has cause to be grateful for the skill and care with which Mr Samuel Putnam has made it available.

American Economic Life

"The Concentration of Economic Power." By David Lynch. Columbia University Press, 1946. (London: Cumberlege). 423 pages. 31s.

THE mountainous labours of the Temporary National Economic Committee set up by Congress in 1938 ended in the mouse of a fifty-page report; and there has hitherto been no adequate summary of the vast amount of material which it collected on every aspect of American economic life. Nor, in view of the Committee's own incoherence in explaining itself, has there been any clear picture of what the Committee was or what it tried to do. Mr Lynch has now filled the gap with a very competent summary of the evidence and hearings, complete with thumbnail sketches of the Committee's personalities, an introduction on the political manoeuvrings which led up to its establishment, and a brief final analysis of the reasons for its failure to focus the main problems before it more clearly.

It is this latter question which gives the book its greatest interest; for in the nature of things it can be answered only from a general survey such as this. Mr Lynch lays his emphasis chiefly on two points. The first, a matter of committee technique, is the danger of being impartial. A chairman consumed with a holy zeal against the infidel; a hand-picked committee ready to back their chairman to the last ditch and the last *auto-da-fé*; as few departmental ties as possible; narrow and pointed terms of reference—these are some of his formulas for a committee which will genuinely focus the problems (even if on a slant) and force the pace of public discussion. There is a good deal to be said for his view; and it is very noticeable that none of his conditions were actually fulfilled by the Economic Committee.

Secondly, and far more important, the Committee suffered from the prevailing confusion of American economic thought below (and even sometimes at) the highest academic level in the last years before the war. The contributions to the Committee by Alvin Hansen, Mordecai Ezekiel, or Leon Henderson were one thing; the general atmosphere of the hearings was very definitely another. If too much attention was given to trust-busting, and too little to the economies of large-scale production or the more fundamental problems of full employment and industrial relations, the fault lay not so much with the Committee as with the atmosphere in which it worked. It is little use for an official committee to attempt to focus national thinking until public discussion has at least brought a possible focus in sight.

Mr Lynch's analysis leaves the reader regretting, that, after digesting the indigestible, he did not sit down to write the minority report which he might himself have produced had he had the chance. But that will no doubt come later. For the moment, he has provided a very useful introductory survey, with the additional merit (the astonishing merit, to anyone whom duty has compelled to plough through the arid wastes of the Committee's monographs) of being eminently readable. And there is even evidence, in flashes, that he positively enjoyed writing it.

The Future of the Rupee

"The Post-War Rupee." By V.K.R.V. Rao. Oxford University Press. 48 pages. 2s. 6d.

An interesting and momentous dilemma faces the financial authorities in India. The basic factors in the position of the rupee suggest that there should be some depreciation of that currency in terms of sterling and the dollar. Currency has been inflated at a much greater rate in India than in Britain or the United States and prices have risen much faster. On the other hand, never has the technical position of the currency been as strong as it is to-day given the substantial repayment of Indian external debt and the accumulation of sterling credits during the

war. In the light of these contradictory indicators should India raise or lower the exchange value of its currency? Professor Rao addresses himself to this question in a short pamphlet, which surveys the problem with great clarity, insight and objectivity. He reaches the somewhat tame conclusion, "Leave things as they are"—a judgment from which few well-informed observers of the position will differ. The right course is often the unspectacular one, especially in matters of exchange adjustments, where the mere weight of the *status quo*, if it can be justified at all, should be allowed to offset the contrary guidance of more meticulous calculations of disparities in cost and price levels.

Professor Rao, in discussing the future of the rupee, sees no practical alternative to the continuance of the link with sterling for some time to come, though he would like to see some limitation of the power, which, he argues, the rupee-sterling link gives to the United Kingdom, "to get as much of Indian currency as she wants by the mere process of issuing more sterling and selling it to the Reserve Bank."

Let Professor Rao be reassured on this score. The unbridled British expenditure in India during the war was incurred in a cause with which India's interests were unmistakably identified. In the future it will lie wholly within India's control to decide whether or not she exports to the sterling countries more than she imports from them. Looking to the more distant future Professor Rao envisages a position in which the Indian rupee will no longer be linked to sterling or to any other currency but will be a fully autonomous currency to which "it would not be surprising if most other currencies in Asia were to get linked." This is an ambitious vision. To realise it India will have to show proof of economic as well as political stability in the years ahead.

Shorter Notices

"Price-Quantity Interactions in Business Cycles." Frederick C. Mills. National Bureau of Economic Research, Inc., New York. \$1.50

A statistical and mathematical inquiry, covering the period 1904-1938, into the relations of movements in price and output of a number of key commodities.

"Economic Research and the Development of Economic Science and Public Policy." National Bureau of Economic Research, New York. \$1.00

This book consists of twelve papers presented at the 25th anniversary meeting of the National Bureau of Economic Research, covering a wide field which includes methodology, specific national problems, policies relating to international trade and to employment. The contributors are drawn from academic, administrative and financial life.

"Output and Productivity in the Electric and Gas Utilities, 1899-1942." Jacob Martin Gould. National Bureau of Economic Research, New York. \$3.00

This is a careful descriptive and statistical study of American utilities, tracing the growth of the electric and gas industries and placing them in the perspective of American economic development.

From The Economist of 1847

February 13, 1847

It may be a very unwelcome and humiliating doctrine for statesmen and legislatures to recognise, but it is nevertheless one the truth of which experience is forcing upon mankind more and more irresistibly every year, that they are much more powerful for evil than for good; that the greatest and most ingeniously devised schemes to better the condition of the world, which have, when adopted, been applauded as the acme of wisdom and the greatest efforts of human intellect, have proved but miserable failures for the objects in view, while they have had innumerable indirect and mischievous consequences never dreamt of or anticipated. It may be hurtful to the pride of statesmen to discover how little they can really do . . . to eradicate misery, to alleviate suffering, and to improve society. Yet—so it is—the progress of civilisation shows more and more how few and simple are the real duties of a Government, and how impossible it is to add to those duties without inflicting permanent mischief on a community. . . . The chief aim of all the statesmen who have acquired a high reputation has been to remove regulations and restrictions imposed by others—to remedy the errors of former statesmen by removing old regulations, and not by imposing new ones. All that can be said of the greatest statesman is, that he discovered error and removed it; that he found a country harassed by restrictions and regulations, and that he freed it.

AMERICAN SURVEY

The Atom—Top Secret

(From Our U.S. Editorial Staff)

AT the hearing of the Joint Congressional Committee on Atomic Energy on February 4th, Senator McKellar unwittingly committed a major public service. He goaded Mr. David Lilienthal into a statement of democratic beliefs whose succinct clarity silenced the crowded room and then launched reporters around the stenographic transcript clerk. Consideration of Mr. Lilienthal's nomination as Chairman of the new civilian Atomic Energy Commission had been completed except for the attack periodically delivered by the patronage-hungry senior Tennessee Senator whenever the former head of the Tennessee Valley Authority appears for appointment. After about an hour of malicious questions, the Senator said: "The truth is that your sympathies are very leftist, are they not?" Mr. Lilienthal then outlined his faith in democracy as an affirmative, rather than a negative, doctrine, a satisfying and positive alternative to Communism, in such moving and effective terms that one sympathetic member of the inquisition, Senator McMahon, broke the respectful hush with congratulations "to a very real American."

The immediate results of Senator McKellar's persistence are thus so negative as to have been positive, but they have not rooted out the obstinate suspicion, voiced again this week by Senator Bridges, that Mr. Lilienthal is sympathetic to Russia and therefore peculiarly unsuited to be the guardian of the atomic secret. It is even less certain that those military circles who supported the defeated May-Johnson Bill for the control of atomic energy will not reassert their influence—it is possible to infer that many of the questions asked at the hearings had their ultimate origin in this group. The test will come, not over the appointment of the Commission members, but over the appointment of Mr. Carroll Wilson as the Commission's general manager and Mr. Herbert Marks as its general counsel.

Because of these hearings, the Commission has recently had to do two days' work each day, one in the Capitol and one in its uncarpeted offices in the new War Department building, where it is said to start each day by re-reading the declaration of policy in the first section of the Atomic Energy Act of 1945, with special attention to one phrase contained therein: "subject at all times to the paramount objective of assuring the common defence and security." The responsibilities assigned to the Commission in the Act are monumental without the complications that spring from the language of the law just quoted. They seem overwhelming as the implications of this "overriding paramountcy" are understood.

A problem faced by the Commission even before the keys were formally turned over to it at a homely ceremony in President Truman's study on December 30, 1946, illustrates the point. One of the big plants built and operated by the Manhattan District employed processes that had been demonstrated to be obsolete. There was no intelligent alternative to shutting it down and dismantling it. This action appeared simple enough until members of the Commission thought of the information that would be given an interested world by the shut-down. It would be tantamount to announcing, first, that the process being abandoned was inefficient and could be disregarded, and, second, that other processes had been improved to a point where discarding of the inefficient process could not be further postponed. These disclosures, furthermore, would come during the course of delicate international negotiations, and might be expected to raise a question whether the technical bases of the negotiations had become obsolete.

The Commission shut down the plant, and a simple, undetailed announcement was made of that fact. But no member of the Commission believes that any precedent was set or any policy formed by the manner in which this first problem was handled. The incident, to the contrary, convinced members of the Commission that they will have to move very slowly and with great caution on all matters of policy. Mr. Lilienthal, the Chairman, and his colleagues emphasise that, so far, they have been desperately busy studying the law under which the Commission must operate, and the large, scattered and diverse institution they have inherited from the US Army.

If the Commission has as yet no policy other than that prescribed by law, its members do have "thoughts" about the general directions in which they should steer. A first thought is that a great deal more push should be put behind the production and distribution of radioactive materials for use in scientific investigations both in the United States and abroad. An excellent, though modest, start was made in this direction while the Army continued in control. Dr. Eugene Paul Wigner directs the work at Oak Ridge, Tennessee, and shipments are being made daily. By arranging for comparable work from the atomic furnaces at Chicago and Hanford, Oregon, exceedingly valuable research tools can be more plentiful and better distributed.

Mr. Lilienthal (and he is strongly supported in this by all members of the Commission) is deeply convinced that exclusive emphasis on the atomic bomb during the months since Hiroshima has been harmful. He is determined to shift emphasis to the constructive potentialities of self-sustained release of nuclear energies. Though no physicist, Mr. Lilienthal learned a great deal about the engineering and economics of power while head of the Tennessee Valley Authority, and he regards the meagre and hesitant disclosures that have been made about atomic power for industry as naïve. He will push research and development in this field hard. It is reasonable to expect an announcement within five years that nuclear energy can produce electric power at costs figured in fractions of a mill per kwh, and with total regeneration (or even more) of the fuel used.

The Commission has made a start in formulating employment policies for both technical and scientific workers. It is not as well realised as it should be that the centralised, integrated corps of scientists that achieved stunning successes during the war has fallen apart. It will never be put together again at the same level of efficiency. Ways and means must be found to bring it to some approximate of its former greatness. In this direction the Commission is compelled to face some

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

It is disturbing that, at this critical stage, when the export drive calls for renewed impetus, it has received instead a new setback. Even for the last quarter of 1946, the volume of exports is provisionally estimated at no more than 112 per cent of the 1938 level, compared with 104 for the September quarter, 98 for the June quarter and 84 for the March quarter. For the year as a whole it can be said that the 1938 volume of exports was restored, that the volume index continued to rise, though at a declining rate, throughout the year, and that the prospects for the achievement of a volume of exports 75 per cent higher than in 1938 must now unhappily be regarded as obscure.

It has been certain for several months past that the adverse visible balance would be appreciably smaller than the figure which was used in striking the Washington estimate of an overall deficit of £750 million for 1946. The following table sets out the final figures for 1946, compared with 1945 and 1938:—

UNITED KINGDOM OVERSEAS TRADE BY VALUE

	1938	1945	1946
Total imports	919,508,933	1,103,693,217	1,297,682,580
U.K. exports	470,755,320	399,275,982	911,686,238
Re-exports	61,524,646	50,988,697	50,348,445
Total deficit	387,228,967	653,428,538	335,647,897

The adverse balance of £335.6 million is in line with the provisional estimate of £350 million which was suggested in the discussion of the British balance of payments in these columns on December 21st last. Such a relatively favourable result has been produced, in large part, by the painful contraction of imports, which for several months past have been running at a mere 70 per cent of the volume of 1938. In other words, a smaller adverse balance in 1946—so far as it is due to the maintenance of imports below a level sufficient to ensure a satisfactory rate of industrial activity and a more ample standard of living—merely postpones their true cost to later years. There may be some features for satisfaction in the year's figures, but there are even more for concern.

Some interesting portents may be drawn from an analysis, which has been prepared by the Board of Trade, of the 1946 export figures by value compared with those of 1938. "Raw materials and articles mainly unmanufactured" which accounted for 12.1 per cent of the total value in 1938, represented no more than 3.6 per cent of the 1946 exports. Manufactures have increased from 77.6 per cent to 86.3 per cent, but of these textiles have fallen from 21.5 to 20.5 per cent, despite the relatively greater rise in prices of textiles, compared with other manufactured goods. In fact, cotton yarn exports last year represented one-sixth by volume of the 1938 level, and cotton piece goods one-third, and although the total quantity of artificial silk exports was three times the 1938 figure, mixed tissues were halved.

Much of the increase in the manufactures group is attributable to metals (44.1 per cent of total exports by value last year, compared with 37.3 per cent for 1938), and particularly vehicles, locomotives, ships and aircraft (12.5 per cent against 9.5 per cent). But of all the black spots, coal is incomparably the worst. Exports last year represented no more than one per cent of the value of total exports, compared with 7.9 per cent in 1938.

Discount Market Activity

A year which has witnessed capital expansion by nine discount houses did not need the added evidence of the accounts of the "Big Three" companies to prove that it has been a period of activity and prosperity for the market. On the question of expansion, the comparison of principal balance-sheet items given below speaks for itself. The National Discount Company is one of the two members of the market which has not yet increased its capital, but even it shows an increase of 32 per cent in its loans and deposits. The Union's increase is 41 per cent, while that of Alexanders, whose disclosed capital resources have been almost doubled, is 51 per cent.

The manner in which these additional resources have been employed is not, however, so readily apparent from the balance sheets. The Union Discount this year makes a welcome break with tradition by excluding "short-dated securities" from bills discounted, and, by giving comparative figures for 1945, reveals how misleading it is to assume that a balance-sheet "bill" item not thus strictly segregated mainly comprises bills, for the result of this accounting change has been to reduce the Union's 1945

"bill" holding from £116.5 million to £76.8 million. The other two companies—which, it is to be hoped, will next year follow suit—still adhere to the traditional form, so that it would be unwise to attempt to draw definite conclusions from their figures about the relative size of their bill and bond portfolios.

To judge from the Union's experience, however, the year-end investment portfolio has probably declined—doubtless in consequence of Mr Dalton's large repayments of short bonds during the year. It deserves to be noted, too, that at the end of 1945 the market's capacity for absorbing bonds was stretched to the limit, owing to heavy sales by other holders anxious to switch into the 3 per cent Savings Bonds before the tap was turned off. The comparative ratios of capital resources to the total "books" of bonds and bills strongly suggest that, when the National's pending capital rearrangement (including a "bonus" discharge of uncalled

"BIG THREE" DISCOUNT HOUSES
(£ Million)

	Union	National	Alexanders	Total
Bills—				
1943	93.0	54.1	34.1	181.2
1944	115.2	61.4	44.4	221.0
1945	76.8*	73.5	50.2	200.5
1946	152.2*	102.1	82.2	336.5
Investments—				
1943	23.8	18.9	20.7	63.4
1944	25.4	21.2	23.5	70.0
1945	69.5	15.6	18.7	103.8
1946	56.6	15.6	23.0	95.2
Loans and Deposits—				
1943	114.6	72.6	53.5	240.6
1944	138.5	81.8	67.0	287.3
1945	144.7	87.9	68.2	300.8
1946	205.0	116.1	102.8	423.9
Capital and Reserves—				
1945	5.3	3.0	2.2	10.5
1946	8.2	3.4	4.0	15.6

* Excluding re-discounts; but including short-dated securities other than bills, except in the 1945 and 1946 figures for the Union Discount Co. † Including carry-forward.

liability) is complete, it will follow the rest of the market in raising additional capital. Its total "book" is nearly 35 times its disclosed resources, compared with ratios of 25½ and 26½ for the Union and Alexanders respectively. These ratios, it should be added, do not afford a level comparison with the end-1945 figures because in December, in consequence of the cessation of clearing bank window-dressing, the market carried over the turn of the year a substantial volume of bills which would normally have had to be sold to the authorities in the closing days in order to finance withdrawals of bank loans.

Building Licences and Wages

With the object of combating the operations of the black market in building, the Minister of Works has announced new measures for tightening up the control over the use of materials and labour. From February 1st, local authorities will be empowered to issue licences for all housing work, irrespective of cost, instead of granting, as at present, a "certificate of essentiality" for work of over £100, and leaving the Ministry itself to issue the licence. This provision applies to private dwellings only and not to work on hotels, hostels, boarding-houses or holiday camps. In future, local authorities will be empowered to prosecute in all cases of infringement of the licensing regulations within their area. Another change in the regulations is the removal of the clause, which lent itself to great abuse, under which no licence was needed for work on private houses, with "unpaid" labour. From February 1st, any private work which is worth more than £10, or uses more than £10 worth of materials, will require a licence, even where labour is unpaid or is provided by the owner himself.

It remains to be seen whether these new regulations will be effective in curbing illegal building operations. No official estimate of the extent of the black market has been given, beyond the statement that the Minister is "seriously disturbed" by it. The difficulty is, of course, to track down offences, and the fact that of 11,155 complaints examined by the Ministry last year, only 133 cases were actually heard, resulting in 22 convictions, suggests that a great many offenders are not brought to book. The devolution of responsibility upon the local authorities, both for issuing licences and for prosecuting those who contravene them, should make for speedier procedure and for greater zeal in dealing with offences, although the degree of efficiency will depend upon the nature of the local authority. The further proposal that authorities should keep a central register of all licences issued is intended to

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STATEMENT OF ACCOUNTS

December 31, 1946

LIABILITIES

	£
Capital paid up	15,158,621
Reserve Fund	15,158,621
Current, Deposit and other Accounts	1,242,636,506
Acceptances and Confirmed Credits	32,215,999
Engagements	20,583,615

ASSETS

Coin, Notes and Balances with Bank of England	109,927,428
Balances with, and Cheques on other Banks	48,492,984
Money at Call & Short Notice	73,340,883
Bills Discounted (Treasury Bills £180,667,650)	166,693,019
Treasury Deposit Receipts	354,000,000
Investments	282,625,813
Advances & other Accounts	219,619,785
Liabilities of Customers for Acceptances, etc.	52,799,614
Bank Premises	8,165,762
Shares in Yorkshire Penny Bank Ltd.	937,500
Shares in Industrial and Commercial Finance Corporation Ltd.	276,100
Shares in Affiliated Com- panies:	
Belfast Banking Co. Ltd.	
The Clydesdale Bank Ltd.	
North of Scotland Bank Ltd.	8,874,474
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facts of life that both the Army and Congress chose to ignore in their preoccupation with "keeping the secret." A job with the Atomic Energy Commission must be attractive enough to invite a man competent to fill it, despite the stultifications of security regulations and the rather dismal environments of Oak Ridge (Dogpatch), Los Alamos (Happy Valley), and Hanford. The Commission's only important "thought" on this problem, so far, is that work at the sites must be integrated into work in the same field at universities, so that workers can spend some time in the academic atmosphere they prefer. The problem of scientific staff, moreover, is not the only one the Commission must shortly face: collective bargaining as it affects less specialised personnel also has peculiar aspects under these circumstances. At the one site which has been opened for union negotiations, Oak Ridge, one plant has been won by the AFL, by a comfortable majority, one plant by the CIO in an uneasy victory of some two dozen votes in a total of about 4,000, and one plant voted for no union. The contracts are renewable next December.

The Commission has not faced its most dangerous problem, that of disseminating basic scientific information while keeping its secret. Members have nibbled at the problem, and the problem has nibbled at them. For instance, Mr Lilienthal is supplied with reports of spy activity around "the secret." Indeed, such reports are gratuitously pressed upon him. He has no way of assessing the reliability of these reports, except by their character. He has no way of acting on them, even if they impressed him. Actually he is not greatly impressed by what he has seen of the spy problem. But others may be; and it is what impresses others—Congress, the Army, the Departments of Justice and State—that is important to the fate of America's experiment in civilian control of a revolutionary factor in world affairs. In the Senate hearings, the emphasis has been almost entirely on the question of military security. Mr Bernard Baruch reportedly testified that Russian representatives betrayed a suspicious familiarity with secret processes. Mr Lilienthal himself was goaded by his questioners into insisting that the major breach of security was the publication of the Smythe Report in 1945, which was authorised by General Groves, the arch-priest of security. Mr Sumner Pike, another Presidential appointee, in his testimony, made a promising attack upon the sterility of secrecy when he suggested that American national security would benefit more from rapid exploitation of the industrial possibilities of nuclear energy—which would require some freeing and exchange of information—than from a penny-wise, pound-foolish insistence upon paralysing security measures.

In pursuing this double, and almost irreconcilable, task of advancing knowledge of the atom while preserving every security precaution, the Commission must move very slowly.

The Republican Party leadership which now prevails in Congress, and expects to capture the Executive power in 1948, does not like the men President Truman appointed to the Atomic Energy Commission. It regards them as "collectivists." This probably will not block the confirmation of David Lilienthal, Dr Robert F. Bacher, William W. Waymack, Sumner T. Pike and Lewis L. Straus. Republican elders do not feel prepared for a fight about atomic energy control now. The talk is that the Commission will be permitted to work along until 1949, when the law will be amended to increase its membership to eleven, and six "private enterprisers" can be appointed. Perhaps things will develop as the Republicans plan.

But a mis-step by the Commission on the problem of security of information, or some international incident that incites a flare of American fear or belligerence, could upset the Commission overnight. Persons who understand how vital it is that the experiment in civilian control shall succeed should not underestimate the great hazards the Atomic Energy Commission must run these next few years. The Commission has not fallen foul of any of these hazards yet. That is about all that can be said. It will be the most important and hopeful thing that can be said on any future day for a long time to come.

American Notes

Half a Trade Agreement . . .

The fear that the Reciprocal Trade Agreements Act, and through it ITO, were about to be scuttled by the high tariff wing of his party has led Senator Vandenberg, the Republican sponsor of a bi-partisan foreign policy, to attempt to arrange a parallel compromise on foreign economic policy. As extended, the Act permits the President to reduce tariff rates by 50 per cent without recourse to Congress. This is the inducement the State Department hopes to hold out to other nations at Geneva in April. The Republican revolt has taken the shape of demands that further negotiations should be suspended while the administration of the Act by the State Department undergoes a full-dress investigation to determine whether the Act should be revised. It is now clear why Senator Vandenberg declined to go to Moscow. The economic battle will be decided in Washington.

What Senators Vandenberg and Millikin propose are certain concessions in procedure by the State Department to allay the fears of Congress, in return for a pledge that Republican leaders will ensure a "hands off" policy toward the Trade Agreements Act during the coming year. This five-point plan, which has been discussed and accepted by Mr Acheson and Mr Clayton, would empower the Tariff Commission to review all proposed concessions and define to the President the point beyond which they should not go, to avoid injury to the domestic economy; it would put an "escape clause" in every agreement which would be administered by the Commission rather than the State Department; it would make public the hearings and recommendations of the Tariff Commission; and it would deny the benefits of the most-favoured nation clause to countries not extending similar benefits to the United States.

Such an agreement can safeguard the International Trade talks from outright repudiation, if it is accepted by the House of Representatives (which is not only the source of most of the agitation against further tariff cuts, but may be sensitive about its own right to originate tariff policy). But if the price paid is high enough to persuade Messrs. Knutson, Jenkins, and Gearhart to call off their bills, it is likely to limit severely the scope of the negotiations. It introduces a new note of instability into the negotiations; should the United States run into a business recession in the next year, there is likely to be a stampede for the escape clauses. This is rather like the possessor of an umbrella offering it to his less fortunate neighbour on the understanding that it will be returned at the first sign of rain. In economic policy, bi-partisanship comes perilously close to stalemate. And many will doubt whether postponing the final "battle of the tariff" until 1948, when it will be plunged into the politics of a Presidential campaign, is the trumpet blast that will bring down the walls of the protectionist Jericho.

No Golden Gates

The "portal-to-portal" wage claims have been shattered, if not finally destroyed, by a Court decision that the now celebrated union suit against the Mount Clemens Pottery Company of Detroit involved claims altogether too trifling for Court consideration, and that, in any event, any such claims could not be dated back beyond June of last year when the Supreme Court gave the award that seemed, in the eyes of many union lawyers, to justify a completely new interpretation of the Fair Labour Standards Act.

These rulings, which have shattered rosy union dreams of back-payments possibly aggregating \$5 billion, were by no means an unexpected sequel to shock tactics both by the Treasury and the Justice Department. In the first place, the Treasury conceded that payments made by companies to unions would be chargeable against Excess Profits Tax over the appropriate profit-earning period, and with this substantial measure of relief intimated also that the ruling should not be admitted as "a premium for the admission of union claims."

In other words, industry, still rather uncertain of the official reaction to union claims, was told very clearly that such claims should be resisted, despite the fact that several large undertakings had already elected to settle out of court.

The Justice Department followed with the unusual, though by no means unprecedented, decision to intervene directly in a private suit which might well injure the Treasury by as much as 50 per cent or more of any successful claims against industry. From that point, the issue was never in doubt, although Federal Judge Picard, of Detroit, in his re-examination of the test case spent a

great deal of unproductive time in trying to determine the validity of specific claims for time lost. But evidence was so conflicting that the doctrine of *de minimus* provided the only legal answer.

Some of the so-called "portal-to-portal" claims will, no doubt, survive the new rulings. But, as before the 1946 award of the Supreme Court, unions will now have to prove that "unproductive time" is substantial enough to warrant compensation. And they must do so in the full knowledge that the Court has once again demonstrated a masterly ability to abandon an untenable position without any direct reversal of an earlier decision. Had the unions, mainly from the Congress of Industrial Organisations, followed a modest path they might have secured some reasonable concessions. But even for American unions in 1947, industry has no golden gates to open.

The President's Term

Very nearly the first act of the new Republican House of Representatives has been to lock the stable door against another three-term or four-term President. A constitutional amendment to that effect has passed the House by 285 to 121. The habit of fighting Mr Roosevelt, alive or dead, is hard to shake off. The actual wording of the amendment includes persons who have served "all or any portion of two terms," a provision which would bar President Truman from a highly hypothetical spell of office beginning in 1953. At the same time, Mr Truman has again requested Congress to legislate on the Presidential succession. His thought is that in the event of a vacancy at the White House the Presidency should pass to the Speaker of the House, an elected official, rather than to a Presidential appointee like the Secretary of State, as at present. It is not overlooked in the Senate that if he were to die and be succeeded by a Republican Speaker the man thus elevated to the White House would enter the Republican convention in 1948 with manifest advantages, and it is suspected that Mr Truman derives a quiet pleasure from the rôle of a modern Paris.

Democrats who voted against the two-term amendment, resenting the slur on their late leader, were sharply reminded that in 1928 the party condemned in advance the possibility of a third, or rather second and half, term for Mr Coolidge. But the implications of the measure go beyond the question of whose ox is gored. It is characteristically American that the main witnesses in this debate are not the living but the hundred-years dead. Jefferson, whose party was known as the Democratic Republicans, appears for both sides. The Republicans quote his belief in rotation of the Presidency, his hatred of perpetuation of power, while the Democrats recall his statement that in certain situations, such as the threat of the creation of a monarchy, even he, Jefferson, would run for a third term. Ancestor-worship conveniently overlooks the Jeffersonian dictum that the country ought to have a revolution every generation. The Democrats would do well to remember that President Wilson opposed the third term ban because it would "immensely weaken the President's fighting power" on behalf of the people. . . . "We singularly belie our own principles by seeking to determine by fixed constitutional provision what the people shall determine for themselves."

To attempt to tie the future by building bulwarks against the popular will is very reminiscent of the checks and balances which the Constitutional Convention evolved to protect the Government against the masses. For most men, the sheer physical strain of the Presidency precludes a third term. The present amendment would deprive the country of the possibility of continuity of policy in an unforeseeable emergency, and that in a spirit of vindictiveness toward a man now dead. The need for assent by two-thirds of the Senate, and then by three-quarters of the States, gives time for second thought.

State Finances

While war has fastened an unprecedented debt total on the Federal government, State finances have improved beyond all recognition. A recent survey by the Census Bureau of the Department of Commerce revealed that, with few exceptions, cash balances were at record levels. Through 1946, the State authorities were able to rely upon an exceptional level of tax receipts, reflecting new peacetime peaks for national income, while labour, equipment, and material shortages again accounted for an abnormally low rate of capital expenditure. By the close of the year, 28 reporting States disclosed balances aggregating

more than \$2.2 billion in general, highway, and post-war contingency funds.

It is interesting to compare the total of the funds given above with the figure of rather less than \$2.4 billion representing the gross indebtedness of all State governments at the close of the year. A substantial proportion of these funds, of course, represents the deferment of works expenditure that is quite essential so soon as present shortages disappear, but the improvement in local finances is none the less welcome, and will no doubt prove a useful cushion in the event of any general setback in industrial activities.

There is indeed, need for prudent financing since whatever funds are now available, it is apparent that the State governments altogether will be called upon to provide a considerable extension of social services. In a recent analysis of the New York State position, Governor Dewey declared that while its financial position was "the soundest in history" it was confronted with new and increasing demands for social welfare, educational services, pension funds, and heavy constructional expenditures.

One of the items which now seems to be causing concern is the renewed enthusiasm of State electorates for further Veterans' bonuses. Before the November elections, the general trend of opinion seemed to be that Federal payments should provide adequate cover for veterans, and that local schemes should be covered by tax receipts, or be confined to provision from special contingency funds. Since that time, however, as the National City Bank recently reported, "scarcely a week passes without some new bogus bill being thrown into the hopper." In consequence, proposals for new veterans' aid funds from States now total \$3.6 billion—a total which compares with borrowing amounting to about \$450 million after the first World War.

These proposals have yet to run the full legislative course, and many may be abandoned. Even a substantial reduction, however, would leave them at an unduly large level when it is recalled that Federal expenditures in this direction, already generous, are continuing through the 1947-48 Budget year at an annual rate of \$7.3 billion. The National City Bank's conclusion that in view of liberal Federal assistance, such plans are "premature" seems more than justified in the light of the urgent need for development programmes designed to correct some of the prevailing disparity in regional income payments.

Sweet and Low

(From Our US Editorial Staff)—The Committee on Agriculture of the House of Representatives has announced to the world at large, and more particularly to the International Emergency Food Council, a new concept of "America First," applied to the nation's sugar policy. The pre-war concept was one of fostering domestic production, through tariffs, quotas and subsidies, at the expense of the natural "Sugar Bowl" of the Caribbean; the new design is to rig the distribution of world sugar supplies to benefit domestic consumption not only at the expense of more sorely pressed consumers elsewhere but also in violation of explicit US commitments to these other sugar consuming nations and to Cuba in the single purchase agreement for joint account.

Reduced to figures, the situation is that Cuba's estimated production of 5,500,000 (short) tons this year can take care of inventory and national needs, repeat last year's contribution to United States and European consumption quotas, and still leave some 1,416,000 additional tons available for distribution among the nations participating in the single purchase agreement. But the House Agricultural Committee is demanding an increase in the American quotas to individual and industrial consumers sufficient to provide the American housewife with 10 to 15 more pounds of sugar than last year, and to give industrial users a corresponding supplement. If this were done, the additional Cuban production would be absorbed in the United States, with nothing left for the other nations participating in the agreement. In the crop year just ending, estimated production in areas under the US flag was just over its 1935-39 average of 3,954,000 tons.

In "insisting" that the United States retain all of the additional Cuban tonnage, the full committee formally adopts the attitude taken by its Andresen Sub-Committee at a sugar hearing in Washington on January 21st. While this is not necessarily the official position the United States will take in the IEFC meeting, it does reflect a current attitude which must disturb a world concerned not only with an equitable distribution of available sugar supplies but also with an appraisal of America's intentions (or pretensions) about its Trade Agreement programme and its championship of ITO.

MARTINS BANK LIMITED

STATEMENT OF ACCOUNTS, 31st December, 1946.

LIABILITIES	
Capital paid up	£4,160,042
Reserve Fund	4,160,042
Current, Deposit and other accounts (in- cluding Profit and Loss Account)	253,150,207
Liability for Acceptances, Endorsements, etc.	14,492,891
	£275,963,182
ASSETS	
Cash in hand and at Bank of England	£22,411,597
Balances with, and cheques in course of collection on other British Banks	12,614,583
Money at call and short notice	25,975,000
Balances with Banks abroad	36,908
Treasury Bills	18,230,000
Treasury Deposit Receipts	67,500,000
Bills Discounted	439,683
Investments	65,529,382
Advances to Customers and other accounts	45,973,930
Bank Premises	2,759,208
Liability of Customers for Acceptances, Endorsements, etc.	14,492,891
	£275,963,182

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THE ZINC CORPORATION, LIMITED.

To the Members,

In my statement to shareholders which accompanied the Report and Accounts for the year ended 31st December, 1945, I made extended reference to the wide expansion in the interests of The Zinc Corporation, Limited, and the direction in which they were likely to develop in the near future.

The interests I referred to may be briefly stated as:—

- (1) The extension of our lead and zinc mining at Broken Hill and the smelting, refining, transport and manufacturing industries associated therewith both in Australia and her Mandated Territories and the United Kingdom.
- (2) The search for and the development and equipment where justified of Mines in the neighbourhood of the existing producers on the Broken Hill field and elsewhere.
- (3) The search in Australia and her Mandated Territories for oil and natural gas and the development and utilisation of coal and other fuels and sources of power.
- (4) The development and extension of manufacturing industries associated with the treatment of sulphur-bearing ores and production of non-ferrous metals.
- (5) The supply and erection of power and other machinery, plant and equipment for use of the Broken Hill field.
- (6) The provision of research, technical, financial, commercial and transport services essential to the mining, smelting and manufacturing industries.

Your Directors are of opinion that the production of the Broken Hill mining field is capable of substantial expansion. In this connection The Zinc Corporation, Limited, and New Broken Hill Consolidated, Limited, have agreed to a joint production programme under which it is hoped that during the next 7 or 10 years output will be raised from its present level of 500,000 tons to about 1,000,000 tons of ore per annum. The expenditure involved in the duplication of these two Companies' present output, with the attendant housing, transport, smelting, refining and other services and on plant and equipment will, it is expected, be in the neighbourhood of £7,000,000 sterling.

The finance necessary for the expansion of production and for reasonably meeting the requirements of the other activities referred to is considerably in excess of the total of the Corporation's current available resources together with such contributions as it is estimated could be made from future earnings without adversely affecting the returns to shareholders. Your Directors have for some time past been giving earnest consideration to the problem of providing this additional finance and have decided that it will be in the best interests of the shareholders to segregate the Corporation's mining and milling operations on its leases at Broken Hill from its other interests and investments. By this method it is believed the finance involving any risk to your firmly established industry, or interruption in the wide employment it provides.

Accordingly, after consultation with the Corporation's lawyers and accountants, it has been decided to form a subsidiary Company with the title of:—

THE BROKEN HILL CORPORATION LIMITED.

This new Company will have an authorised capital of £5,000,000 divided into 44% Cumulative Redeemable Preference Shares of £1 each and Ordinary Shares of £1 each. The issued capital of the Company will be 1,000,000 44% Cumulative Redeemable Preference Shares of £1 each, and 2,000,000 Ordinary Shares of £1 each, leaving 2,000,000 shares unissued.

It is the intention that The Zinc Corporation, Limited, shall subscribe for 750,000 of the above 44% Cumulative Redeemable Preference Shares of £1 each in cash at par and, in addition, will transfer to The Broken Hill Corporation Limited its various holdings in associated and other companies; these holdings will be transferred, in the case of those which are quoted, at or under market prices and in the case of those which have no quotation, at or under cost. In consideration for this transfer, The Zinc Corporation, Limited, will be allotted, credited as fully paid, an additional 250,000 44% Cumulative Redeemable Preference Shares of £1 each (ranking *pari passu* with the 750,000 Preference Shares to be subscribed for in cash) and 2,000,000 Ordinary Shares of £1 each.

The Zinc Corporation, Limited, will at this stage own the whole of the issued Preference and Ordinary Share capital of The Broken Hill Corporation Limited.

In conformity with your Directors' usual policy it is intended in due course to offer 750,000 of the 44% Cumulative Redeemable Preference Shares of £1 each of The Broken Hill Corporation Limited, which are to be subscribed in cash by The Zinc Corporation, Limited, for sale to the shareholders (both Preference and Ordinary) of The Zinc Corporation, Limited. It is also hoped that later it may be possible to arrange for shareholders to have an opportunity of acquiring Ordinary Shares of The Broken Hill Corporation Limited.

Full particulars of The Broken Hill Corporation Limited, together with details of the offer for sale, will be sent to shareholders in due course. The above information is sent to you now as your Board considers that you should be informed as early as possible of the steps which are being taken in planning for the future and for the further development of your interests at Broken Hill and elsewhere.

I trust your Directors may have the same confidence and support in this project as you have been good enough to accord us in the past.

I am, Yours faithfully,

JOHN R. GOVETT, Chairman.

37, Dover Street, London, W.1.

23rd January, 1947.

provide greater publicity and enlist the co-operation of the public in checking evasions.

While the Government is thus preparing to tighten the controls over building operations, it is not yet showing any great concern about the rise in costs. The prospect of an alarming rise in building costs is raised by the building workers' wage claim, which was presented to the employers on Wednesday and was rejected by them on what seem to be very reasonable grounds. The unions asked for an extra 6d. an hour on the present base rate, which would bring the craftsman's rate to 3s. an hour (3s. 1d. in the London area), with a corresponding increase in the labourer's rate, which is 80 per cent of the craftsman's. This claim, it has been estimated, would increase the building industry's costs by the order of £65 million a year and the employers put the increased cost of municipal houses at £90—the union's figure is £60—or 1s. 1½d. per week in rent. Here is surely a clear case of the need for relating wage increases to increased productivity. When building wages were increased a year ago the unions gave a definite pledge that they would work for higher productivity. But although it is difficult to define a satisfactory measurement of productivity in building, there is no obvious sign that this pledge has been made good. One direct way of securing increased output would be to adopt a system of payment by results; this is still under consideration, but there is a great deal of opposition to the idea among the unions and in Government circles and it is unlikely to be adopted without considerable further discussion.

* * *

Sterling Negotiations

It was announced this week that preliminary discussions for a settlement of Egyptian sterling balances will take place in Cairo when Sir Wilfrid Eady of the Treasury and Mr Cobbold, Deputy Governor of the Bank of England, are returning from their comparable mission to India. It is also hoped that these gentlemen will have an opportunity to visit Iraq for similar discussions in March. As in the case of the Indian visit, the objectives are cautiously limited to "preliminary discussions," and in view of the disappointing course of the negotiations between the two countries for the revision of the Anglo-Egyptian Treaty of 1936 it may be wise thus to anticipate difficulty in the Cairo discussions. None the less, there is in the announcement made in Cairo and London a strong expectation that the talks will lead to a definitive arrangement without much delay. This emerges from the statement that arrangements are being made for meeting Egypt's essential needs in hard currencies during the period between March 31, 1947, when the existing hard currency agreement terminates, and July 15, 1947, "the date on which more permanent arrangements, to be negotiated between the two Governments, are expected to come into force."

The date has a familiar ring. It is that on which the convertibility of currently earned sterling comes into force, in accordance with the provisions of the Anglo-American agreement of December, 1945. That deadline will provide a useful argument against prevarication in the tough negotiations with sterling area creditors that lie ahead. The sterling balances held by Egypt are between £450 millions and £500 millions, and in size are second only to the balances accumulated by India. The hard currency agreement, which terminates on March 31st next, allowed Egypt a hard currency quota equivalent to £E14,350,000 during the fifteen months from January 1, 1946. If Sir Wilfrid Eady and Mr Cobbold succeed in these delicate and difficult negotiations, they will deserve the fullest praise and thanks.

* * *

Statistics of Trade Bill

Sir Stafford Cripps's speech on the second reading of the Statistics of Trade Bill on Tuesday was an effective argument for a measure which ought to fill many wide gaps in our economic knowledge. The Bill (briefly described in *The Economist* of December 14th last) provides for two economic censuses—one for production and the other for distribution. It is intended that the census of production should in future be an annual event, instead of quinquennial as it was before the war. As for the census of distribution it was not a "deep and dark plan, for preparing for the nationalisation of the retail trade"—a headache which Sir Stafford was prepared to leave to some other Government—but a means of ascertaining the structure of the distributive trades, the business which they conduct, the relation of shops to total population in different areas, and the spread of wholesale and retail price margins. Moreover, it would provide an estimate of the expenditure of the public on different types of commodities

which is largely unknown—though not wholly, as Sir Stafford appeared to suggest.

The Opposition fastened upon the fact that 21 separate Government Departments will have power to seek information through the censuses, and that under present conditions the questionnaires would impose a new burden on industry. Even Sir Stafford's assurance that duplication of demands for information would be avoided as far as possible, reiterated at the close of the debate by Mr Belcher, scarcely served as a counterweight to the assertions that the present time, with its shortages of manpower and clerical staffs, and its high volume of form filling, is not ideal for the introduction of the new censuses. But there is no reason why a sensible system of questionnaires, settled in advance by mutual discussion between the Government departments and the industries concerned, should be impossible to devise.

The breeze which has followed the distribution of forms for the 1946 pilot census of production suggests that one of the first lessons to be learned is the art of explanation of the purpose, content and relevance of the questions which are asked. It is surely desirable to set up the limits of detail and of precise accuracy which are required for census purposes, and to explain them fully to industry. Mr Reddaway's recent paper at Manchester showed that, in many particulars, the information required could take the form of intelligent estimates rather than exact measurement. Even so, the extension of the time limit for the return of questionnaires from two to three months is highly desirable—particularly if the publication of final results suffers a delay in any way comparable with that of pre-war censuses of production.

* * *

Mr Strauss on Transport

The speeches of the Parliamentary Secretary to the Ministry of Transport, Mr G. R. Strauss, sometimes attract less attention than they deserve. It was left to Mr Strauss before the appearance of the Transport Bill to explain in general terms the Government's intentions about transport and the reasons for their rejection of the road-rail agreement last July. It is he who, in a speech this week, has come nearest to setting out the Government's broad intentions for the development of transport, which were so noticeably lacking in the Second Reading Debate before Christmas. Mr Strauss did not attempt to explain the operational aims of the new Transport Commission in any detail, but he has at least briefly described the principles on which the Commission should work. The Commission should ensure that for each transport purpose that form of service shall be used and developed which is technically and economically the most efficient—an argument for total integration of transport which would not be unfamiliar to readers of *The Economist*. Secondly, he claims that capital for development and modernisation of transport equipment was often not forthcoming in the past unless a quick and satisfactory return could be clearly foreseen. The Transport Commission, therefore, should be able to take longer views and "give all possible scope for technical improvements and those developments which without integration are unlikely to come about." Unfortunately Mr Strauss did not refer even briefly to the associated question of the elimination of redundant capital which under no conditions consistent with the aims of the Commission could be made remunerative.

The functional basis laid down in the Bill, under which the separate Executives will be responsible for operating their own forms of transport, has been widely criticised on the grounds that it will impede the aim of integration. Mr Strauss admitted that a regional rather than a functional basis is at first sight attractive and was, in fact, most carefully considered, but he rejected a regional form of organisation on the ground that it would be "wholly impracticable," at least at the outset, would cause "appalling dislocation" and would "transfer the whole direction of management of transport to the railways as these are predominant in size."

This is hardly the whole answer to the criticism, for both on grounds of size, and also of the time-table which the Transport Commission is apparently to follow in acquiring the various transport interests, it is fairly obvious that the railways will always be predominant in size, and possibly in influence, among the Executives, and conceivably on the Commission. Mr Strauss, however, does contemplate that eventually a full-scale regional organisation may be developed, though that is, of course, a question for the Transport Commission, under the general direction of the Minister. Any benefits of the nationalisation in any event are bound to be slow, and the immediate target, as Mr Strauss sees it, is to avoid inconvenience to traders and the public during the first

Middle East Oil

The Middle East oil agreements (discussed in *The Economist* on January 4th) are now attracting increasing opposition from the independent oil producers, who are seeking anti-trust action by the Justice Department. In Congress, the chief spokesman for the independents is Senator O'Mahoney, Democrat of Wyoming, head of the special committee which declared quite recently that US reserves would be "insufficient for another large-scale war," and urged the rapid development of synthetic production.

The Senator, however, refuses to believe that the solution is recourse to foreign supplies, and more especially of resources beyond the boundaries of the Western Hemisphere. For one thing, the generally accepted European view that Washington is not officially committed by the deal made between Anglo-Iranian and Standard Oil does not carry conviction with the independent interests in America. They emphasise the Standard Oil declaration that the Justice Department and the State Department were both told formally that such a deal was on the way, and that no reaction followed. And they assert, in any case, that official recognition must have been forthcoming both in London and Washington before preliminary moves were made. Though the political aspect of the Middle East agreements is thus brought to the fore, it is obvious that the real concern of the independents follows from the loss of European markets for producers in the Caribbean zone, and the fear that such a development will jeopardise their future either by intensified competition within the domestic market, or by increasing federal regulation, that will be tied to the State Department's conservation policy.

The independents, moreover, declare that since the Standard Oil interests already hold a considerable stake in Latin American output, the terms of the Arabian deals will greatly strengthen the grip of the relatively small number of international concerns upon the world oil market, and will go a long way towards meeting the aims of the Anglo-American Oil Agreement which is still nicely pigeon-holed by the appropriate Senate Committee, and which, quite recently, was thought unlikely to see daylight for some time to come. The independents have fought consistently against the Anglo-American Agreement, but in the light of recent deals some are beginning to wonder whether or not it would be better to have an official declaration of policy. Meanwhile, the American Petroleum Institute, representing the major

producers, has confirmed its acceptance of the agreement, subject to Washington's assurance that the government does not wish to extend its regulatory powers to cover international deals.

The Justice Department seems to have endeavoured to ally some of the more vigorous protests by declaring that it was willing to examine the Standard Oil deals for alleged infringements of the Sherman and Clayton anti-trust acts. Responsible trade quarters, however, assert that the Department is satisfied that these deals do not involve any question of "monopolistic practices" and that they must be judged in the light of State Department policy and of service needs.

* * *

Rent Control or Decontrol?

The focus of the housing problem is now rent control, about which a vigorous controversy is raging, with chief attention on residential rents. A sub-committee of the Senate Banking and Currency Committee has just completed some hearings and has before it a bill which would extend rent control without change beyond expiration on June 30th of the present statute, another to extend it with a 15 per cent advance and terminate controls some time in 1948, and yet a third to extend it with allowance for 5 per cent rise each four months with termination of controls some time in 1948. General Fleming, head of the Office of Temporary Controls, was recently ready to permit a 10 per cent advance now, but was overruled by President Truman. Both the President and Governor Dewey in their messages advocated continuation of rent control last month.

From August 15, 1939, to last fall, the rent constituent of the Consumers' Price Index had risen 4.3 per cent while the index in total had mounted 53.9 per cent. Hotel room rents have recently been de-controlled. Provision has been made for upward adjustments in needy cases. Rents on new construction are fixed more in relation to cost than to earlier periods.

The basic argument used by real estate and property groups is that controls aggravate the housing shortage and are inequitable. Control advocates argue by contrast that construction is held up, not by lack of return, but by unduly high costs, and material shortages. In their view, a rise in rents would cause immediate demands for wage adjustments and imperil present negotiations.

THE WORLD OVERSEAS

Coal Problems in Canada

(From Our Ottawa Correspondent)

CANADIAN coal reserves have been estimated as the second largest in the world, yet Canada imports a large (and growing) percentage of its coal. Before the war, it imported about half of its total consumption; but in the later war years, it was importing about 28 million (short) tons a year, almost exclusively from the United States, as against an annual consumption of about 16 million tons of domestic coal. Quite apart from the distortions of the war economy, the relative importance of Canadian coal as a source of energy in Canada has been rapidly declining over the past two or three decades. As recently as 1926, Canadian coal supplied 31 per cent of Canada's energy sources. By 1930, hydro-electric power had outstripped Canadian coal as a source of energy, and by 1945 water power was supplying just over 30 per cent, and Canadian coal only 18 per cent. Petroleum (largely imported), and natural gas together have grown to be almost as important a factor in producing energy as home-produced coal. The above figures do not take into account consumption of wood for fuel, for which statistics are not adequate; but the ratios between the several sources are not affected by the omission.

One of Canada's oldest and most important mining areas, situated on Cape Breton Island in Nova Scotia, has suffered financial stringency and unhappy labour relations for many years, and conditions appear to be approaching a crisis. Certain Pacific coast mines are also languishing. No wonder that Canadians, contrasting on the one hand the almost inexhaustible seams of Canadian coal, and on the other hand the increasing reliance on

imported fuels and the deteriorating state of some of the important coal fields, should demand an explanation of the anomaly. A Royal Commission, appointed in October, 1944, has recently concluded its labours, and the 664-page Blue Book which resulted was tabled in the Canadian House of Commons on January 31st.

Canada's large and increasing reliance on imported fuels ceases to be a mystery when a map of North America is examined. The most valuable coal resources of Canada, measured by quality, thickness of seam, accessibility, and extensiveness of deposits, are to be found in the province of Alberta and portions of the two adjoining provinces of Saskatchewan and British Columbia. The main industrial region and the most thickly populated area, however, lies in southern Ontario and Quebec, two thousand miles away. The gap must be bridged largely by rail. Ontario and Quebec have no coal at all. But the industrial wedge of Canada, located on the St. Lawrence Lowlands, nestles just above the greatest coal area in the world. The Pennsylvania, Ohio, West Virginia, Michigan, Indiana and Illinois mines average, perhaps, a fifth of the distance away from the Windsor-Hamilton-Toronto-Montreal factories and metropolitan areas, as do the mines of the Canadian North-West, and a cheap water haul is available a good part of the way.

The mines of Nova Scotia and of the Pacific Coast are either on tidewater or virtually so, and a cheap water haul is available to them. The coal deposits there, however, are severely handicapped in competition with American mines. Those of the west coast are approaching exhaustion. The Cape Breton mines have

so cope with pitching seams, submarine extraction, weak roof and floor measures, and workings under heavy cover. These conditions, complicated by bad labour-management relations and failure to keep up with technological advances used in the competitive American mines, have brought about a discouraging situation. While man-day production in the Nova Scotia mines has been falling from 2½ (short) tons to 1½ tons, that of U.S. mines has been rising. According to the Royal Commission "more than half of the United States coal which competes in the central Canadian market comes from States averaging 5.08 to 6.77 tons per man-day in 1944." (These are bituminous mines: productivity in the United States anthracite fields was 2.79 tons per man-day in both 1939 and 1944.)

Under these circumstances, any idea of making Canada self-sufficient in coal is flatly rejected by the three commissioners who formed the Royal Commission. Assuming that central Canada will continue to require 25 million tons a year, all of which must be imported from some source or other, the Commission points out that even under the most favourable conditions, the Nova Scotia mines could not provide more than 5 million tons a year, so that at least 20 million tons would have to come from Western Canada. Under conditions of free competition, no Western Canada coal reaches central Canada at all. Even with a tariff of 75 cents a ton against US coal and with a \$2.50 a ton freight-rate subvention, the movement of Alberta coal to central Ontario has never, in normal times, reached more than about 90,000 tons a year—a mere trickle. The Royal Commission estimates that a policy of compelling central Canada to use all Canadian coal would raise the price of equivalent fuel at least five dollars a ton—a burden of over \$100 million a year, which would rest in the first instance upon the people and the industry of central Canada but, by impairing their competitive position, eventually on all Canada.

Accordingly, the Commission does not advise any drastic new measures for encouraging the use of Canadian coal. It would leave the tariff where it is: 75 cents a ton against U.S. bituminous coal, 50 cents a ton against U.S. anthracite, with British imports free of duty. (Before the war Canada imported up to 2 million tons of British anthracite a year, almost all consumed in Ontario and Quebec.) It would discontinue the wartime import subsidies and the production subsidies, but would continue a policy of freight subventions to encourage the use of Canadian coals over a rather wider band of territory than is possible without such help.

Labour unions in the Cape Breton area strongly recommended public ownership of the coal mines, urging that this would bring to an end the long era of animosity between workers and management, and would stimulate production. The Commission did not accept this view. "The evidence submitted to us fell far short of establishing that nationalisation would result in higher productivity." Mr Angus Morrison (one of the commissioners) in a separate report gave warning that the collapse of the Cape Breton industry seemed inevitable, unless adjustments were made in industrial relations and the present antiquated and inefficient methods improved. With a programme of extended mechanisation and a new spirit of industrial relations, the Commission believes that productivity can again be raised to 2½ tons per man-day in Cape Breton and the industry restored to a competitive position.

Poland's New Territories

[FROM A CORRESPONDENT IN WARSAW]

A TRAVELLER to Poland's "Recovered Territories" will almost surely be shown, in the churches and public buildings of Upper and Lower Silesia, innumerable ancient Polish eagles. And now, in the archives of the museum at Jelenia Gora (Hirschberg) an old book has been found, handwritten in Polish, which contains records of all births between February, 1694, and July, 1715, in the village now called Laczinkowa (Lenschik bei Kreis Neustadt). Written in the book "In Year of Grace 1866" is the following plaintive inscription: "It can be seen from this book that our language has not been eradicated from this borderland, where the German territories are next door. It lives—but for how much longer. Only God can know." All of which is interesting from a historical point of view, but as spurious as most such arguments have become when intended to prove a nation's right to territory. More cogent, in fact, than all the eagles—with heads turned rightward—are the strenuous efforts to colonise these territories which the Poles have made.

These lands, largely depopulated, mined and ravaged during

the last furious days of the war, have been restored to an extent which is remarkable, even when it is recalled that much of the land was sown in 1945-6. The Russians are still there, but most observers agree that they are concentrating on guarding communications. The Red Army is mostly in the eastern part of East Prussia—only part of which is Polish—and in two districts in the west, near Szczecin (Stettin) and north and east of Wrocław (Breslau). In these most devastated areas, according to reliable sources, the number of Russians is steadily decreasing and authority as well as installations are gradually being handed over to the Poles. The old German towns retain their physical characteristics and the result is a curious combination of an inanimate German setting with living Polish actors. The street names, even when the streets are nothing more than rows of gaping skeletons, are Polish; the sound of the villages and cities is Polish; the language of the schools, the newspapers, the shops, is Polish. The Polish Catholic Church has replaced the German churches. And the primitive eastern peasant carts now rumble up and down. Most important, there was on November 1st, according to Polish official sources, a Polish population of 4,392,000 settled on these lands, 48 per cent in the towns and 52 per cent on this region. This is more than the population of Ireland or Denmark but still only half the pre-war population. It is also more than the government had dared to hope for when the first loads of people, in every imaginable wheeled contraption, went westward early in 1945.

Since the reconstruction of the territories hinges on population, any examination of what is happening there should perhaps start with an analysis of the present inhabitants. Of the present Polish population 992,000 are considered indigenous by the Polish authorities and 75,000 are still awaiting verification. Of the remaining 3,400,000 Poles, 1,238,774 (about 30 per cent) have come from across the Curzon line; 1,382,688 (30 per cent) from Central Poland; about 150,000 (5 per cent) have been repatriated from Russia and 300,000 (10 per cent) from Germany. Also, 36,000 have come from other European countries, including 3,000 families of Poles returning from Bosnia, where they had been forcibly settled by the Austrians in the 1870's. From France have come 4,795 coalminers with their families, to be followed next year by 50,000, including families. There are also a number of skilled Germans whose knowledge of Polish has led to their return or retention.

German Flight Westward

While the Poles, during the past eight months, have been streaming into the western lands at a rate of 177,000 each month, the Germans have been moving out. Since February, 1946, when the official evacuation plan began to function, 1,483,000 Germans have been deported to Germany, leaving a total of 670,000 out of the 2,900,000 or more who were there when the Poles began to administer these territories. It is not possible to tell precisely how many fled westward with the retreating German armies. It seems reasonably certain, however, that except for the southern district of Lower Silesia, which was either untouched or only mildly damaged and in which most of the German population remained, some 4,000,000 Germans fled westward.

At Potsdam the Poles received to administer all German territories situated to the east of a line drawn from the Baltic Sea through Swinouiscie (Swinemünde) and along the Oder up to its junction with the western Lusatian Neisse and farther along the western Neisse to the Czech frontier. In addition, they received the part of East Prussia not placed under Soviet administration and the area of the former free state of Danzig. These lands, with their great natural and industrial riches, are considered the key to a healthy economic future for the country. With their great industrial potentialities they could at last absorb the surplus rural population. The new coastline, 450 kilometres long instead of 72 kilometres before the war, has already produced an entirely new orientation in Poland's relations with the world outside. It is easy, then, to see how a Pole might be hypnotised by the economic future this new country could offer him. But to an average Pole the mines of Upper Silesia are not the coin of his country in its dealings with other nations. The whole industry of Silesia, mines and outlets to the sea included, is the potential arsenal for a new German aggression. This cannot be disregarded as a mere twist in the popular brain—it is shared by the French, the Czechs, and other peoples who suffered the German occupation.

The patriotic attitude of the Polish population toward the government policy on this question can be taken for granted even though the national tax for the reconstruction of these territories was imposed almost simultaneously with the announcement of the election date. This was the reverse

stage of the transfer and to leave "the full benefits of integration to fructify freely" over a period of some years.

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Mr Strauss was addressing members of the Permanent Way Institution, and he had some interesting, but far from cheerful, things to say about the condition of the permanent way on the British railways. Before the war they used about four-and-one-third million sleepers a year. During the war years the average was reduced to just under three million, and arrears involving nearly ten million sleepers had thus accumulated by 1946. To wipe off these arrears in five years and to provide for current maintenance, six million sleepers a year would be required, and there is not the slightest chance of carrying out a programme of this magnitude. Pre-war sources of supply like Russia and the Baltic countries are now closed—temporarily at least—and the only supplies at present available are from Canada and the United States. The pre-war stocks of three to four million sleepers have already fallen to the critically low figure of half a million and may fall still further. The only practical alternative to wood sleepers is concrete, and only the pre-stressed concrete can stand the strain of heavy main-line traffic. Even this form, indeed, is unsuitable for electrically track-circuited sections or electrified lines. There is a similar shortage of steel rails, which in the first quarter of the current year is likely to be at least half a million tons. It is quite clear that current maintenance—to say nothing of the overtaking of wartime arrears—will present difficulties in 1947, and there is a distinct possibility that restrictions in railway speeds may be necessary in the interests of safety.

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Talks with the Dutch

British officials representing the Treasury, the Board of Trade and the Ministry of Food will be going to the Hague next week to discuss the problems arising out of the decidedly unbalanced state of current trade between the sterling and guilder currency areas. No global figures of such payments are available, but their trend is sufficiently indicated by the following table of direct Anglo-Dutch trade for the first nine months of 1946, with comparable figures for 1938:

(In Thousand £'s)

	First Nine Months 1938	1946
Exports of UK manufacture.....	9,851	21,453
Re-exports	1,247	4,169
Total exports.....	11,098	25,622
Imports from Netherlands	21,978	7,455

This lack of balance in the Dutch trade with Great Britain is only part of the wider picture of disequilibrium presented by Dutch foreign trade. This, in turn, is the inevitable result of the direct devastation of the Dutch economy during the war and of the even more undermining indirect results of the prostration of the German economy which used to provide the main hinterland for Dutch harbours and communications and was both a source of raw materials for Dutch industry and a market for Dutch agriculture and commerce.

The Dutch desire to come to grips with the problem of their balance of payments as rapidly as possible. Since the liberation they have been living largely on foreign credits—mainly of US, Canadian and Belgian origin—and by drawing on foreign reserves including the sterling balances built up during the war partly as compensation for Dutch ships sunk while in the service of the Allies. That process must come to an end and the main objective of the coming talks will be to see how far Dutch trade with Great Britain can be brought nearer equilibrium. There should be ample scope for an increase in agricultural exports from the Netherlands to Britain, though the question of costs and prices may, as in the case of Denmark, cause some difficulty.

The Anglo-Dutch talks cannot be dissociated from the problem of Germany and it is significant that the discussions at the Hague will be joined by representatives of the Anglo-American zone of Germany and will, in part, be concerned with the Dutch share in Germany's economic recovery. What the Netherlands can afford to import must in part depend on what they can export with the help of German raw and semi-manufactured materials and on the extent to which the revived trade of the industrial basin of Western Germany again uses the Dutch ports and is no longer exclusively canalised on foreign exchange grounds to the northern German ports.

Sterling Credit for France

A group of London banks under the leadership of Messrs. Lazard Bros. and Co. have arranged a revolving credit of £12½ million to finance French purchases of wool within the British Empire during the next 12 months. The credit has been granted to the *Groupeement d'Importation et Répartition de la Laine*, a French company, which operates under Government auspices and includes the whole of the woollen textile industry of France. This industry is said to possess 25 per cent of the operating wool working machinery of the world, not counting Germany, Japan and Asiatic Soviet Russia. The French wool industry is working at 110 per cent of pre-war capacity and at least half its output is being exported to hard currency areas. The amount of wool which it will purchase this year is estimated at £35 million and this should be amply covered by the facilities which have been negotiated with the London banks. The repayment of the credit will be linked with exports of French woollen products, but the exchange risk involved in granting the sterling facilities has been further covered by forward exchange contracts with the Bank of France in favour of Lazard Bros., to meet drafts and advances as they mature.

This operation is welcome evidence of the return of foreign acceptance business to the London market. The bills drawn under these credits will presumably be offered for discount in the London market and will provide healthy and stimulating spice to the leaden lump of Government paper which is the market's all-too-monotonous fare.

* * *

Boom in Shipbuilding

British Shipbuilders have more export orders on their books than all their foreign competitors together. The returns issued by Lloyd's Register of Shipping for the last quarter of 1946 show that nearly 25 per cent (478,000 tons gross) of the tonnage under construction in British yards is for overseas shipowners. The principal purchasers are Norway (112,800), France (94,215), British Empire (73,654), the Netherlands (41,200) and Denmark (31,860 tons gross). Norway and France are also heavy buyers from other countries. Norway, for example, has another 177,675 tons building abroad, in addition to 77,838 tons in its own yards; while France has 79,924 tons building abroad, apart from U.K., and incomplete returns for French shipyards account for another 196,459 tons gross.

The Continental Allied countries have a long way to go before their merchant fleets are restored to their pre-war strength, and orders are continually being placed for additional tonnage. Despite the shipbuilding delays due to shortage of materials and skilled labour, and to the persistent belief in the ranks that every ship built brings unemployment nearer, work for foreign account is likely to increase still further during 1947—as witness recent orders received from Norway, Sweden, Denmark and the Argentine. Demands for a five-day week in the shipyards are premature, and indeed may have the effect of accelerating the approach of the much-dreaded day when berths will begin to empty, for the prospect of quick delivery weighs heavily with a shipowner in deciding where to place an order.

The total work in British yards amounts to 1,937,062 tons gross, which is 52.7 per cent of the world total of 3,678,481 tons gross. For Britain this represents an increase of 324,252 tons gross and is the highest figure recorded since March, 1922. Launching output declined slightly in the last quarter from 268,715 to 267,760 tons gross, though the annual survey of the *Shipping World* shows a total of 1,225,000 tons launched for the year. Of tonnage under construction, the Clyde, where Saturday morning "token" strikes have become the fashion, has the biggest share of 621,566 tons gross, while the Tyne and Wear yards account for another 574,805 tons. Both these districts have more work than any single shipbuilding country overseas. The highest foreign total comes from the United States, which has 326,753 tons gross under construction, of which 71,842 tons is for export, mostly to Brazil. American builders prophesy a further drop of about 50 per cent during 1947, because of the existing American surplus of tonnage and high labour charges, which prevent the yards from obtaining a satisfactory share of contracts from overseas. Sweden has 248,205 tons in hand, of which some 40 per cent is for export. Swedish acceptance of export orders is limited only by the lack of room for shipyards, for there is no lack of materials and a skilled and willing labour force is available. Canada's new shipbuilding industry is thriving, with 168,000 tons under construction, including some 88,000 tons for France and Brazil.

Silver Collapses in New York

In less than a week the open market price for silver in New York has collapsed from 82 cents to 70½ cents per fine ounce and has now left the official Treasury price of 90½ cents for newly-mined domestic silver in distant and artificial isolation. The weakness of the silver market in New York is a continuation of the movement which began early last December, when the open market price effectively divorced itself from the official price for domestic metal.

The leading US bullion dealers, Messrs Handy and Harman, have in their review for 1946 some interesting things to say about this initial phase of the market's weakness. According to this authority, the decline began as a result of London's efforts to sell silver in New York, thus revolutionising a role which London had maintained throughout the war. London's sudden appearance as a seller is explained in the review as the result of the sharp decline of silver in the Indian market. This decline brought forth some actual offerings of silver from India as well as a flood of enquiries regarding the New York market's ability to absorb sales of silver. Messrs Handy and Harman state, however, that to the best of their knowledge no silver other than current foreign production was bought for New York delivery during the last month of 1946, with the exception of a small amount of Spanish silver which had been refined in the United States. Once the price started its downward move buying dwindled to the vanishing point. Industrial requirements were postponed in the expectation that still lower prices would be forthcoming.

These expectations have indeed been realised, and it is still uncertain whether buyers will be prepared to come in even at the low prices recorded this week. Meanwhile, the relationship between dollar and silver sterling prices is becoming increasingly artificial. At the low open market prices quoted in New York this week, silver had a straight sterling parity of 42d. This compares with an official price maintained at 55½d.—at which it must be said very small business is being transacted—and with a free market price based on the Bombay forward quotation, which has hovered around 61d. There can be very little lasting quality about this highly artificial relationship of international silver prices.

* * *

Better Saving Figures?

It is possible to read into the second of the detailed quarterly returns which the National Savings Committee is now publishing

ABBRIDGED PROSPECTUS.

Consent of the Treasury has been obtained to this offer under Regulation 6 of the Defence (Finance) Regulations, 1939.

GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA CONVERSION LOAN

OFFER OF CONVERSION TO HOLDERS OF £17,098,392 COMMONWEALTH OF AUSTRALIA 4% REGISTERED STOCK, 1943-48

(for which notice of repayment on 15th April, 1947, has been given.)

1,417,801 WESTERN AUSTRALIA 3½% INSCRIBED STOCK, 1927-47

(maturing 1st June, 1947.)

£18,516,193

INTO

Government of the Commonwealth of Australia

2½ per Cent. Registered Stock, 1970-1975,

at the rate of £100 per cent.

Interest payable 15th April and 15th October.

Six months' interest will be paid on 15th October, 1947.

The Government of the Commonwealth of Australia will comply with the requirements of the Colonial Stock Act, 1900, in order that Trustees may invest in the Stock subject to the provisions set forth in the Trustee Act, 1925.

Commonwealth Bank of Australia is authorised by the Government of the Commonwealth of Australia to offer to holders of the above-mentioned Stocks, conversion, in whole or in part, into an equal amount of Government of the Commonwealth of Australia 2½ per cent. Registered Stock, 1970-1975.

Holders of Commonwealth of Australia 4 per cent. Registered Stock, 1943-1948, who convert, will receive on 15th April, 1947, the usual six months' interest then due.

Holders of Western Australia 3½ per cent. Inscribed Stock, 1927-1947, who convert, will receive on 15th April, 1947, interest payments as follows:—

(a) £1 6s. 3d. per cent. (less tax), representing 4½ months' interest at the rate of 3½ per cent. per annum from 1st December, 1946, to 15th April, 1947.

(b) 2s. 6d. per cent. (less tax), representing 1½ months' interest for the period 15th April, 1947, to 1st June, 1947, the difference between the rates of 3½ per cent. on the maturing Stock and 2½ per cent. on the new Stock.

Six months' interest on the new Stock will be paid on 15th October, 1947.

Holders accepting the offer of conversion must lodge their acceptances on the appropriate forms: in the case of the Commonwealth of Australia 4 per cent. Registered Stock, 1943-1948, at COMMONWEALTH BANK OF AUSTRALIA, 8, Old Jewry, London, E.C.2; and in the case of the Western Australia 3½ per cent. Inscribed Stock, 1927-1947, at WESTMINSTER BANK LIMITED, Stock Transfer Office, 9, Old Broad Street, London, E.C.2.

Forms for Conversion have been posted to the Stockholders, or, in respect of joint accounts, to the Stockholder first named in such accounts.

Any Commonwealth of Australia 4 per cent. Registered Stock, 1943-1948, not converted, will be paid off at par on 15th April, 1947, together with the six months' interest then due. The backs of the Stock will be finally closed for transfers on the evening of 14th March, 1947.

The List for Conversion Applications will remain open until 3 p.m. on Wednesday, 5th February, 1947.

on small savings a slight improvement in the trend, but comparable figures are not available over a sufficiently long period to indicate the extent of the improvement. The final quarter of each year is, of course, affected by the Christmas spending, while the third quarter is subject to holiday influences. If these factors can be measured by the size of encashments and withdrawals, the latest figures suggest that the influence of Christmas is of roughly the same order of magnitude as that of the summer holiday. Thus, in the last quarter of 1946 encashments of certificates and

SMALL SAVINGS
(£ millions)

	1945 Oct.-Dec.	1946 July-Sept.	1946 Oct.-Dec.	1946 Total
<i>Savings Certificates</i>				
Purchases	68	32.8	42.4	153.1
Repayments:				
Principal	33	32.2	33.0	136.7
Interest		5.0	6.0	17.0
Net cash	35	-4.4	+3.4	-0.6
Accrued interest	(14)	(14)	(15)	55.3
<i>Defence Bonds</i>				
Purchases	95	23.2	36.2	231.3
Repayments	6	9.7	10.2	34.6
Net cash	89	13.5	26.0	196.7
<i>P.O. Savings Banks*</i>				
Deposits	117	121.7	112.3	475.3
Withdrawals	92	104.7	105.2	412.3
Net cash	25	17.0	7.1	63.0
Accrued interest	(9)	(11)	(11)	(42.9)
<i>Trustee Savings Banks</i>				
Deposits	64	62.0	69.1	248.9
Withdrawals	50	49.1	56.1	196.1
Net cash	14	12.9	14.0	52.8
Accrued interest	(3)	(4)	(4)	(15.2)
Total Net Cash	163	39.0	50.5	311.9
Total accrued interest	(26)	(35)	(30)	(113.4)

* Excluding Release Benefit Accounts.

bonds totalled £49.2 million, against £46.9 million in the third quarter, while gross withdrawals from Post Office and Trustee Savings Banks (excluding Service Release Benefit accounts) rose from £153.8 to £160.3 million. On this evidence, holiday influences do not seem wholly to invalidate comparison between the

of conventional political procedure, which always dictates that new taxes must wait until an election has been safely won. The size of the tax is significant—about one-third of the total budget expenditure for 1946—and even the opposition could not object to it, although in the past they have complained that the administration of these territories is too much in the hands of the Polish Workers' Party (Communists).

It is only against the background of the destruction which the Poles inherited; of their lack of technicians, food, and transport and the means of planned colonisation, combined with the profound war-weariness of the population, that what has thus far been accomplished on these territories, can be understood. The destruction of industry in Upper and Lower Silesia, where five-sixths of it was concentrated, was immense. For example, of 1,032 of the largest plants in Lower Silesia, 344 were irreparably destroyed; about 500 have already been partially or wholly put into operation. In Upper Silesia 46 per cent of all plants, including the entire synthetic oil industry, were completely destroyed. In Upper Silesia, all of the coal mines were dead, although the majority were undamaged. In Lower Silesia, only 9 out of a total of 46 mines were irreparable, and 31 of the balance are already working.

The agricultural situation was even more serious. Of 850,000 horses and 3,920,000 cows in these lands before the war only 3 per cent of the horses and 5 per cent of cows remained. Now there are 230,000 horses (22,000 from Unrra; 54,000 from across the River Bug) and 410,000 cows (7,000 from Unrra and 170,000 from across the Bug).

On November 1st under the control of the Ministry of Industry, there were over 230,000 workers in 1,200 large and medium factories, not including workers in banks, ports, communications, forests, transport, shipyards, cooperatives, and industry not under the direct control of the Ministry of Industry.

In the relatively undamaged towns along the Czech border production is about nine-tenths of pre-war, and for the whole area about one-third. The coal output, about 10 million tons in 1946, is 50 per cent of pre-war and is expected to reach a minimum of 19 million tons in 1947. Electrical energy is one of the most crucial problems, with output only 15 per cent of pre-war, largely because the generators are from 25 to 30 years old.

The German Share-Out

[BY A CORRESPONDENT]

IMPATIENCE and exasperation at the tactics and indecision of the Allied authorities in Germany breathe through the report presented at the end of last week by the Secretary-General of the Inter-Allied Reparations Agency sitting in Brussels. Its delegates and their governments see the flow of reparation deliveries drying up and hear war-ravaged countries crying out in vain for industrial equipment they sorely need. Their only hope is that the Council of Foreign Ministers may put matters right in Moscow, and the delegates of the 18 nations represented on IARA have therefore asked that their problem be put on the agenda. After twelve months' work they have no clearer idea of their prospects than they had when they started.

Without a regular supply of resources to distribute the Agency cannot function. It is baffled—as is all economic planning concerned with Germany—by indecision about the German level of industrial production. The original Potsdam plan looked simple enough; by February, 1946, the Control Council was to have agreed on the level of industry, and all plant surplus to its requirements was then to be available to the Agency for distribution. Without an agreed plan for German production there could be no agreed surplus. The Agency has had to beg crumbs from the Control Council's table. In the first months of 1946 the Control Council did release a number of plants on provisional reparations account; but by May it had become evident that Germany was heading for economic ruin and General Clay called a halt. He announced that, pending the economic unification envisaged at Potsdam, there would be no more dismantling of plant in the American Zone. In theory the American moratorium affected only the American Zone: in practice, however, it has proved indirectly binding on the French and British Zones as well. General Clay has since modified his ruling. By declaring "war" plants exempted from the moratorium, he was able to make another release of plants to IARA in the second half of 1946. In addition General Robertson has obtained the approval of the Control Council for an emergency scheme for British deliveries. IARA at his request submitted a list of its members' most urgent requirements, and he is now meeting these by supplying general purpose machine tools from the British Zone to a total value of RM 75 million. The French Zone Commander has obtained

approval for a similar scheme, in this case amounting to RM 15 million.

All this is better than nothing, but not much. The releases are too irregular and uncoordinated to allow IARA to prepare a long-term plan of allocation: it has to live largely from hand-to-mouth. Moreover, only the release of a large number of plants offers any prospect of satisfying everyone. Small releases usually leave dissatisfied customers. But so long as the German economic machine works in fits and starts, reparations are not likely to flow in a very regular fashion.

It is all the more surprising that IARA has so far been a model of cooperation. Among the numerous international bodies in existence, it may claim to be one of the least publicised and most harmonious. Set up by the Paris Conference on reparations of December, 1945, IARA is a fully sovereign body on which are represented the eighteen nations having claims on Germany. In its assembly the delegates take decisions by simple majority vote. In the event of conflicting national claims, there is an elaborate arbitration procedure. But harmony prevails to such an extent that this procedure has only once been invoked, when the French delegate was asked to arbitrate on allocation of a plant demanded by both India and the United Kingdom.

On the executive side, the Agency has an international secretariat. As the Control Council releases plant, inventories are circulated to members. Bids are made and the Secretary-General, having examined the various claims, submits his recommendation to the assembly. Various factors are taken into consideration: the reconstruction programmes of the claimants, their raw material resources, their pre-war commercial relations with Germany, and so on.

The Agency derives its powers from the final Act of the Paris Conference. This specifies two types of reparations: one category includes industrial capital equipment and shipping; the other embraces all the rest. The total of either category each member may receive is fixed in an agreed table of shares. Great Britain, France and the United States jointly are entitled to 72 per cent of the first category and 62.4 per cent of the second. The remaining 15 nations share the rest. What then has the Agency actually handled these last twelve months? First to be shared out was the German merchant fleet; 686,000 gross tons of shipping were divided among members according to a special table based on their overall tonnage losses. Small, ex-occupied, nations feel that this arrangement treated them unjustly: for during the war they had no opportunity to replace the units of their fleet lost flying the Allied flags. For example, the United States, whose merchant fleet multiplied more than sixfold during the war, was yet entitled to a greater share of the German tonnage than France, Belgium, Greece and Yugoslavia together (this in spite of the fact that these lost between them exactly half their merchant fleet).

Capital equipment released so far amounts to about 75,000 machines in 139 plants. These come mainly from the American Zone and are at present being shipped to IARA nations. In addition, there are the general purpose machine-tools from the French and British Zones which are still being allocated. By the terms of the Potsdam Agreement the Soviet Union, in addition to providing for itself and for Poland out of its own zone, was to receive 25 per cent of all capital plant released from the western zones as well. Ten per cent of this was to be delivered unconditionally, but for the other 15 per cent the USSR was to deliver an equivalent value in food or raw materials from its own zone. Though 25 per cent of the western releases have been allocated to Russia, there is no prospect yet of the *quid pro quo*.

One of the Agency's major difficulties is the settlement of German external assets. In respect of those in member countries the Agency performs a threefold task: it attempts to set up a universally acceptable law as to ownership, it tries to find a suitable standard of valuation, and it disseminates to members information derived from outside sources regarding camouflaged enemy assets in their own countries. The first task alone is tremendous, for it raises the whole problem of "test of location" versus "test of issue." The former principle looks like winning, and the ruling of the 18 countries, once given, may well cause this sore topic to be settled in international law generally. Valuation presents equally tricky problems: the inter-custodial conference has tried to harmonise the various national standards so as to make the totals at all comparable. Lastly, the intelligence function is of great service: much useful information came to hand when a census of external assets was recently taken in Germany.

In spite of its successful record so far the smaller nations with claims on Germany are wondering whether the share-out will ever come up to expectation. Unless the Allies agree on an economic plan for Germany and stick to it, they are bound to be disappointed and IARA will cease to be an effective international body.

The Mexican Textile Industry

[BY A CORRESPONDENT]

At a time when the leading textile industries of the world—as represented by Britain and the United States—are grappling with the problem created by a labour shortage, the Mexican textile industry has a problem of an exactly opposite nature to solve. Mexico has too large a labour force—too large, that is, if the mechanisation and re-equipment policy which is generally considered imperative is to be carried out.

Mexican textile firms cannot, even if they wished, simply dismiss their workers to make way for machines. Under the very strict labour laws employers cannot reduce the number of their workers at will, unless the redundant men are compensated; and compensation is fixed at the generous rate of three months' wages, plus 20 days' wages for every year of service. The very powerful Mexican Trade Union movement has established this principle as a legal right.

Manufacturers are, therefore, in two minds. Mechanise they must, in the view of most of them, if they are to hold their own with their older-established competitors, now that these are once more invading the market. The war years have indeed been a golden age for domestic producers, especially the period since 1941, when textile imports from the United States virtually ceased. The predominant cotton textile section increased its output from 335,894,000 metres in 1939 to 519,347,000 metres in 1944. In 1945 exports alone amounted to 138,785,098 metres, mostly to other Latin American Republics.

But, while the end of such a high level of activity is not immediately in sight, it is realised in Mexico that it is only a matter of time before on the home market itself domestic textiles will be challenged by the lower-priced, more finely-produced textiles from Great Britain and the United States. Many operators are under no illusions as to the comparative inefficiency of their plants. Most of these were set up, as small family concerns, during the last century; most of the machinery was made and installed in the period between 1898 and 1910. Little new equipment has been added since 1939, as appears from the following table:—

MEXICAN COTTON EQUIPMENT

Year	No. of Spindles	No. of Looms	No. of Workers
1844	102,000	2,600	..
1862	133,000	6,300	..
1900	500,000	15,000	22,000
1940	850,000	32,000	44,100
1945	950,000	34,000	53,000

Re-equipment is necessary, then, in the interests of more efficient production; renewal of existing machinery alone would represent, it is estimated, investment of some \$20 million. It is also regarded as desirable that the industry should also undertake a considerable expansion of plant.

Up till about two years ago the Mexican textile workers' unions were solidly opposed to mechanisation, through fear that this would lead to many members being laid off. Now they have reversed their attitude, and advocate rehabilitation of the industry with ultra-modern machinery—but with the proviso that laid-off workers be taken care of by the industry in one way or another. In line with this, the re-equipment programme of the large and important *Compania Industrial de Orizaba*, which plans to displace one-third of its labour force of 5,000 by machinery, provides for the establishment by the company in agriculture of those workers who cannot be absorbed in new departments or industries associated with textile production. Other manufacturers, with smaller resources, on the other hand, are not so willing to install labour-saving machinery, if they may not reduce their labour force.

The way has been paved towards a solution of the problem by recent negotiations between the two sides of the industry. Manufacturers and workers have agreed in principle to a plan for reducing the labour force very gradually as reconversion gets under way. It provides for the automatic suppression of all jobs left by workers, and the pensioning off of those over 60 whose efficiency is below par. By this plan it is estimated that in the first year from 4 to 5 per cent of all textile workers will be eliminated. The ultimate goal is a reduction of 25 per cent—a figure regarded as consistent with the modernisation of existing plant. Thus it is hoped to solve a problem peculiarly Mexican at the present time, but which to the student of current trends in labour organisation may well appear to have wider implications.

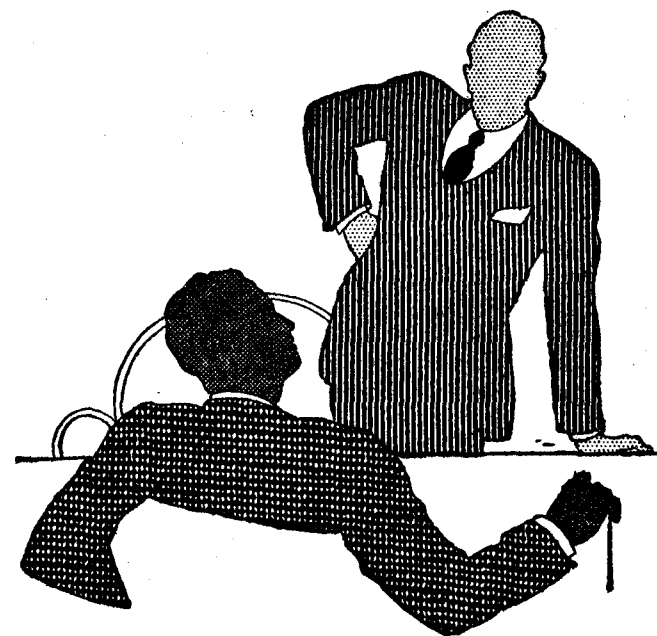
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2 OZ. AIRTIGHT TIN
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"Scarcity, did you say! And in times of scarcity which commodities become scarcest of all! The best, of course!"

It is true that WHITE HORSE WHISKY is in short supply. It is also true that its quality was never finer than it is today.



MAXIMUM PRICES:—Bot. 25/9, 1-Bot. 13/6 as fixed by the Scotch Whisky Association.

two quarters. Hence the increase in net cash receipts from all sources, from £39.0 million to £50.5 million, looks tolerably reassuring. But the autumn is undoubtedly a good season from the savings point of view, and an average of no more than £3.9 million per week is extremely small. It contrasts with £12½ million in the corresponding period of 1945, but then subscriptions were inflated by the Thanksgiving Campaign and the first threats of interest reductions. The cash yield for the whole of 1946 was £323 million, an average of £6.2 million per week, but these figures, too, afford no yardstick for measurement of the current trend because of the heavy inflation of sales earlier in the year by the advance notice of the withdrawal of the 3 per cent Defence Bonds. If these special receipts are put at £54 million (as *The Economist* suggested in a detailed analysis on November 2nd), the adjusted average for net receipts in 1946 from small savings as a whole would be about £5.2 million per week. On this basis, the current rate looks rather disquieting. It ought to be noted, too, that during the past quarter £8½ million of the first series of 3 per cent Defence Bonds has been paid off at maturity; reinvestment of this sum would account for the bulk of the increased net savings during the quarter.

Compagnie Française des Pétroles

A clarification of the Business Note headed "Oil Agreements Challenged" which appeared on page 116 of last week's issue of *The Economist* is desirable. This note stated that the *Compagnie Française des Pétroles* was blacklisted during the German occupation of France. Technically, this statement is not accurate, for blacklisting during the war applied only to concerns in neutral countries, whereas companies in enemy-occupied territory came under the Trading With the Enemy Regulations. It is, in fact, understood that the Custodian dealt as favourably as possible with the external activities of concerns which found themselves, by no fault of their own, under enemy occupation and control. That was true of the Iraq interests of the *Compagnie Française des Pétroles*. Last week's statement about the *Compagnie* was based on reports about the American oil companies' attitude towards the 1928 contract. The facts of the *Compagnie's* position during the war, as set out above, should clearly count the more favourably in its relations and negotiations with the American oil groups.

Bills and Revenue

A welcome sign of the approach towards a more normal budgetary situation has been apparent this month in the reappearance of really substantial surpluses in the tax-gathering season. Although revenue in the first fortnight of this month was running a little below last year, mainly in consequence of the reduction in the standard rate of income tax, the surpluses over "ordinary" expenditure have been much larger. The first Exchequer return of the year, covering 11 days, showed a surplus of £51 million, compared with less than £1 million a year before, while in the week to last Saturday the surplus was £39½ million, compared with £18½ million. Unfortunately, the overall position is not so favourable as these figures imply, for "below-line" expenditure has been heavy, requiring some £42 million in the 18 days. Moreover, there have naturally been considerable surrenders of tax reserve certificates, which last week exceeded new issues by £12½ million.



WHY DRY FLY!

This world-famed Sherry (formerly called Findlater's Fino) could not be registered under that name and thereby protected from imitators. For the safeguarding therefore of our world-wide clientele we have re-named it—Findlater's Dry Fly Sherry.

FINDLATER MACKIE TODD & CO. LTD.

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From the money market point of view, however, the decline in expenditure has proceeded sufficiently for the traditional seasonal pattern of Government week-to-week financing to be discernible, even though the impact of the heavy revenue quarter has been softened, by comparison with pre-war days, by the smoothing effect of PAYE. Seasonal influences, and not any reversal of floating debt policy, explain the under-allotment, by £5½ million, of the £170 million of Treasury Bills offered for tender last week. Two under-allotments occurred in January, 1946, but then the authorities made good the consequential inroad into the available supply of bills by offering and allotting a correspondingly larger amount in each following week. That will not happen this year, for the amount offered at yesterday's tender was £10 million below the recent offering, at £160 million, which is the nominal amount of weekly maturities for the next six weeks. Nominal maturities of Treasury deposit receipts next week are no larger than this week's and they will be only moderately larger in the following week, so that a further under-allotment of the bill issue may be necessary to enable the authorities to return their surplus receipts to the market. In a fortnight's time, however, TDR maturities will rise steeply.

Big Reflux of Currency

The seasonal return of notes from active circulation after the holiday is this year running right up to the best expectations. Early in 1946 the movement of currency for the first time since 1939 resumed its normal pattern: the return of notes from circulation in the seven weeks or so after Christmas exceeded, as is normal, the amount that had gone into circulation in the four or five weeks before Christmas. Last year's reflux, given the high level of the total circulation, was therefore the largest then ever known. But it is being surpassed this year. In each of the past four weeks the total circulation has fallen more rapidly than in the corresponding weeks of earlier years:—

ACTIVE NOTE CIRCULATION (£ Million)			
	1944-45	1945-46	1946-47
Xmas Peak	1242.0	1379.9	1428.2
Subsequent Fall:—			
First week	3.6*	5.1	6.6
Second "	6.8	18.0	19.6
Third "	11.2	14.1	16.4
Fourth "	2.7	10.0	14.1

* Fortnight: comparison distorted because recorded peak was touched on Dec. 20 and this did not reflect the full Xmas demands.

Measured from the low point reached in November, the Christmas demands this year were 17 per cent larger than in the previous year, but the subsequent reflux of notes this year, at £56.7 million, has been 25 per cent larger, so that seven-eighths of the holiday currency has already returned. This welcome experience supports the view that the larger note requirements this Christmas did not reflect any change in the improving trend of the circulation, which in 1946 showed its smallest rise since the early period of the war. It perhaps looks a little less likely than it did a few weeks ago that the authorities will this spring feel disposed to make the first reduction in the fiduciary issue since before the war; but such a move is being brought within the range of possibility, for there is a good prospect that the Bank's reserve of currency, which now stands at £65.7 million, will reach £90 million before the end of next month.

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in the world...*

**2½% DEFENCE
BONDS**

EVERY £5 INVESTED WILL HELP TOWARDS
THE NATIONAL TARGET OF £520 MILLIONS

COMPANY MEETINGS

MIDLAND BANK LIMITED

RETURN TO PEACE-TIME SYSTEM
SUBSTANTIAL HEADWAY ACHIEVED
EXPANSION OF OVERSEAS ACTIVITIES

LORD LINLITHGOW'S REVIEW

The annual general meeting of the Midland Bank Limited will be held, on the 29th January, at the Head Office, Poultry, London, E.C.

The following is the statement by the Chairman, the Most Hon. the Marquess of Linlithgow, K.G., K.T., on the report of the directors and balance-sheet for the year to December 31, 1946:—

The continuing stringencies experienced in one way or another by every one of us have given a widespread impression that the transition from war economy has been disappointingly slow. The self-evident effects of war-time disruption of economic activity have obscured the fact that within the business life of the country substantial headway has been made towards the establishment of a smoothly working peace-time system. I propose to illustrate that fact, in my review of the affairs of our Company, by calling attention to the progress of reconversion in banking.

RETURN OF STAFF

At the height of the war effort more than half our permanent male staff, clerical and non-clerical together, were in the Forces, but, apart from the casualties—mercifully much lighter than in the first world war—which we lament, practically all have now returned to their work in the Bank or its affiliated Executor and Trustee Company. Whereas when the fighting ceased there were 8,500 Midland Bank men and women, counting both permanent and temporary employees, in the fighting services, today the number is about 2,700, consisting almost entirely of young men who came into the Bank from school, on a temporary basis, and have since been called up. The staff at work in the Bank, including the Executor and Trustee Company, has risen from the low war-time level of under 12,000 to 15,300, or more than a thousand above the pre-war total. Meanwhile, however, the volume of business to be handled has grown.

Our chief concern in the process of re-absorption from the Forces has been to provide returning men with the concentrated training or re-training necessary to fit them, after an absence in many cases of six years or even more, for their work in the Bank, and further, to give them proper opportunities for the exercise of personal qualities developed during war service. We therefore made plans, in conjunction with the Staff Association, under which every member of the permanent staff resuming Bank work should be welcomed personally, on his return to the Bank, by a reception committee made up of head office officials, branch managers and representatives of the Staff Association, with whom his banking record and war service could be reviewed in relation to his aspirations for the future. Nearly 5,000 men have been individually interviewed in this manner, and, while the procedure has placed

a heavy burden on the panel of members of the committee, I am sure that their efforts have been well spent.

"REFRESHER COURSES"

Many of the returning men have had the benefit also of "refresher courses" in our own training branches. The first of these was established, as an experiment, in London early in the war in order to give an intensive practical training to boys and girls coming straight into the Bank from school with the prospect, for the boys at least, of only a short period of Bank work before being called up. We now have nine training branches, placed at convenient centres throughout the country, and 6,000 juniors, have received tuition there. At present, however, the work of training branches is concerned to only a small extent with the elementary instruction of new juniors, and much more with meeting the needs of returning ex-service men, over 2,000 of whom have had the advantage of these arrangements.

We recognise that nothing can provide a complete substitute for the knowledge and skill that come from practice, but the experiment in preparing members of the staff for the more rapid and intelligent assimilation of the lessons of experience has shown itself to be abundantly justified. Accordingly it is our intention, for the future, that all new entrants into the Bank's service shall pass through the training branches, while we shall continue to develop them for the further training of selected men at more advanced stages in their careers. Ordinarily, moreover, members of the staff are expected to obtain the certificate of the Institute of Bankers, which is regarded as providing the basis of professional qualification.

Reconversion has not made such rapid progress as might have been desired in respect of premises. Much war damage has been made good, in whole or in part, at the 600 and more branches which sustained damage in greater or less degree, but, owing to building controls, we have hardly been able to make a start on the process of overtaking war-time arrears of maintenance and replacement, while none of the thirty-one branches totally destroyed has been rebuilt. Meanwhile, with more staff available, we have been able to reopen many offices, particularly sub-branches, which were closed during the war. Altogether, we have about 1,950 offices open throughout the country, as against more than 2,100 in August 1939 and less than 1,800 towards the end of the war.

RE-EXPANSION OF ACTIVITIES

Another sign of the return to full service of the public is to be seen in the resumption of publication of the "Midland Bank Review". We believe it to be desirable, to

day perhaps more than at any previous time, that everything possible should be done to spread knowledge and understanding of economic conditions and problems. We feel, too, that a bank, by reason of the wide range of information gathered in the course of its business, has a part to play in this healthy process. Partly for this purpose and partly for the assistance of the management in the conduct of the Bank's business, we have strengthened our internal organization for economic information and research.

I turn now to the actual day-to-day business conducted by the Bank, and first I would deal with the two major, traditional services of banking—the operation of a safe, rapid and economical system of transmitting money and the provision of credit for the conduct of business in its endlessly varied phases. There has naturally been a continuous increase, after a short recession at the outbreak of war, in the turnover on current accounts—I say naturally because of the higher level of business activity and the rise in prices. The turnover on current accounts with this Bank has nearly doubled between 1938 and 1946, while the amount of cash passing over our counters is also much larger than before the war. More significant in the present context is the fact that the number of cheques and similar documents dealt with shows an appreciable enlargement, the increase having been most marked in the provinces. Then again, may new accounts have been opened at our branches all over the country, this expansion having been particularly noticeable during the past half-year. It follows that the amount of routine work in the day-to-day conduct of accounts is larger and continues to grow; the same is true also of the volume of work arising from the task which, though new to the banks, is of a somewhat similar character, namely that associated with clothes rationing.

PROVISION OF CREDIT

On a comparison of pre- with post-war, everyone knows that there is a different story to tell of the other main, traditional function of commercial banks, the provision of credit. For some years before the war a tendency towards self-financing had been perceptible in industry and trade; the tendency became more marked during the war, and was strengthened by enforced running-down of stocks in many branches of business, generally restricted private trading opportunities, deferment of expenditure on repairs, replacement and rebuilding, and the provision by Government departments of finance for operations which ordinarily might have been conducted on bank credit. At that stage, moreover, bank lending was concentrated on production essential to the war effort. The specifically war factors have been working themselves off to some extent during the past year or so, resulting in a substantial increase in bank advances, to about the pre-war level: but when allowance is made for higher prices and costs in industry and trade the total is still well below the pre-war volume. So also is the number of advances outstanding, though here too an increase has occurred since the war ended. The fact that to some extent war factors are still in operation, in the form of shortages of supply and restrictions on physical reconstruction, suggests that the re-expansion of advances may be expected to continue. Moreover, while some outlets for lending have been permanently



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THE GROWTH OF A SERVICE

TWENTY-FIVE years ago, in the streets of Vienna, International Student Service was formed: a medium through which students and professors everywhere were able to help, both physically and morally, their less fortunate colleagues in other lands.

Through the years I.S.S. expanded and, as actual material need became less urgent, turned more to educational and cultural activities. Through conferences and exchange schemes it fostered friendship between academic peoples of all races, nations and creeds. In its Geneva headquarters were prepared such publications as "Education in India and the Netherlands Indies"; "Student Health and Sport in the University"; "Rebuilding Peace in Europe"; and (published, in this country, by the Oxford University Press) Dr. Kotschnig's book "Unemployment in the Learned Professions."

During the war International Student Service found much to do amongst prisoners of war on both sides of the line. Because of its traditional "neutrality," it was able to proceed almost unhindered with this work and, in some places, was able to assist in the formation of camp universities. In the last two years alone of the war, for instance, I.S.S. provided books and study materials to (amongst others) more than 3,500 British, 1,400 American and 4,500 Polish prisoners while, to lessen the distress caused by the acute shortage of text books, 1,500 study courses were multigraphed for Italian prisoners.

At the same time, teachers and students interned in Switzerland were assisted and encouraged. Here, too, camp universities were formed and, in some cases, permission was obtained for certain internees to enter Swiss universities.

An inevitable by-product of war is an increase in tuberculosis. In the spring of 1944 the Geneva I.S.S. office, in collaboration with Don Suisse, took the first steps to open an international university sanatorium at Leysin, Vaud. Here, in the mountains, there are now three clinics filled to capacity with students of all nations, including six Britons. While undergoing medical treatment, they are assisted in continuing their studies.

Faced with urgent and increasing responsibilities, fully conscious of the tragic shortage of books, accommodation, etc., International Student Service is appealing for financial support to all who are interested in the revival of a sorely battered university world. Enjoying the support and co-operation of UNESCO, as it has for so long enjoyed the support of people of all persuasions, I.S.S. looks forward to many years of valuable work in the academic field—with your help.

If you have found this brief outline interesting, you can obtain several publications, dealing more fully with the work of International Student Service, from the London office. Listen, too, to Dr. Malcolm Sargent speaking for I.S.S. in the Week's Good Cause at 8.25 p.m., on Sunday, 16th February.

Whatever you can spare, no matter how small a sum it is, will be gratefully received by the Hon. Treasurer,

INTERNATIONAL STUDENT SERVICE,

59, GLOUCESTER PLACE, PORTMAN SQUARE, LONDON, W.1

THE BUSINESS WORLD

Coal Consequences

WHAT is the economic cost of Britain's defeat in the battle for coal this winter? What is the price, in terms of a more rational fuel strategy, to avert even graver crisis next winter? These two questions are a stark simplification of a whole complex of issues—the immediate effects of power cuts; the painful process of rebuilding minimum working stocks of coal in industrial bunkers; the complete dislocation of industry during the period of crisis, which promises to extend to three weeks instead of as many days; the eventual re-starting of industry "cold" needing weeks to run in; and, for the second time in two years, the building up, with infinite labour, of its stocks of working capital and intermediate products, coupled with an attempt to overtake lost output.

To attempt to measure these problems, however, is not easy. Even in this age of statistics, there is no information about the regional distribution of employment which would enable some estimate to be made of the potential consequences of the cessation of power supplies over the broad belt of England from the South East to the North West. To get even the roughest impression of the numbers affected it is necessary to go through the statistical backdoor and take the figures of insured workers—which is a poor substitute for the real thing. On this basis, the total number of persons affected is of the order of 9 million; but not all of these will have become unemployed as a result of the power cuts. For example, in the North Western region, the number of insured workers is about 2.2 million, of which roughly 450,000 are in metals and engineering and 375,000 in textiles and clothing. These are now largely unemployed, but only part of the 225,000 in the distributive trades will have ceased work; some 160,000 will still be occupied in government services; and the position of well over 900,000 workers in "other industries" defies analysis. Probably the best guess is that more, rather than less, than half of the total of insured workers in the industrial regions at present affected by power cuts may soon be more or less idle. Some, for the time being, remain technically employed, since notices have not been served upon them. But it will be surprising, if the period of the cuts extends beyond a week or two, if the consequent unemployment (open and concealed) does not reach 5½ million, and it might exceed 6 million—say one-third of the total employed in industry, and over three-quarters of those engaged in manufacturing industry.

Obviously, there is no very great certainty about an estimate of this sort. And it is even more problematical to translate it into terms of the inevitable reduction of the national income. But while the immediate crisis lasts, the fall in the net national income (taking it roundly at £8,500 million a year) can hardly be less than £40 million for each week of its duration—say half of one per cent for each week. In these terms, the loss of output may not seem calamitous. But this is not the whole story. Every day's production lost now may mean an equal number of weeks before the tempo of industry can be restored to something like the normal rate. It is not inconceivable that the consequences of the power cuts alone may be a reduction of 3 to 5 per cent in the national income for 1947.

Power cuts, however, are only the immediate manifestation of the crisis. Even without abnormal weather, the seasonal consumption of coal exceeds current production up to the end of March, and April has only provided a very small surplus in the

last two years. This year, the total disappearance of stocks from industrial bunkers and the total interruption of supplies for several weeks owing to hard weather will mean that, even with a realistic scheme of coal rationing for industry based on a strict scheme of essentiality, many industries will not get into a reasonable stride of production until the late spring, and even then their output will be limited by the ability of other industries supplying essential raw materials, intermediate products and components, to keep them adequately supplied. The pipe lines through which the infinitely varied forms of industry's working capital normally flow had been slowly and painfully filling up during the past eighteen months. Many of them—perhaps the bulk of them—have now been exhausted and will have to be replenished yet again. And all will be chaotic and out of balance. The ultimate reaction of this dislocation of industry upon the national income may be at least as serious as the impact effect of the power cuts.

Such is the general economic cost, over the next few months, of the winter's fuel failure. The budgetary and financial repercussions of the crisis are difficult to foresee, and certainly cannot be put in quantitative terms. Both the immediate and the secondary effects will put additional strain upon the Exchequer, but it remains to be seen how far this may involve any increase in inflationary pressure. A significant part of the receipts of direct taxation is now derived from PAYE and therefore the industrial close-down will have prompt repercussions on these receipts, for unemployment immediately involves PAYE repayments because the taxpayer's liability is calculated cumulatively. Other direct tax revenues should not be affected for twelve months or more ahead. There will be no great time-lag in the reduced flow of indirect taxation, and income from excise, especially purchase tax, must tend to decline fairly sharply within a few weeks.

On the other side of the account, the effects on the budget as such should not be large. Emergency measures will no doubt involve additional new Government expenditure, though in the main this will probably be offset by the postponement of some expenditure which would otherwise have occurred. The chief additional outgoings will undoubtedly be those from the Unemployment Fund, the surplus on which by last March had reached the huge total of almost £400 million, and has certainly risen further since then. The cushion here is so very large that there is little danger that the payment of unemployment benefits on the present basis would have any effect on the central budget, unless the consequential dislocation were prolonged. It is worth considering, however, whether the present emergency will not, in equity, call for some extension of the normal principles of relief. The Government has appealed to industrialists to continue wherever possible to pay workers who have been stood off, and a considerable range of industry is obliged to do so—until it gives notice to the contrary—under the guaranteed week. The Government itself has set an example by agreeing to pay its own industrial workers, which means in effect that the industrial tax payer among others is being asked to shoulder an additional burden. If this is fair for the Government, why should it not apply in equity throughout the community? Is the payment of a single guaranteed week without work a reasonable burden on the ordinary shareholders of, say, the Austin Motor Company?

narrowed—I am thinking, for example, of the new central Government arrangements for meeting a large part of the borrowing requirements of local authorities—the openings for enterprise in industry and trade are presenting the banks with opportunities for lending in which they can practise, with due regard for the prudence required by their responsibilities to depositors, their long-established aptitude for informed and far-seeing judgment of business and personal capacity. Thus our own "special advances," by which we lend for small-scale enterprise on the basis primarily of the character and capacity of the borrower, now number about 1,500 and exceed £2½ millions in amount, ex-service men being prominent among those assisted in this particular way. The process of advancing to enterprise still remains that particular part of the business which calls most insistently for the exercise of the special, highly trained qualities of the banker.

INTERNATIONAL BUSINESS

One section of the Bank's activities which has conspicuously reflected the process of reconversion from war to peace is that concerned with overseas trade and international transactions generally. The Midland was the pioneer among joint stock banks in entering the foreign exchange field on its own account, and in the course of a generation built up an unrivalled position in respect of both the volume and quality of its service. It has been my privilege to visit, since I became Chairman, various countries in the Middle East and in the Americas, and everywhere I have been impressed—as have officials of the Bank visiting those and other territories—with the warmth of the welcome received and the high esteem in which the name and service of the Midland Bank are held. I attribute this not only to the direct value of day-to-day association with us, but also to the fact that we have throughout maintained the policy, which we have no intention of reversing, of operating abroad solely through local banks rather than through branches or subsidiary or affiliated undertakings of our own.

With the outbreak and extension of the war, foreign business naturally fell away sharply and heavily; moreover, it underwent a change of character, becoming concerned preponderantly with carrying out the official foreign exchange regulations, the mobilization of overseas assets and similar war tasks. The concentration of import trade in Government departments and the deliberate contraction of exports severely diminished the opportunities for normal business. The staff of the Overseas Branch, along with the special branches in provincial centres closely identified with foreign trade, declined from about 700 in 1939 to well under 300 in 1944. So rapid however, has been the re-expansion since the end of the war that the staff is now appreciably larger than in 1939 and even so is heavily strained to cope with the volume of work to be handled.

HIGHLY GRATIFYING FACTORS

Among the factors contributing to this re-expansion are some which can be read as highly gratifying from the national point of view, in that they indicate not only a rapid growth of the country's export trade, but an unimpaired degree of confidence, on the part of traders abroad, in sterling and in the technical services available in London as a financial centre. Thus the amount of Midland Bank confirmed credits and acceptances outstanding, which declined to very small figures during the war, is several times what it was in 1938. Everyone, I think, has been surprised by the size and rapidity of the expansion in the use of documentary credits, the number of which opened by our Bank during the past half-year is more than twice what it was eight years ago. The strength of the increase is to be traced largely to British export trade, but also to a growing demand abroad for London bankers' credits as a means of financing movements of com-

modities in which this country is not directly concerned. Some of the biggest among recent credits have covered shipments between countries other than Great Britain—many of them outside the sterling area—of such commodities as wheat, fish, meat, jute, rubber and phosphates, and this type of transaction is becoming more and more prominent in our business. There has also been a welcome recovery in the volume of foreign bills collected on behalf of customers.

RESUMPTION OF OVERSEAS TRAVEL

The resumption of overseas travel, while in some degree to be regarded as a restoration of personal freedom and of holiday facilities, is also an indispensable part of the strategy of the export campaign; and here too the growth of our business is illustrated by the fact that for the past half-year the issue of Midland Bank travellers' cheques, which almost vanished as the war went on, was twice as large in number as for the second half of 1938. You will doubtless have read of our branches on the *Queen Elizabeth*, which will shortly be paralleled by similar offices on the *Queen Mary*—the two great Atlantic liners which are in themselves a lasting tribute alike to the vision of the owners and the technical excellence of the builders and all associated with them. Between them the sister ships are to maintain a weekly service capable of transporting no less than 200,000 people to or fro in a year; and we take particular pride in having resumed our pre-war practice of providing a full banking service for business men and others, whether British or foreign, travelling across the Atlantic in the principal Cunarders. As this traffic comprises a continuous demonstration of the unimpaired quality of British shipping, so our branches on board testify to the international worth of British banking service.

BANK'S HELP FOR EXPORT TRADE

As a bank we can, I think, claim some small part of the credit for the rapid re-expansion of the country's export trade and the re-establishment of sterling as a world currency. Before the war ended we made plans to ensure that no opportunities for British export trade should be lost for lack of knowledge which the Bank was in a position to supply; and today we have a considerable department, within our Overseas Branch, providing a specialised advisory service to traders conducting foreign business and dealing with a wide range of inquiries on such matters as export openings, agency and other forms of representation abroad, and trade, customs and exchange regulations in foreign countries. From the other side, we appreciate the compliment paid to us in the large number of bankers and other visitors from overseas who make a point of calling upon us during their visits to London and by the growing practice among the banks abroad of seeking information from us concerning matters of interest to British trade.

All this activity has to be carried on within the framework of war-time Government regulations, now to be made permanent in modified form under the terms of the Exchange Control Bill. The work entailed by these regulations lays upon us a heavy burden, which we recognise as being unavoidable in the changed position of our country. With the post-war re-expansion of trade, the control forms dealt with by our Overseas Branch already run into several hundreds of thousands a year. As the system has become settled, much of the work is standardised; but our position as agents for the authorities, who repose a large measure of responsibility in us for ensuring compliance with the regulations, means that constant scrutiny has to be exercised and skilled knowledge and judgment continuously applied to the details of all transactions. Moreover, many proposals require special consideration, frequently involving intricate discussions by us on behalf of our customers, with the authorities. To summarize, while

over the years our foreign business has undergone many changes, we can derive satisfaction from its continuing growth and from the contribution we are thus able to make to the rehabilitation of the country's economic welfare.

EXPANSION IN OTHER DEPARTMENTS

Another type of business associated with the banks which has shown marked expansion is that of executorship and trusteeship. With us, this is concentrated in a separate company which, however, is wholly owned and controlled by the Bank, thus forming an integral part of our organization and being subject to precisely the same condition of utmost secrecy and confidence concerning customers' affairs as applies to ordinary banking relations. Contrary to experience in the foreign department of the Bank's activities, there was, in the very nature of the service rendered, no war-time contraction in the Company's business; indeed, it emerged from the war with roughly half as much again as at the beginning, and the growth has continued into the peace. Enlargement of personnel to cope with the pressure of increasing work was impracticable during the war, but there are now about 500 men and women on the staff as against 300 in 1939. Thorough internal reorganisation has put the Company in a position to handle additional work as it comes along, and the speed of administration has been materially improved. One branch which was closed during the war has been reopened and a new one established, making a total of twenty-one distinct branches, quite apart from the representation of the Company through all the branches of the Bank itself; and plans are well forward for still further extension. The business handled by the Company is widely varied, but expansion is continuous; lately, for instance, there has been a noticeable increase in the appointments of the Company as custodian trustee of pension and superannuation funds established by employers, usually on a contributory basis, for the benefit of their staffs.

GROWTH OF BALANCE-SHEET FIGURES

In total, therefore, the volume of work undertaken within our organisation is greater than before the war, though the proportion as between different sections of the service have altered. Similarly, the balance sheet shows marked overall expansion—the total at the end of 1946 was two-and-a-half times that at the end of 1938—but important changes have occurred in the composition of both assets and liabilities. Over the past year the continuance of "deficit finance" on the part of the Government, the extent of which is diminishing as war expenditure recedes, has created additional bank deposits, and the process has been accentuated by the evident preference of the public for keeping liquid money available for use as supplies of goods and services are enlarged.

I have mentioned already the upward movement in advances, which even so represent less than one-fifth of deposits as compared with the one-half or thereabouts which was customary before the war. Advances and investments together make up two-fifths of deposits as against the old standard minimum of about two-thirds. For the rest, our assets consist mainly of short-term accommodation to the Government. Altogether, the extent to which deposits are covered directly by Government obligations comes to about thirteen shillings in the pound, quite apart from indirect finance provided through the money market and by our holdings of cash.

FUTURE OF BANKING

Much that has been said in this review of the Bank's post-war activities is directly relevant to the widely discussed question of the future of banking. The question can hardly be answered effectively, that is to say by forecasting the relative weight of the

constituent functions of banking, until experience has been gained of working under the new conditions—conditions in which the financial system is to be regulated and directed with the deliberate and dominant purpose of maintaining a high and steady level of employment. The three new statutes designed to this end consist largely of enabling legislation, under which the authorities have discretion, over a broad area, to act or not to act in a variety of ways and to prevent or permit a wide range of transactions in private industry, trade and finance. All of them touch, to an extent which only practice can precisely determine, the activities of the commercial banks. Moreover, various other measures, such as those for nationalising the coal and other basic industries and for rendering permanent the centralised buying of raw cotton, must have their effects upon the volume and shape of the business the banks conduct; and meanwhile uncertainty as to the future of particular industries tends to obstruct enterprise in various branches of business activity. As regards the effect upon banking, however, the history of its development in this country is marked, from the beginning, by a quality of adaptability which, as I have shown, has been very much in evidence once again in the short period since the war ended. I therefore conclude that, one way or another, banking has an assured place in the country's economic structure. There is no sufficient ground for thinking, as discussion of the question might seem to have implied, that the days of enterprise in banking are numbered; we find that invigorating element at work in the various developments I have mentioned, and I see no reason to suppose that the process of adaptation to the everchanging needs of the public in their financial affairs will provide less opportunity in the future than in the past for the quality of enterprise embodied in the personnel of our well-tried banking system.

NATIONAL DISCOUNT COMPANY, LIMITED

CONTINUED EXPANSION

The annual ordinary general meeting of the National Discount Company, Limited, will be held, at 33, Cornhill, E.C., on the 29th instant.

The following is an extract from the circulated statement by the chairman, Sir Charles D. Seligman:—

The volume of business has been considerable and the total now amounts to over £119 million, being an increase of 30 per cent., or some £28 million, over the previous year's figures. Our deposits, which now stand at over £116 million, are proof that the company has fully shared in the expansion which has taken place in the discount market's activities during the past year. The reserve, which now stands at £1,576,667, has been increased to this figure by the transfer of £100,000 from the profits for the year and of £276,667 from a contingencies account.

The gross profit for the year is £303,868. After deducting expenses and directors' remuneration totalling £64,650, there remains a net profit of £239,218. It is proposed to pay a dividend of 2s. 6d. per share, less tax, on the "A" shares, making 10 per cent. for the year, and 9s. 6d. per share, less tax, on the "B" shares, making 15 per cent. for the year. The dividend on the "B" shares of 15 per cent. for the year is an increase of 2 per cent., and the directors feel justified in proposing this larger distribution in view of the steady growth of the company's profits since the last increase was made in 1935.

In view of the increasing activities and continued expansion of the company's business, the directors in February last appointed Mr W. Shepherd, who was sub-manager and secretary, to join with Mr Bate in the management of the company, Mr J. W. G. Lee, D.S.O., being appointed secretary.

MARTINS BANK LIMITED

SATISFACTORY PROFIT RESULT

INCREASED ADVANCES TO TRADERS

GOVERNMENT BORROWING

MR F. A. BATES' REVIEW

The one hundred and sixteenth annual general meeting of members of Martins Bank Limited, is to be held, on the 28th instant, at the head office, Liverpool.

The following statement by the chairman, Mr F. A. Bates, M.C., A.F.C., D.L., has been issued to members along with the report of the directors and balance-sheet for the year ending December 31st last:—

The net profit for the year is £708,763, which is £62,956 higher than in the previous year. The directors regard this as a very satisfactory result. It will be realised that part of the addition to profit is due to the lower rate of income-tax, and for the same reason the members are receiving a larger net payment.

Interim and final dividends have been announced and the following allocations made:—

To published reserve	£60,042
To reserve for contingencies	£150,000
To reserve for pensions	£50,000
To premises redemption	£100,000

You will observe from the balance-sheet the increase during the year of nearly £40 millions in the current and deposit accounts, bringing the total of this item to £252,555,790. This increment exceeds by some millions that which took place during any of the war years. Our experience of rising deposits, which is common to all the banks, cannot be looked upon as a matter for national congratulation in so far as it has been based upon an unbalanced Budget and further Government borrowing from the banks.

FINANCING TRADE

Advances have expanded by £12,280,254. The ratio of advances to deposits is 17.94 per cent., against 15.53 per cent. a year ago. Analysis of this item shows that advances are well spread and that the return to peace-time production has, as was to be expected, resulted in new and heavier calls upon us by the commercial community. There has in fact been great activity in all the departments of the bank's work and it is very satisfactory to note the gradual return to these normal banking functions. In accordance with the policy of the bank, special attention has been given to applications for accommodation from the small as well as the large trader. Assistance has been provided to many small companies and traders by direct financial help and by introductions to those institutions whose function is the provision of more permanent capital than is usual under banking facilities.

The liquidity of the balance-sheet continues high. Our holdings of cash, balances with other banks, market money, Treasury bills and Treasury deposit receipts amounting to £146,768,088 are 57.98 per cent. of our deposits, against 54.49 per cent. a year ago. Early in December an announcement was made that, having regard to the character of bank assets now ruling, it had been agreed by the banks, in consultation with the Bank of England, that the daily ratio of cash balances to deposit liabilities will be maintained on the basis of 8 per cent. instead of working to a 10 per cent. basis on make-up days. This came into effect on December 31st last.

MORE BRITISH GOODS

The substantial increase of £5,688,634 in contingent liabilities arises mainly from credits established both in this country and abroad in connection with foreign trade. Owing to the demand for British goods from

the liberated territories and other countries which were cut off from supplies during the war, the bank has handled an unusually large volume of foreign business and the number of documentary credits opened by purchasers of British goods has been considerable.

During the year representatives of the bank have visited our banking correspondents in various European countries, the United States and Canada, and the recent visit of our chief general manager, Mr McKendrick, to the leading banks in New York, Boston, Montreal and Toronto will have assisted in maintaining our cordial relationship with them.

I am pleased to report that our trustee department has steadily increased its business. During the last eight years the new appointments of the bank as trustees and executors have more than trebled, which shows how greatly the work of this department is appreciated by our customers.

Mr C. J. Verity and Mr M. Conacher have been appointed joint general managers, a measure necessary to meet the demands of a growing business on the time of the general management. Both officers have long experience of the bank's affairs.

VALUABLE FEATURE

District head offices have always been a special feature of the organisation of this bank and the valuable work of the district boards and officers has been much in evidence. Their accessibility, we find, adds greatly to the convenience of our customers in having their problems considered with speed and local understanding.

I have further to report that the readjustment of the staff following the return of Service men has been nearly completed and with greater ease than was anticipated. I am glad to say that it has been possible to offer permanent appointments to a large section of our temporary staff. In briefly reviewing the year's work, I take the opportunity of thanking all members of the executive and staff for their services, not only at the head office, but also in the district head offices and all branches of the bank, to whose initiative the satisfactory results achieved are largely due. I find the zeal and the quality of the service afforded at every branch most commendable.

THE CHAIRMANSHIP

Changes in the bank's directorate have been referred to in the report, and I now wish to inform the members that, owing to the death of my brother, Sir Percy Bates, last October, I felt it my duty to accept the chairmanship of the Cunard Steamship Company Limited, and Cunard White Star Limited, which prevents me from giving so much time to the affairs of the bank. I have, therefore, with much regret, asked the board to permit me to retire from the chair, a position in which I have had the honour of serving during the last eight years. The directors have agreed to release me immediately after the annual general meeting to be held on January 28th, and they have chosen Mr A. Harold Bibby to succeed me as chairman for election at the first board meeting thereafter. Mr Bibby is well known to the proprietors, having been a member of the board since 1929. His wide experience of commerce and industry both in home and foreign trade is of great value to the bank.

Is it right that private employers, who happen to be within the area of stoppage, should be called upon thus to relieve the tax payer? Many of them, it is true, are still anxious to ensure that their labour force should not be dispersed, but is not the difference between unemployment benefit and guaranteed wages the reasonable limit which they should be expected to pay to avoid this danger, leaving the former to be met by the Unemployment Fund?

If central relief were extended on principles such as these, the budgetary effects of the crisis could become much more substantial. But, in any event, it would be rash to assume that the shape of the immediate budgetary problem will be radically altered. If the Chancellor looked solely to the equation between money and goods, he must have concluded even before this crisis that his proper course for 1947-48 should be to budget for a surplus in order to mop up excessive purchasing power. The present stoppage of work which is coupled with the continuance of full wages, unemployment benefit and PAYE refunds, will tend to make that excess larger than it was before. It has been clear hitherto that the Chancellor's budgetary problem has been to find the best compromise between two extremes of policy—on the one hand to minimise the creation of surplus purchasing power and, on the other, to give the maximum incentive to additional effort. Are financial incentives less important now than they seemed ten days ago? The only safe answer is that if there were any prospect of prolonged unemployment, developing from the coal crisis, the financial incentives would be of a very different sort, and probably more effective than anything the Chancellor could safely offer.

It is far too soon to guess how these conflicting considerations will strike the Chancellor in five or six weeks' time. But it may well be that the budgetary problem has become more difficult, both in its accounting aspects and in its real aspects. On the key part of his policy—cheap money—doubts have perceptibly deepened in this past week. Obviously the deterioration in the position of the central Exchequer (including the Unemployment Fund) increases the Chancellor's need for finance. And industrialists who are relieving the Exchequer of the burden of unemployment benefit will for a time need more finance, too, and some will have to find it by selling gilt-edged securities. Considerations such as these explain and justify the weakness of the gilt-edged market this week.

If the Chancellor is still determined to pursue his cheap

money policy, these new stresses must at least give him pause. Any given rate of interest will require the creation of a larger volume of money than would have been needed in the absence of this series of new pressures. Admittedly the Chancellor has never been frightened by money creation, and he might take the view that though the inflation potential, in the accounting sense of bank deposits, will be increased, the real inflationary danger may actually be reduced. But will this all-pervading crisis give to the British public the psychological shock which was needed? Fuel rationing is obviously not the only austerity measure which will have to be continued after the immediate crisis is over, and for a time the range of formal restraints upon spending may be greater than it was before. But to succeed, these will have to be accompanied by additional voluntary restraint, which may be hard to evoke at this stage. On balance, he may be forced to decide that the cost of consolidating his cheap money policy is enough, quite apart from driving on further.

The coal crisis has anticipated the external economic problem which will face Britain in a year's time. It has removed any chance of reaching the export target in that period—indeed there are chances of a deliberate reduction of exports as a desperate policy to ease the worst burdens on the country's internal economy, with, of course, a correspondingly heavier rate of drawing on the dollar credits. The Canadian credit of \$1,250 million had already been drawn upon to the extent of \$540 million by the end of January, and well over a quarter of the two dollar credits has been exhausted in little more than six months. In this situation, the much-needed expansion of imports, as soon as supplies of essential raw materials become more free, grows more remote.

These are some, but by no means all, of the potential consequences of the failure of coal supplies. The specific consequences for the investment markets are examined in a Business Note on a later page. It may be too early to talk of depression and slump. But it would be equally premature to expect industry to restore overnight its self-regenerating powers as soon as the immediate crisis has passed. The wartime exhaustion of Britain's material and human capital has not been made good during the past eighteen months; indeed, it has deteriorated further. Both are now flowing to waste on a grievous scale which could be made good only by superhuman efforts before the external crisis descends upon the country.

The New Lombard Street

THE London discount market, which rarely attracts much public attention, has lately been enjoying unaccustomed limelight. Against a background of slow evolution, it has suddenly increased its resources by almost 50 per cent, by a series of ten capital operations which within twelve months have added five discount companies to the three whose shares were already known to the Stock Exchange. This particular phase of capital expansion is now nearing its end—and the quite exceptional prosperity of the past few years may be ending, too. But the market now sees plainly the role it has to play. It knows that, for perhaps fifteen or twenty years ahead, it will have important and probably reasonably remunerated functions in the short bond market. And that is a longer period of assurance than it has known for many a year.

In 1939 hardly anyone in the City would have dared to predict such a prospect for Lombard Street at the end of its first post-war year. In seven years, there has been a striking change of function and outlook—how striking can hardly be seen except in historical perspective. For almost a decade before the war, a large question-mark had hung over the future of the market. Its traditional business of discounting commercial bills

of exchange which financed the international movement of goods had been laboriously re-built after the first world war, only to collapse again in 1931; and the thirties brought but a modest recovery. The market remained a discount mechanism because quantities of Government Treasury bills were left as a legacy from war finance, but after 1932 cheap money made bill-dealing an unprofitable, or at least virtually profitless, business. The discount houses perforce sought profits by dealing increasingly in the rising market for short-term Government bonds. But they did so at first almost surreptitiously, and within narrow limits. The highly-g geared business of a discount house is financed by modest capital surmounted by large short-term borrowings, almost wholly from the banks against collateral security. And it was against the tradition of both banks and market that bonds should rank as collateral, though in the twenties they had come to be accepted in small quantities in the customary parcels of bills, and competition among lenders other than the clearing banks often forced them to take larger quantities. The scope for bond-dealing, therefore, was strictly limited, especially among the smaller houses which had not accumulated large capital resources and did not attract un-

secured deposits. Among such houses, two retirements and one merger in 1933, reducing the number of discount houses from twenty-four to twenty-one, seemed to point the way to a secular decline in the bill market.

But, whether it dealt in bills or bonds, the market still performed one of its classical functions. By borrowing at call the short-term funds of the banking system, it provided a central pool through which day-to-day cash shortages of one bank could be speedily supplied from the surpluses of another bank or, if need be, from the ultimate reservoir at the Bank of England—a reservoir to which all discount houses had access but which the banks traditionally preferred not to tap direct. To prevent damage to this short loan mechanism, and to keep the discount mechanism intact against the possibility that the ancient commercial functions might eventually be restored, the clearing banks at last decided to regularise bond-dealing. In 1934 they fixed differential minimum rates for loans against bond and bill collateral, and reduced the minimum rate for loans against bills to $\frac{1}{2}$ per cent; further, they took successive steps to ensure that bank competition for bills would never force the discount rate below the money rate. In effect, therefore, the market had licence to extend its bond dealings within reasonable limits, and was assured that in running its bill portfolios it would at least not make a direct loss and could probably count upon a fractional gross profit.

The risk of drastic contraction of the market was thus averted—but by measures which almost everyone regarded as stopgap expedients. Bond-dealing was regularised not because it was deemed useful for its own sake but because the market performed or might perform other valuable services which could not be ensured unless profits could be won elsewhere. In a rather conventional way, the City hoped for—though hardly expected—an eventual full revival of the commercial bill, and was not prepared to take ultimate decisions about the bill market until it was certain that the hopes were vain. Yet, on the whole, it was equally reluctant to envisage a market permanently supported by bond operations whose principal function was to finance other valuable functions which the market performed gratis—or nearly so. There was, in any case, the ever-present risk that gilt-edged market conditions would cease to give Lombard Street scope for profits, or would drive it imprudently into long-dated stocks, or involve it in undue losses.

The market at the outbreak of war looked back upon some years of excellent earnings, but well knew that its future, so far as any rational analysis could assess it, was poised in uneasy equilibrium. The popular view that the market had been contracting for a decade was never quite accurate. Though mergers and retirements had reduced the number of houses to eighteen, the movement was mainly one of concentration into stronger individual units, as befitted the greater risks of bond-dealing. Aggregate capital resources were prob-

ably rather larger than in 1931. But in 1939 it seemed that a real contraction might be in prospect. The first world war had begun the destruction of one feature of market business but had evolved a new feature—the extensive use of the Treasury bill—to replace the old. A second war would obviously mean more bills, but in a cheap-money war more bills would not bring significantly more profits. Moreover, from the outset there were signs that another of the market's traditional functions was being undermined. A bridge had been thrown across the gap that formerly separated the commercial banks from the central bank: large lines of bills, instead of passing first through the discount market, were sold direct by the authorities to the banks, and in mid-1940 the direct channel was formally opened by the creation of the Treasury deposit receipt. To some, that development looked like the writing on the wall. The mergers and retirements continued, though mainly for personal reasons not directly connected with market conditions.

But in fact, this war, like the last, has produced a new function for Lombard Street. It is one, moreover, which settles—for as long ahead as it is profitable to look—the uncertainties of the pre-war decade. A cheap-money war might keep the profit out of bill dealing, but it also compelled the Chancellor to borrow short—even in his borrowings from the public—and thus to create types of bonds which offered profitable opportunities for the market. From mid-1940, series after series of National War Bonds poured forth through the taps on such a scale that the resources of gilt-edged jobbers on the Stock market were quite inadequate to make a smooth and efficient market in them. The strain at times was very heavy. Before the various Savings drives, the banks and others sold short-dated securities to make way for the new subscriptions which local campaigners expected of them. As each tap neared the end of its flow, the same institutions lightened their portfolios in order to fill them up again with the very last of the tap bonds, thus securing at par a large slice of each issue with the shortest life at which it was offered. Without the aid of the discount market, tapping for the purpose the elastic cash resources of the short loan fund, these sales could not have been absorbed without producing a big jolt in prices. The discount houses saw their chance to do useful and profitable work, and the authorities encouraged them. It was intimated early in the war that a discount house, provided that it conducted itself properly, carrying only short bonds and keeping them in due ratio to its resources, could if necessary look to the Bank of England for loans against bond collateral. Such aid, it is safe to say, has never been needed, for the market has absorbed a greatly increased supply of bills and can always balance a deficient loan position by the simple and costless procedure of selling short bills to the Bank's agent—the "special buyer." But the fact that bonds could thus be pledged if necessary is

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DRAWBACKS AND ADVANTAGES OF CHEAP MONEY

NEED FOR HARD WORK AND ENTERPRISE

CAPT E. C. ERIC SMITH'S STATEMENT

The one hundred and fourteenth annual general meeting of the National Provincial Bank Limited will be held, on the 30th instant, at the Head Office, 15, Bishopsgate, London, E.C.

The following is the statement by the Chairman, Captain E. C. Eric Smith, M.C., circulated with the report and accounts:—

BOARD OF DIRECTORS

At the annual meetings of the last thirteen years, it has been our privilege to sit under the chairmanship of Lord Colgrain and to receive from him a review of the situation of the bank and of the conditions of finance and trade. The announcement of Lord Colgrain's wish, by relinquishing the chair, to seek some relief from his heavy responsibilities has already been made public. I would desire to express to him our deep debt of gratitude for the work he has done for the bank since he joined the board in 1903. As you know, for four years he was deputy-chairman and he has occupied the chair since 1933. I am happy to tell you that Lord Colgrain will retain his seat on the board.

It is with regret that we record the retirement from the board in March, 1946, of Mr Francis Alexander Johnston. Mr Johnston joined the board in 1910 and was thus the senior director of the bank after Lord Colgrain. He was deputy-chairman of the bank from November, 1933, to February, 1937, when he retired from that position whilst remaining a member of the board. For these many years the bank has enjoyed Mr Johnston's discernment in business which was always accompanied by great personal charm.

Sir Frederic A. Aykroyd, Bart., has retired from the Bradford and District Local Board of the bank, which has thus lost the benefit of his great knowledge of the business of the West Riding, from which it had profited for so many years. Mr Cecil William Aykroyd and Mr Ronald Arthur Charteris Foster have been appointed local directors of the bank for Bradford and district. Sir Victor G. Carey has been reappointed to the local board in Guernsey, on relinquishing his appointment as bailiff.

MANAGEMENT AND STAFF

The management and staff have continued to render loyal service to the bank throughout a year which has presented many difficulties. The weight of work has substantially increased during the year and, unfortunately, much of it arising from policies outside our control is unremunerative. Nevertheless no effort has been spared by the staff to maintain and, wherever possible, to improve the efficiency of the service which the bank renders to its customers and to the community.

Our staff department has had to deal with the heavy task of placing some 3,000 members of the permanent male staff who have already returned from the Forces. We welcome these men back and are proud of their service to the country. It is not only pleasant but most satisfactory to record that, with few exceptions, they have quickly adapted themselves to the work of the bank and are showing commendable keenness in acquiring a knowledge of the changes which have occurred during the years they have been away. We have also taken back into our service upon demobilisation some 400 men who joined us on a temporary basis during the

war and who have sought reinstatement. In due time we hope to be able to offer permanent employment to those for whom there are vacancies and who have shown themselves adapted for work in the bank.

COUTTS AND COMPANY

The balance sheet of Messrs Coutts and Company, as at December 31st last accompanies our own report and accounts. The business, with its well-known head office at 440 Strand, and its City office in Lombard Street, established in 1772 as Roberts Lubbock and Company, together with branches in the West End of London, has continued to make satisfactory progress.

Recently, Sir Jasper Ridley succeeded Mr Ronald Malcolm as chairman of Messrs Coutts and Company. Shareholders will learn with satisfaction that Mr Malcolm, who has served Messrs Coutts and Company as a director and as chairman for over fifty years, will continue as a director to give to the business the benefit of his long experience.

To Sir Jasper Ridley, who is our own deputy-chairman, we tender our best wishes for a long and successful tenure of office as chairman of Messrs Coutts and Company.

GRINDLAY AND COMPANY, LIMITED

This business, which maintains a particularly close relationship with its European and Indian clientele, also presents a balance sheet which discloses a satisfactory and liquid state of affairs. The political situation in India calls for the exercise of wisdom, patience and goodwill from all parties and communities. The trading potentialities are most promising and it is sincerely to be hoped that a workable settlement of the manner in which India is to be governed will be reached and without undue delay so that India, by increasing the standard of living and the prosperity of her peoples, may play her part in the betterment of the world as a whole. It has, in the past, been the practice of the directors of Messrs Grindlay and Company, Limited, to pay frequent visits to India. The war interfered to some extent with these journeys, but since hostilities ceased they have recommenced. Since last we met, Mr Donald Campbell has returned from India and Mr Grant and Brigadier Low are at present there and have also visited Ceylon, Burma and Singapore.

FOREIGN AUXILIARY

Very satisfactory progress has been made by Lloyds and National Provincial Foreign Bank, Limited, during the year in the re-establishment of its position as an important financial factor in the countries in which it is represented. Commercial business of a very satisfactory nature is being handled by the bank, particularly in the financing of the movement of raw materials and in the manipulation of wool and the process of its manufacture into cloth.

The business is prudently and capably managed and in such circumstances can be regarded as an asset of considerable value to its parent institutions.

STATEMENT OF ACCOUNTS

The most noteworthy change in our balance sheet figures for December 31, 1946, as compared with those at the end of 1945 is an increase in current, deposit and other accounts from £619 million to £726 million.

I have some reference to make a little later to this movement which has been common to the clearing banks as a whole.

The assets by which the item is represented on the other side of our balance sheet show certain changes. Cash, loans to the discount market and bills together total £216 million as against £165 million a year ago. Treasury deposit receipts amount to £206 million compared with £200 million and investments stand at £159 million as against £133 million.

Advances to customers and other accounts amount to £154 million. The figure a year ago was £131 million. The increase in the amount we have lent to our customers as shown by a comparison of the two accounts is therefore £23 million, but in consequence of the increase in the amount of money lodged with us, the ratio of advances to deposits shows little change.

PROFIT AND LOSS ACCOUNT

The figures which are before you fall into line with the conditions governing money values in this country during the year.

The period has been one of declining yields in the gilt-edged market and the effect of this spread throughout banking activities has been felt in a reduction in the margins out of which banks make their profits. The maintenance of the services which the clearing banks render to their customers is reflected in the substantially higher cost of salaries and overheads generally. Increased resources flowing from increased deposits have to some extent enabled us to meet this situation, and our net profit for the year is £1,331,071 4s. 5d. compared with £1,356,025 4s. 4d. for the previous twelve months. We bring in from our 1945 accounts the sum of £814,397 2s. 8d., making a disposable total of £2,145,468 7s. 1d., out of which in August last an interim dividend at the rate of 7½ per cent. per annum was paid, costing £391,025 18s. 2d.

We recommend that the balance be disposed of as follows:—

	£	s.	d.
The payment of a final dividend at the rate of 7½ per cent.	391,025	18	2
and the following transfers:			
To bank premises account ...	100,000	0	0
To pension fund ...	150,000	0	0
To reserve fund ...	250,000	0	0
leaving £863,416 10s. 9d. to be carried forward.			

Your attention is particularly drawn to the transfer to the reserve fund. For some years our published reserve has stood at a figure of £9,479,416, equal to our paid-up capital.

The bank's liabilities have steadily and substantially increased, and in consequence your directors have decided that it is proper that the published shareholders' funds, represented by capital and reserve fund, should now move in the same direction. To increase the reserve fund from £9,479,416 to £10,000,000 requires £520,584.

From our internal free reserves we have transferred £270,584 which, with the recommended appropriation of £250,000 out of our profits for last year, provides the necessary transfer to establish our reserve fund at £10,000,000.

OUTLOOK

I have referred elsewhere to the growth of the bank's deposits. During the eleven months to November last year deposits with London clearing banks as a whole have increased by £652 million to a total of £5,502 million. As regards roughly 80 per cent. of these deposits, the countervailing assets are obligations of the Government. This position merits considerable reflection bearing in mind the fact that in 1938 advances to customers represented 45 per cent. of deposits as compared with to-day's ratio of under 20 per cent. So long as the existing tendency persists, this bank will do its utmost to secure its proper share of such increased deposits. It is, however, more than doubtful

whether such a rapid transfusion into the blood-stream of the country is beneficial. Many people will agree that the time has now come when, if the old-fashioned offices of the barber with his bleeding bowl could be introduced, it would be better for the patient. We are frequently told that the credit of the country has steadily improved since the present Government's advent to office. If by this it is meant that the Government has been able to borrow at progressively cheaper rates, the statement is undoubtedly correct. It should, however, be borne in mind that circumstances have not been conducive to the willing-buyer, willing-seller atmosphere. The restrictions imposed by the Capital Issues and Exchange Controls and the limitations of the Trustee Act have had a material influence on the outcome of conversions.

CONVERSION OPERATIONS AND NATION'S CREDIT

Each operation has been handled with conspicuous ability and the technique employed in each case has followed the same course with much the same results. It has usually taken the investor some time to appreciate the tightness of the corner into which he had been driven, but, once this had sunk in, he has capitulated. Such a market can hardly be described as a free one; in fact, in the case of trustees bound by a trust instrument executed some years ago and incorporating an investment clause devoid of flexibility, these operations come perilously near to forced loans. Conversion operations, such as these, are far from a true yardstick of the country's credit. The result is merely a reflection of the high degree of skill and ingenuity with which they have been effected. The real gauge of credit is the rate at which money can be borrowed in the open market in the face of competition.

CHEAP MONEY NOT UNMIXED BLESSING

Cheap money is not an unmixed blessing, although clearly attractive to a Treasury attempting to cope with approximately £24,000 million of debt. It carries in its train considerable hardship to those who live on the income from savings and the products of commendable thrift. It reacts unfavourably on life insurance and the benefits to be derived from pension funds. It discourages those with an incentive to save and encourages prodigality. It has the effect, in the investor's search for income, of inflating stock prices to figures which are often entirely out of proportion to asset values, and it creates paper profits which are frequently as unjustified as they are unhealthy. It is, in fact, an additional tax levied upon a particular section of the community.

There would appear to be a considerable body of people who hold the unfortunate view that it is immaterial how much is borrowed provided it is borrowed cheaply.

NATIONALISATION

During the year the nationalisation of industry has followed the path already indicated. Politics apart, few would dispute the fact that the only practical justification of the nationalisation of a given industry is the creation of an organisation which will function more efficiently and to the greater public good than its pre-nationalisation constituent parts. Unfortunately, this essential aspect is apt to be lost sight of, although a favourable outcome on these lines is invariably argued in justification of every case, after nationalisation has been decided upon for purely doctrinaire reasons.

A bewildering variety of systems of compensation of the expropriated owners has been made use of and the curious phenomenon has arisen of the purchaser fixing the price and means of payment.

Not unnaturally, doubt and misgiving are engendered in the minds of the owners and management of "suspect" industries. It is not difficult to appreciate that the direction

of a business whose future is obscured by political ideologies should tend to some degree to lose definition and determination. This is not to suggest that indifference is likely to arise, but rather resolves itself into "the little more and how much it is; and the little less and what worlds away."

The possibility of the imminence of nationalisation may quite well, and probably unwittingly, operate to sap the vital stream of energy which must run strongly through any business that is to prosper. There was never a time in our history when the encouragement of enterprise in commerce and industry was more important than it is to-day, and anything which adds uncertainty of tenure to the normal hazards of business can react to the advantage of no one.

EXCHANGE CONTROL

Exchange control is finding its way on to the Statute Book, largely in the form of the Defence (Finance) Regulations of the war period. While no one will deny the necessity of restricting the timorous and craven-hearted in a time of national emergency, such prolongation of restriction as may still be necessary might well have been continued under the old regulations. The exchange position at the present time is obviously one of great intricacy and the handling of it calls for the utmost care and skill and deserves all the support that the commercial and industrial community can give.

Under the terms of the American Loan Agreement, sterling, for current transactions, must, after July of this year, in the absence of exceptional arrangements, be free. This will, possibly, increase existing difficulties. Notwithstanding present problems, it is a pity that Exchange Control should have been accorded a permanent status. It indicates a lack of faith in sterling, particularly from the capital movement aspect. Capital does not seek to escape from sound currency.

WOOL AND RUBBER MARKETS

A material increase in foreign trade bills would be a welcome feature as an indication that international commercial relations were once again moving towards the normal. The reopening of the overseas wool markets has produced a very marked increase in the demand for overseas credits. Prices have been high, and in the case of the finer wools, extremely high, and considerable competition has been met from continental and foreign buyers. From the beginning of the year, the London Rubber Market has reopened and this commodity has begun to shake off some of the shackles of restriction. The operations of the market will be, however, under the paternal eye of the Bank of England. It is to be hoped that these two commodity swallows will be duly followed by a summer, and that other markets will be freed and resume their former functions.

AGRICULTURE

Agriculture, which has enjoyed a number of reasonably good years, although probably few farmers would admit it, suffered a considerable set-back in 1946 through the extremely unfavourable weather conditions. Weather was bad for the hay harvest and quite unspeakable for the straw crops. It is immensely to the credit of the farmers that they achieved the results they did in the face of such disadvantages. What the millable outturn will be remains to be seen, but it will be surprising if it is not seriously affected. This industry is faced in the immediate future by a major problem arising from the repatriation of prisoners-of-war. It is difficult to see where the labour, to replace this wastage, is to come from. Farming land continues to change hands at increasing prices. No particular alarm need attach to this at present, but values are undoubtedly getting near the top of the economic level.

BUSINESS OUTLOOK

Although the business outlook does not call for deep despondency, it would be

to regard it with unmeasured optimism. There is a long way to go before the prosperity we once enjoyed can be restored. The balance of trade, crippled by the loss of a large proportion of our invisible exports is at present barely convalescent. This is an old country and now no longer possesses large, latent and unexploited natural resources potentially capable of reversing an unfavourable trade position. Our chief remaining asset is the skill and capacity for hard work of the population. This is our principal export commodity, but in order to reap any benefits therefrom it must operate. In these circumstances, any interruption of labour is to be deplored, particularly when it arises from trivialities, often originated by irresponsible agents, which are equally abhorrent to employers and organised labour alike.

The tendency is to regard profits as almost immoral and, all too frequently, a desire to work provokes derision and hostility. Greater latitude is needed to encourage initiative. Taxation must inevitably remain at a high level but it should be supported by a proper economy in public spending and reduced Government borrowing.

Above all, it must be made quite clear to the country that, with increased schooling age and decreased pensionable age—both admirable in themselves—the tree is being simultaneously root-pruned and lopped or, if you prefer it, the candle is being burned at both ends. The intervening stratum, which represents what is left of the working population, has to support, not only itself, but both ends. It is surely merely a matter of mathematics that, under these circumstances, more work, not less work, is necessary from every individual. Unfortunately, while hard work and enterprise do not always receive an adequate reward, inertia and idleness too often participate in benefits to which they are not entitled.

MITCHELL COTTS AND COMPANY, LIMITED

DIVIDEND INCREASED

The ordinary general meeting of Mitchell Cotts and Company, Limited, was held on the 16th instant, in London, Mr Alexander Hamilton, the president, was in the chair in the absence of Mr Leonard Aldridge, C.B.E., the chairman.

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

Post-war problems and the necessary consolidation of the largely expanded activities of our group of companies have called for wide re-arrangements, whereby I have relinquished for the time being the managing directorship and have been appointed chairman in succession to Mr Hamilton who has been appointed president. A large portion of my time will be devoted to the affairs of our group in the Middle East and the African Continent.

In the opinion of the directors the aggregate trading profits for the year to June 30, 1946, can be considered very satisfactory and they feel justified in recommending a final dividend of 17½ per cent., less tax, which makes a total of 22½ per cent., less tax, for the year, an increase of 5 per cent. It was decided to offer to the Ordinary shareholders one new Ordinary share at 25s. 6d. for every five held. The offer was made successfully in September and the final dividend now recommended will be payable upon the increased capital.

Our coal business again shows satisfactory results. Our activities in the Middle East continue to expand. In South and East Africa also our companies have had a busier year than in 1945. Although many problems still exist, results achieved encourage me to believe that the earnings and progress during the current year will be maintained. The report was adopted.

the foundation upon which the market's bond operations now rest.

Lombard Street no longer dabbles in short bonds: it literally makes the market in them. The larger houses, at least, are in contact not only with the banks, insurance companies and other financial institutions, but also with big industrial concerns, and when really large transactions in bonds are involved, take the business direct as well as from the stock market jobbers. This is not a supplanting of the Stock Exchange, but a necessary support for it. The gilt-edged jobbers have not the resources to enable them rapidly either to supply or absorb bonds on the scale of the transactions which constantly occur, and the impact of current taxation upon private fortunes and private firms makes it impossible for them to accumulate such resources. Lombard Street is also the better able to perform another bond function of particular value to the Treasury. Though recent questionings about cheap money are producing a change of habit, normally most institutional and industrial buyers of tap securities of ten years' life or so begin to lose interest in them as they near maturity. The discount market, which does not need to amortise premiums out of taxed income, can bid a better price for short bonds than private investors can afford. Lombard Street buying thus meets the needs of the institutional holders (who, unless the proceeds are at once required, would normally look for a longer-dated stock), and tempts the shorter bonds into a professional market where they remain until, as the redemption date nears, the authorities themselves become extensive buyers to smooth the repayment operation.

These are the bond market functions of Lombard Street which have predominated in the past six years. They explain why the authorities first encouraged the market to consolidate itself into eleven substantial units and, in 1943-44, permitted an influx of additional capital from various financial interests outside the market. Now a further function is becoming increasingly important. Whether or not the Chancellor succeeds in shifting the emphasis of his borrowings to long-dated or irredeemable stocks unsuited to the discount market, it is clear that the short bond market must come under recurrent pressure as industry liquidates its wartime investments to finance recon-

version. The discount market must stand ready to take up these offerings and carry them until redistribution finds for them a permanent home.

The jolt to the market in the autumn of 1945, when short bonds were heavily sold to finance the last-minute rush into Savings Threes, showed what can happen if Lombard Street is unable to take the whole of the strain. Whenever the volume of selling passes beyond the carrying capacity of the professional market, prices must fall to a yield basis appropriate to private investors (unless the authorities buy at high prices themselves). In 1945 a 2½ per cent. yield on short bonds stood squarely in the Chancellor's path to cheaper money. An article in these columns at the time showed that the most reasonable method of avoiding obstructions of this kind in future was to allow the discount market to increase its capital again, and thus to increase its carrying capacity without infringing the normal ratio of about eight to one. That is what has happened. The operations of 1946 have added about £8.7 million to the market's resources, apart from the formation of one new discount house, and when the movement is complete it will probably be found that the normal bond-carrying capacity has been raised from about £170-180 million in the autumn of 1945 to, say, £270 million—with the possibility of rather larger figures in a phase of real stress. The total known resources of the market, including published reserves, carry-forward and share premiums, are now about £26 million—more than double their level of 1925 when there were twice as many individual houses as now. These resources, plus substantial inner reserves, will support a total "book," including both bills and bonds, of perhaps £800 million, more than three times the pre-war level. The market, though almost shorn of its traditional commercial functions, is both qualitatively and quantitatively a more important unit in the financial structure than it has been for many years. It still retains the classic short-loan market functions which Bagehot knew. It still is Lombard Street—despite the growing popularity of a Cornhill address. But, even compared with pre-war days, it is a new Lombard Street, which serves above all the needs of a Treasury wedded to cheap money.

Business Notes

The Market's Reaction

The behaviour of the Stock Exchange this week has borne all the signs that, in the calculations of investors at least, the British economy is facing a prospect which is far more threatening and serious than the immediate consequences of the shortage of fuel and power. The deceleration in the speed of industrial output which could be sensed in recent weeks and which had already taken some of the rosette bloom off equity share prices has become general, and it has brought in its train a shock to confidence in the Chancellor's power to maintain his cheap money policy. Whether these doubts will be justified by future performance remains to be seen, but the weakness of the gilt-edged market, particularly on Wednesday, gives some measure of the increased problem which faces Mr Dalton if he is determined to go forward on this main plank in his financial policy.

The new 2½ per cent Treasury Stock, never very firmly established after the closing of the tap, fell on that day to 98; Old Consols dropped to 96½, compared with 98½ on February 5th, and even the dated stocks showed little or no resistance—indeed, the 1½ per cent Exchequer Bonds, redeemable in 1950, fell by as much as ½. In terms of yields, an undated stock like Old Consols now gives a return of £2 11s. 10d. per cent gross, compared with £2 10s. 11d. per cent a week ago; 2½ per cent National War Bonds 1954-56 £1 17s. 10d. per cent against £1 15s. 3d. per cent; and 1½ per cent Exchequer Bonds £1 4s. 0d. per cent against £1 1s. 7d. per cent.

A considerable revision of equity share values and prospects is also in train, marked by a fall in the *Financial Times* index of

industrial ordinary shares during the past week from 132.5 to 124.4, which compares with the "high" of 140.6 recorded as recently as January 17th. There is good reason for this revision, not merely because the cheap money support for the equity market

REPRESENTATIVE SECURITY PRICES

	1946		1947			
	High	Low	Jan. 14	Feb. 7	Feb. 10	Feb. 12
2½% Consols	99½	91½	98½	98½	97½	96½
3½% War Loan	109½	103½	108½	108½	108½	108½
3½% Savings Bonds, 1945-75	111½	100½	110½	110½	109½	108½
2½% Nat. War Bonds, 1954-56	106½	99½	105½	105½	104½	104½
Barclays Bank "B"	95/-	74/3	95/-	89/-	88/6	87/-
Royal Exchange Assurance	16½	10½	11½	15½	15½	15
Bass	11½	9	11½	11½	11	10½
Bolton	68/9	43/3	68/9	73/6	73/6	73/3
Courtaulds	58/9	50/6	57/-	55/-	53/4½	51/9
Dunlop	78/7½	51/-	75/3	72/7½	71/3	69/6
General Electric Co.	111/3	92/6	102/-	98/3	95/3	95/-
Imperial Chemical Industries	49/-	39/3	46/1½	44/3	42/6	41/3
Imperial Tobacco	8½	7½	7½	7½	7½	7½
"Shell" Transport	98/8½	75/-	95/-	98/9	97/6	94/4½
Tube Investments	6½	5½	7½	6½	6½	6
Turner & Newall	95/-	79/-	95/3	88/3	86/3	82/1½
Woolworth	101/-	80/-	105/6	98/9	96/3	95/-
"Financial Times" Industrial Ordinary Share Index	135.3	113.2	138.1	131.9	127.5	124.4

may in future be weaker, but also on the calculation of industrial earning power as a result of the fuel cuts and their aftermath. Profits are a residue; the biggest profits—to outward appearance—usually depend upon the spreading of fixed costs

over a large output. For much of industry at present, the fixed costs are continuing, and output is falling to zero. Even a fortnight's cessation of work may have disastrous consequences on the residual earnings of equity shares, and there is now no EPT cushion against which these falls can be offset. It would not be surprising if the equity share market undergoes a period of disturbance lasting well after the immediate crisis. The problems of "essentiality" between industries for coal rations during the summer have yet to be worked out; and their combined impact, with the present stoppages, upon particular companies cannot be judged from their published accounts. But in all cases it is likely to be significant, and in some cases serious.

Argentine Railway Agreement

It was announced in London on Thursday that agreement has been reached after 15 weeks of negotiation between representatives of the Argentine Government and the British-owned railways for the outright purchase of the railways by the Argentine Government for a cash sum payable in sterling of £135½ million. In addition, the Argentine Government have agreed to take over certain of the ancillary undertakings operated by the railway companies for an additional sum of £14½ million, making a total payment of £150 million. It had been fairly evident for a week before the agreement was signed between the two sides that an understanding had been reached in the case of the railways and the fact that Sir Montague Eddy postponed his return to this country last week, provided a hint at any rate that the negotiations about the ancillary assets were proceeding fairly promisingly. The agreement as a whole must be welcomed after the recurrent threats of a breakdown in the talks, but with a real sense of regret. It has yet to be ratified by the Argentine Government, and it will in due course be submitted under schemes of arrangement to class meetings of the stockholders in the various companies. Any attempt to foreshadow the complicated pattern of the schemes which will in due course be put before the four major companies and their satellites is out of the question. There is no uniformity in capital structures or past earnings experience which would enable any general principle to be laid down.

An interesting comparison can nevertheless be made between the market values of the Argentine railway stocks early this week with the terms of the settlement. The market values of the debentures was on Monday last about £86½ million, of which those stocks receiving full service were valued at £61 millions, those on which arrears are being paid at £17½ million and those on which no payments are forthcoming at all at about £7½ million. The total market value of the preference stocks amounted to £13½ million while that of the ordinary stocks approached £11½ million. Thus the total value of all Argentine rail stocks was on Monday last approximately £112 million. The only conclusion that can be drawn from this calculation is that there is an appreciable margin between market values on a day when the sale agreement was virtually secure and the terms of that agreement now it is published. The instinct of the market this week has been to favour the senior preference stocks and but for the profound disturbance which markets have received as a result of the coal crisis there could be little doubt that the Argentine railway market would have provided a burst of speculative activity.

Two points are perhaps worth stressing. First the date of payment has yet to be declared. Secondly £125 million of the total consideration will be contributed by Argentina's present sterling balance, leaving £25 million to be found from currently acquired sterling. The latter will make at least some contribution to the great burden of Britain's external payments—though only at the expense of realising a capital asset, which in happier times provided a regular and valuable contribution each year to the British balance of payments, at a figure well below its original cost and far below its replacement cost.

By Candlelight

The City this week has carried on stoically, if not philosophically, with its principal functions. Cold is hardly conducive to good humoured tolerance of make-shifts, but on the whole there has been surprisingly little friction and a great deal of enterprising improvisation. Perhaps the high light of that was the cast of a stockbroker with a large provincial connection who promptly cabled to Belfast for the dispatch of candles by air. He subsequently had the ironic satisfaction of obliging an importunate friend—the chairman of one of the larger power companies. The supply of candles has, indeed, been a major worry for City firms,

especially the smaller ones. The banks during the restricted hours have worked by candle, hurricane lamp, motor lamps run from batteries or, in a few fortunate offices, by emergency lighting from their own generators. In many mechanised offices, there was a danger of serious delays through the inability to work bookkeeping and tabulating machines; but these troubles seem to have been surmounted by the expedient of doing an hour's machining before nine o'clock, of postponing lunch until after the mid-day switch-on, and by working late into the evening. At the clearing house, conditions have been particularly trying—not so much because of loss of power as for the need for reasonable lighting for the exacting work of sorting cheques. But despite these difficulties, there have been no reports of important delays or of any significant accumulation of arrears of work. The banks, however, have appealed for—and still urgently need—the co-operation of the public by conducting their routine banking business so far as possible before midday.

The Stock Exchange, like other corners of the City, presented a scene without precedent. The floor of the house gets only a modest share of daylight even on bright days, and this week the general gloom competed with the damp chilliness (the Stock Exchange steam heating plant worked with customary efficiency—but there were, alas, no electric fans to push the heat around) to subdue most of the market's human buoyancy. In former times, the sight within the House of any hat but a "topper" was apt to evoke a boisterous response—but this week headgear and overcoats of every description have passed without comment. The authorities themselves have found one source of satisfaction in a reward for foresight. They owned one of the earliest private lighting installations. This equipment, overhauled twenty-four years ago and idle through the general strike and throughout the war, has at last come into its own, to relieve the otherwise intractable problem of continued working in the basement settling room.

British Offer for American Ships

The Minister of Transport outlined on Monday the British proposals for the return or purchase of the American merchant ships at present on bareboat charter to the United Kingdom. Three days earlier Mr William Clayton, US Under-Secretary for Economic Affairs, had disclosed the main details when giving evidence before the Merchant Marine Committee of the House of Representatives when he urged the abandonment of the Republican-inspired resolution to enforce the immediate return of these ships. The background of these negotiations was noted in *The Economist* of February 1st. The vessels on charter are costing the British Government some 2,000,000 dollars a month; they comprise 229 Liberty ships (dry cargo ships of 10,000 tons deadweight), 42 smaller ships of a type invaluable for the Baltic timber trade, and about 35 specialised ships unsuitable for commercial use. This large block of tonnage, totalling some 2,500,000 million tons deadweight represents an annual carrying capacity of some 7,000,000 or 8,000,000 tons of cargo, and its immediate withdrawal would seriously affect Britain's external trade and would disrupt world shipping resources. One of the consequences would be a serious drop in the volume of imports to this country, which in 1946 totalled only 30½ million tons compared with about 55 million tons of dry cargo before the war.

Discussions have been going on for some months to meet this problem, and the British Government has now proposed to the United States that sufficient dollars should be released to enable British shipowners to purchase 100 of the Liberty ships and 15 of the smaller types—this allotment of dollars being in addition to the authorisation given last summer for owners privately to apply for the purchase of some 40 faster ships which are outside the charter agreement. Re-delivery of the remaining Liberty ships to the United States authorities, it is proposed, should begin in June at the rate of ten a month, while the remainder of the specialised vessels are to be returned during this year. It may be noted that the Ministry of Transport recently engaged 20 Scandinavian ships of this latter type on time charter for one to two years. Purchase of 100 Liberty ships, involving the expenditure of, say, £13½ million in dollars, is an unwelcome solution of the problem. The British shipping industry requires a breathing space of 12 months or so to build up its tonnage, and to be forced to expend precious dollars on tonnage which is less than fully satisfactory for its purpose is galling in the extreme. But there is no alternative source of ocean-going dry cargo tonnage apart from the United States surplus. Other maritime nations, in fact, will be similarly embarrassed if the present Republican proposals are to be given effect. British shipyards are employed to capacity in replacing deficiencies of other types, such as tankers and

FOLLAND AIRCRAFT LIMITED

PRODUCTION OF OWN DESIGNS

MR. ALAN P. GOOD'S REVIEW

The eleventh annual general meeting of Folland Aircraft, Limited, was held, on 22nd instant, at Winchester House, Old Broad Street, London, E.C.

Mr. Alan P. Good, the chairman, who presided, said: I think that some explanation is due to you for the deferment of the meeting which we are holding to-day. It has been our practice on previous occasions to hold the Annual General Meeting in the last two or three months of the old year, at which the Accounts were presented to the preceding 30th June. The explanation on this occasion is quite simply that we withheld the presentation of the year's Accounts in the expectation that we would be able to reach finality in the matter of some wartime contracts in respect of which we had outstanding claims on the main contractor and on the Ministry of Supply. In the main we have been able to clear up these outstanding matters and include them in the Accounts which are now before you.

When I last addressed you I said that we did not expect that the next twelve months would be a very happy period and that we did not expect to be able to come back to you with such a good set of figures as on that occasion, and this has proved to be the case. The year has been a transitional one with all the consequent uncertainty concerning the future of the industry which we anticipated. The early part of the year was occupied with working out the wartime contracts which, it was reported to you last year, had been cancelled following the end of the war in the Far East. Much capacity was thereby released and, as your Company was not in a position to go forward immediately with a civil project of its own, your Directors turned their attention to obtaining contracts for work on well-known civil type aircraft. It became very apparent, however, that these contracts were insufficient to absorb the whole of the available capacity and attention was therefore paid to acquiring orders for commercial work to absorb the surplus capacity. Whilst it was anticipated towards the end of 1945, however, that there would be a very considerable contraction in the aircraft manufacturing industry, the characteristic of the first half of 1946 was the resurgence of this class of work. The Company's order book at the end of 1945 showed that only a little over 20 per cent. of the Company's new contracts at that date were on aircraft. By June, 1946, however, the position had altered so materially that nearly 50 per cent. of the new orders were for aircraft components. These were in the main orders for components for civil types, particularly the Vickers "Viking" and De Havilland "Dove" machines. In addition, the Company has been designing and constructing components for the large Bristol "Brabazon" machines. The trend of events in connection with the manufacture of aircraft therefore led your Directors to believe that the contraction expected last year had not materialised to the degree anticipated, and the order book shows that a substantial recovery in aircraft contracts has been made and is continuing.

FUTURE POLICY

After careful deliberation, therefore, the Board of Directors have decided to remind shareholders that the design and manufacture of aircraft and aircraft components was the main object for which the Company was originally formed, and that must be the ultimate aim of the Company. Moreover, it must be made clear that the Company cannot take its rightful place in the aircraft industry by relying on sub-contract work alone, and it must go forward to prove and establish itself by the production of its own designs.

Your Company has an experienced Design Staff approved by the Technical Branch (Air)

of the Ministry of Supply, whose efforts in the main for the year under review have been concentrated on helping the Ministry of Supply (Air) on designs of high priority and, in particular, they have been entrusted, as mentioned above, with the design of various important components for the Bristol "Brabazon" machine. At the same time a number of the senior Design Staff have been investigating various types of aircraft, amongst them a civil type including new features of safety which has been submitted to the Ministry of Supply (Air) for their approval and also a novel design of amphibious aircraft, which has been submitted to the Admiralty. Your Board have adopted the policy of watching the trend of civil requirements during the past year, rather than making a hasty decision to commit the Company to a type which may not be successful and, in the light of the experience thus gained, your Board propose to select the best possible design evolved by the Company's Design Department and go forward with the construction of one or other of these types, if necessary as a private venture. Your Board are now in a position to define the future policy of the Company: that the Company should proceed with the design and manufacture of its own aircraft and that it would engage on whatever aircraft component work is available but that, to ensure a sufficient volume of output which would enable the Company to employ economic numbers and to achieve a reasonable profit each year, the aircraft work should be supplemented by commercial work of a type which will ensure continuity of demand and production.

In the meantime, the production facilities of the Company have been employed on the production of components for several of the well-known civil type aircraft at present before the public and for which large orders are available, in particular the De Havilland "Dove," the Vickers "Viking" and the Bristol "Brabazon" machines. The Company has also received a direct contract from the Ministry of Supply for aircraft equipment. At the same time, the Company is executing contracts for components for the Airco type pre-fabricated house, which is of aluminium construction and suitable to our plant. In addition, the Company is producing a light weight type of electric truck developed by the Brush Electrical Engineering Company, Limited, and a newly developed type of refrigerator. The volume of work on these latter type of commercial contracts is substantial and continuity of production is confidently expected. Since the end of the financial year the work performed by the Company is approximately 67 per cent. on aircraft work, 14 per cent. on pre-fabricated housing work and 19 per cent. on commercial work.

A YEAR OF TRANSITION

The year under review has, as mentioned in the report of the Directors and as I have already informed you, been one of transition and the Board of Directors and Management of the Company generally have required to give almost continuous attention to the results consequent upon the contraction of the Company's activities and the transfer from wartime to peace time. Considerable numbers of productive workers were lost following the closure of the Dispersal factories which the Company operated in wartime and which employed some 30 per cent. of the Company's wartime labour force. Further numbers of productive workers were lost upon removal of the Essential Works Order, and corresponding reductions of staff have had to be made throughout the year to preserve the balance of the labour force. I regret to say that the results of this movement of labour are only too apparent in the

accounts for the year now before you.

Turning to the Balance Sheet, which is already in your possession, you will see that the financial position of the Company remains liquid and strong. To give some of the additional details recommended by the Cohen Report, you will see that we have amplified the printed accounts on this occasion to give you rather more information concerning the finances of the Company. The Fixed Assets are now written down to a figure of £143,101 against £151,447 at June 30, 1945. During the year the Tithe Redemption annuity on the Company's land was compounded for the sum of £803 and this amount has been capitalised, but during the same period the value of Freehold Land and Buildings was written down by £3,542. You will also be able to see the total amounts which have been written off the Land and Buildings since the re-valuation in October, 1937. In similar fashion the cost of Plant, Machinery, Electrical Installation, Tools, etc., is shown and the total amounts written off since they were acquired deducted in the year under review. These assets have been reduced by depreciation and sales by a further £5,607. The net result is that the Total Fixed Assets of the Company are valued at £143,101, which is the equivalent of 2s. 10d. per share of 37 per cent. of the total capital and surpluses of the company. I think that your Company is exceptional inasmuch that the fixed assets constitute such a low proportion of the total capital and surpluses.

LIQUID ASSETS

Turning to the current assets, you will see that these aggregate £411,435, as against £634,369 at June 30, 1945; there have been considerable reductions in stocks and work in progress and trade debtors which, taken in conjunction with the reduction in the bank overdraft, reflect the curtailment of the Company's business and the settlement of outstanding contracts with main contractors and Government departments during the year. At the same time the trade creditors have been very substantially reduced from £210,882 to £68,998.

You will also notice that this year we have shown as a separate item the provisions set aside for deferred repairs and renewals, rehabilitation expenses and contingencies, and that the provisions created by last year have been augmented by a further £4,400, until we now have a total provision of £20,401. Your directors are satisfied that full and adequate provision has now been made for restoration measures and for the cost of carrying out all those repairs necessary to restore your works and buildings to a first-class condition, which they have been unable to put in hand due to conditions prevailing during the war and directly afterwards.

As on previous occasions, we have shown the provision for income-tax for 1946/47 and excess profits tax this year at a figure of £24,100. In addition we have also shown under the deferred liabilities the provision for income-tax for 1947/48 at £16,500. As explained to you last year, it has always been the practice of the Company to include this provision, although you will appreciate that the contingency is over and above the strict legal liability of the Company in respect of the accounting year under review.

It will be seen that the comparison between the total current assets of £411,435 and the current liabilities of £152,477 shows a surplus of liquid assets of £258,959, which is equivalent to 5s. 2d. per share of the Company's permanent capital.

DEVELOPMENT PLANS

We have informed you from time to time that your Company during the war paid sums by way of excess profits tax. Consequently there is due to the Company a refund, after allowing for income-tax, in the region of £60,000, which sum, however, may be expended only on rehabilitation, development and re-equipment. As stated in the

directors' report, it is proposed that out of this sum should be purchased new plant, certain selected Crown plant already being utilised and on hire to the Company and a hangar which was erected on the Company's land in wartime by the Government. Negotiations have been opened for the acquisition of these assets, which are the property of the Crown, and no doubt will be brought to a successful conclusion during the course of the current year. It is proposed also that the general reserve of £65,000, which has been built up during the wartime years, should be held available to meet the cost of development work, both on aircraft and on the commercial work undertaken by the Company.

Dealing with the profit and loss account, it will be seen that, whilst the balance from the trading account shows a surplus of £11,924, yet a small loss of £6,563 was actually made on the year, which position has been recouped by the recovery of the excess profits tax already paid, £38,500. It is proposed, therefore, that, after the loss of £6,563 referred to above has been deducted from the excess profits tax recoverable of £38,500, out of the balance of £31,937 taken together with the carry forward from last year of £7,590, a final dividend for the year ended June 30, 1946, of 4 per cent. less income-tax is recommended, amounting for £6,600, leaving £13,959 to carry forward.

Your managing director, Mr. H. P. Folland, the management and staff of the Company have had an extremely difficult and trying year, and our best thanks are extended to them for their efforts during that year. We can only hope that the results of the current year will show that the period of transition has, in the main, been overcome and we can go forward on a settled policy to a successful future.

The report and accounts were unanimously adopted, the retiring directors were re-elected, and the proceedings terminated with a hearty vote of thanks to the Chairman.

BARCLAYS BANK LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The fifty-second ordinary general meeting of Barclays Bank, Limited, was held, on the 22nd instant, at the Head Office of the Bank, 54, Lombard Street, London, E.C.3.

Mr. Edwin Fisher (the Chairman) presided.

Mr. H. G. Tickle (the Secretary) read the formal notice convening the meeting and the report of the auditors.

With the concurrence of the stockholders present, the report and accounts and also the statement by the Chairman, which had been previously circulated, were taken as read.

The Chairman moved:—

"That the report of the directors produced, together with the annexed statement of the Company's accounts as at December 31, 1946, duly audited, be received, approved and adopted, and that a final dividend of 5 per cent., making 10 per cent. for the year, on the 'A' stock, and a final dividend of 7 per cent., making 14 per cent. for the year, on the 'B' and 'C' stock respectively, less income-tax in each case, be declared, payable on the 8th proximo to the stockholders registered in the books of the Company on the 31st December last."

Sir William M. Goodenough, Bt. (Deputy Chairman) seconded the motion, which was carried.

The retiring directors were re-elected, and the auditors, Messrs. Price, Waterhouse and Company and Messrs. Kemp, Chatteris and Company, were re-appointed for the ensuing year.

A vote of thanks to the staff and a vote of thanks to the Chairman for presiding at the meeting were unanimously accorded and the proceedings terminated.

LLOYDS BANK LIMITED

SATISFACTORY RESULTS

NEED FOR INCREASED PRODUCTION AND EXPORTS

PROBLEM OF "HARD" CURRENCIES

LORD BALFOUR OF BURLEIGH'S REVIEW

PRODUCTION AND EXPORT

During the war there was a good deal of discussion as to what our economic position and standard of living would be when peace came. The answer to that question, never really far to seek, is now painfully evident. We are in the position of a firm or an individual who, through no fault of his own, has had to expend immense resources in a struggle for bare survival, and has emerged from the ordeal so short of capital and so burdened by debt that some even of his best friends may doubt his capacity and strength of purpose to make the necessary effort fully to restore his financial credit and to regain his ancient economic status.

Recovery of our pre-war standard of living, to say nothing of its enhancement, is clearly attainable only through vastly increased production; we can no longer count on a rapid reinforcement of our population by natural increase; on the contrary, our working force is an ageing one. The problem before us is therefore how to organise our available resources for maximum productivity, and the duty of every one of us is to give the greatest output of productive work of which he is individually capable.

Second only to production comes export, and too great stress cannot be laid on the vital character of the struggle for exports in which this country is now engaged. Our very existence is at stake just as it was in the physical battle against Hitlerism. Unfortunately, now that the apparent physical dangers are over it is far less easy to mobilise the great qualities of our people. And in the stress of continued austerity, due partly to the diversion of production for export, there is a danger that "exports" may become, in fact, an object of odium, instead of being welcomed as our only means of economic salvation.

During the last few months fresh light has been thrown on the importance not only of the quantity of our exports but of the direction which those exports most usefully must take. Both aspects of the problem are illustrated by the figures of our overseas trade in the first nine months of 1946, as analysed in the following table:—

U.K. TRADE BY GROUPS OF COUNTRIES (Import surplus: minus) (Export surplus: plus)

	Jan. 1946	Sept. 1946	Three-quarters of 1938
	£m	£m	£m
DOLLAR AREA:			
(a) Canada and Newfoundland	-121	-	-43
(b) U.S.A.	-136	-	-67
(c) Other dollar countries	-18	-	-4
TOTAL DOLLAR AREA	-275	-	-114
ARGENTINA	-38	-	-14
SWEDEN	-7	-	-9
"HARD" CURRENCIES	-320	-	-137
STERLING AREA	+4	-	-54
FRANCE AND FRENCH EMPIRE	+24	-	-3
DENMARK	+20	-	-16
ALL OTHERS	+26	-	-82
ALL COUNTRIES	-246	-	-292

The annual general meeting of Lloyds Bank Limited will be held, on the 31st January, at the Head Office, 71, Lombard Street, London, E.C.

The following is the statement by the Chairman, the Rt. Hon. Lord Balfour of Burleigh, D.L., circulated with the report and accounts:—

My lords, ladies and gentlemen, In accordance with recent precedent, this statement is circulated to members in advance of the general meeting to be held on the 31st instant.

To deal first with personal matters, last July we elected to the board Sir Peter Bennett, O.B.E., M.P., and Sir Harold Bowden, Bt., G.B.E. Both these gentlemen are old friends of Lloyds Bank, and reinforce our counsels with their wide and valuable business experience. We have also had great pleasure in re-electing Lord Brand on his return from the United States of America. He relinquished his seat on the board upon appointment as representative of His Majesty's Treasury at Washington in 1944.

We have suffered the loss by death of Mr. G. F. Abell. Mr. Abell joined the staff of Lloyds Bank in 1893 and rose to be chief general manager, a position which he filled with great ability from 1929 until his appointment as a director in 1939.

I must also refer to the death on Christmas Day, at the age of 85, of our old friend, Mr. W. W. Paine, who retired from the board last year.

I record with pleasure the conferment of a knighthood on Sir Sydney Parkes, C.B.E.

During the year Mr. W. R. Bown, joint general manager, has retired, and Mr. R. T. Fagan has been appointed in his place. We have had pleasure in appointing Mr. Bown a member of the Salisbury Committee of the bank.

BALANCE SHEET

Turning to our profit and loss account and to the important changes in our balance sheet figures, our profit at £1,583,000 is only slightly lower than last year, and may be considered satisfactory, a contributory factor to the result being the large increase in our resources.

Taking first the liabilities side of our balance sheet, our current, deposit and other accounts at £1,012 million are the highest in our history and are £145 million greater than last year. This large increase, which is common to all banks, is far larger than was anticipated at the commencement of the year, and it will be very disquieting if this expansion of bank credit continues.

On the assets side it will be observed that the additional resources are reflected in increases in money at call of £33 million, in our holding of Treasury bills of £45 million and in our investments of £52 million. It is pleasing to record that loans and advances show an expansion of £25 million; it is hoped that this tendency will continue, but much depends in this connection upon an improvement in the position in regard to labour and the supply of coal and raw materials. Our holding of Treasury deposit receipts has been reduced during the year by £16 million.

We still have 58 per cent. of our total deposits held in cash, money at call, Treasury deposit receipts and Treasury bills, the average earning on the aggregate of which is well below 1 to 1 per cent.

passenger and refrigerated cargo liners, as well as dealing with arrears of repairs and maintenance and making good normal obsolescence.

It is difficult, on this side of the Atlantic, to appreciate the motives behind the Washington controversy, particularly in the agreement which led to the present situation. The underlying principle of the original Roosevelt-Churchill plan hardly contemplated that American shipowners should be put in a position to exploit Britain's war-time sacrifice of commercial interests when its shipbuilding resources were concentrated on military requirements. The United States, with 12½ million tons already laid up in reserve, is in no urgent need for the return of ships on charter, and could not find trained crews to man them. American shipping interests are already comfortably protected against competition by operating and building subsidies and by the reservation of coastwise and intercoastal trades to domestic flags. No such difficulties arise over the 750,000 tons of Canadian ships now under charter to Britain, for the Canadian Government has readily agreed to accept gradual redelivery beginning in 1950.

Indian Debt Talks

Although no report has yet come to hand of the progress made in the preliminary talks on India's sterling balances which began in New Delhi last week, considerable publicity has been given to the opening Indian moves in these negotiations. The Indian delegates are reputed to have entered the discussions with a carefully prepared case and a detailed scheme. Under this scheme the debt of £1,200 million would be divided into two parts, the first of £637½ million earmarked for various current needs, and the balance of £562½ million to be funded and released at the rate of about £56 million a year, plus interest at 2 per cent. The annuities on this second part would amount to £65,887,000 a year and the debt would be repaid over a period of ten years—between 1950 and 1960.

As to the first part of £637½ million, the Indian plan proposes that it be dealt with as follows: (a) £187½ million to be set aside for currency reserve of the Reserve Bank of India and to be drawn upon as the need arises; (b) £187½ million for the import of capital and consumer goods to meet the need of Provincial and Central Government plans for economic development; (c) £187½ million for the acquisition of suitable British commercial assets in India; (d) £45 million for purchasing military installations and stores; and (e) the remaining £30 million to provide a margin to be allocated to items (c) or (d) if required. Indian circles have further added that in acquiring British assets in India they should be offered "rates sufficiently below the present inflated levels to give justice to India," and that only high interest yielding assets should be acquired now.

These proposals can be dismissed as an obvious opening move which bears not the slightest relation to practical reality. The British side has been far more discreet and kept silence about the views it may have put forward in the preliminary talks. The subject was, however, raised in the House of Commons last week and in the course of supplementary exchanges to a question about sterling balance negotiations, Mr Churchill suggested that in the time of the late Government the Governor-General of India was notified that Great Britain "reserved her full rights to present a counter claim on account of the effective defence of India by all means, land, sea, air and diplomacy, by which the freedom of India from foreign invasion was secured." Mr Churchill further asked how we could accept the great concessions made on Lend-Lease by the United States and yet divert a large portion of our remaining assets to payment of an exactly similar war debt to the Indian Government. There should be ample room for manoeuvre between the British and Indian points of view.

LMS Dividend

Speculators who were rash enough to suppose that the directors of the London, Midland and Scottish Railway would take a venturesome line of policy in their dividend declaration for 1946 have only themselves to blame. The Board have declared a dividend of 2½ per cent, which they regard in fact as an interim payment for the years 1946-7 taken as one. The Board refer to "various uncertainties in the Transport Bill" to which they have paid regard in this declaration—which is evidently an oblique reference to the restraining effects of Clauses 22 and 23 of the Transport Bill under which the Railway Companies are inhibited from paying dividends except out of the current earnings of the two years. The net revenue of the LMS for 1946, ascertained in

accordance with the terms of the Transport Bill, amounts to £15,923,000, and after payment of the 2½ per cent ordinary dividend the balance carried forward is £392,000.

This contrast with the previous year's declaration of 4 per cent on the ordinary stock seems to have been a blow to shortsighted speculators. For 1945, when 4 per cent was paid, slightly less than 3 per cent was earned on the ordinary stock and the difference was substantially made up from a credit of £519,000 "arising from earlier years' accounts" together with a transfer of £500,000 from the Contingency Fund. The position of the Contingency Funds of the Railway Companies is by no means clear from the Transport Bill. As the law now stands, it would seem that Contingency Funds are at the free disposal of the Boards, but doubtless this loophole in the manifest intention of the Government to keep all railway dividends for 1946-7 within the limits of actual earnings will be stopped up during the committee stages.

Meanwhile, LMS ordinary stock has moved from the pre-declaration level of 30 to a midweek price of 28 xd. As a "short," with a prospective coupon for the current year of £2 15s., the stock yields nearly 10 per cent. It may well be that a wider range of investors than the large institutions will come to appreciate the merits of this and other marginal home rail stocks as a temporary haven for investment funds, on the argument that towards the end of this year the investment outlook will be a good deal clearer than it is to-day, and a guaranteed capital and income even for a year has its attractions.

The Companies themselves will not, of course, derive any benefit from any increase in charges which the Minister of Transport may order this year. The report of the Charges Consultative Committee is now being printed for publication and the Minister of Transport has undertaken to make a statement on charges at an early date.

Double-Shift in Cotton

A week ago delegates from the cotton trade unions met in Manchester to discuss double-shift working. Adoption of double-shift working is one of the conditions attached to the Government's offer of financial assistance to re-equip the industry. The conference adjourned until February 22nd, when Sir Stafford Cripps will be invited to address the meeting. Ostensibly, the reason for the adjournment was the narrow majority obtained on decisions affecting amalgamation.

There is understandable hesitation on both sides of the industry in conceding either re-grouping or double-shift working in principle so long as there is any bargaining value in offering an acceptance subject to reservations. A sweeping acceptance either of amalgamation or of the double-shift might lead, at least in theory, to a widespread imposition of both on smaller firms. The real difficulty is to ensure that, though acceptance in principle is offered speedily, each case for amalgamation and double-shift working is assessed strictly on its technical merits. Although it may be possible to carry out modernisation of factories in the three stages suggested already, there are bound to be important differences of detail in each case. Decisions will have to be taken, for instance, on the counts of yarn to be spun, on the extent to which ring spindles should replace mule spindles and how the male and female labour force can be best deployed. It is doubtful how far these practical issues can be dealt with if uncompromising amalgamation and double-shift working is to be a first condition of assistance for re-equipment.

It is now over two months since the Government made its offer, and no further progress can be expected until the end of February. Meanwhile the industry has been plunged into an almost complete stoppage. Will that be seen as a warning light that cotton, as well as coal, is an urgent industrial problem?

The Transport Bill in Committee

The coal crisis has made no difference to the programme of work for the Standing Committee on the Transport Bill which sat for two days last week and for three days this week—thus affording a perfect illustration of mass-produced legislation in which the important technical detail is discussed upstairs without adequate consideration or publicity. Last week's amendment attempted to increase the size of the Transport Commission from 5 members including the Chairman to not less than 9. This was rejected by Mr Barnes on the ground that the Commission is essentially a body to make policy decisions and should not encumber itself with details of management or operation—an admirable statement of principle which appears completely to ignore the fact that the Commission will be responsible for the

whole of the accounting system for nationalised inland transport and will require a secretariat of considerable size (in some respects duplicating the staff of the Executives) if it is to make satisfactory policy decisions. It will inevitably be immersed in much of the detail as well as the broad policy and to suppose that five members of the Commission will be sufficient for a task of such enormous responsibility is optimistic.

The Parliamentary Secretary was on rather firmer ground when he rejected an amendment to include on the Commission an additional member to be selected by the Minister from persons nominated by the principal transport-using organisations. If the Commission is to work at all it must be as a Commission and not as a representative of particular interests whether transport users, workers or managements. That, of course, is not to say that these interests should not receive the fullest consideration by the Commission. But the principle which Mr Strauss laid down for the avoidance of the explicit representation of any particular interest is surely a sound one. It is surprising that the Minister having insisted on his Commission of five was not prepared to require from each of the members his exclusive services on the Commission. The Government's answer to this proposition was that the Government intended to set up a Commission of full-time members but would not wish to exclude the possibility of part-time members—a compromise which Sir Arthur Salter neatly turned into an argument for a larger Commission of mixed full- and part-time members.

The principal amendment in this week's Committee proceedings attempted to confine the operations of the Commission to long distance road haulage and to rule out the possibility of the Commission competing with private transport operations in the sphere which the Bill leaves open to them. Opposition speakers were unanimous that if the Bill was not amended in this respect grossly unfair competition would occur between the Commission and private road hauliers; and from the Government benches there were counter claims that the Amendment was put forward as a wrecking amendment which would bring the transport of the country to a standstill. Mr Barnes promised to give later consideration to this point, though his words were hardly unequivocal.

Swiss Payments Talks

It was announced this week that Mr Ellis-Rees, of the Treasury, will shortly go to Switzerland to discuss the question of Anglo-Swiss payments and trade. No doubt these talks arise partly from the fact that the Monetary Agreement is nearing the end of its first year, and thus is due for one of those periodical reviews which are a normal feature of Britain's exchange arrangements with Western Europe. But it is a fair presumption, too, that the difficulties which recently gave rise to a new system for regulating Swiss tourist expenditure have not been wholly surmounted. The Swiss agreement prescribed the customary limit of £5 million to Switzerland's accumulation of sterling, but with the important supplementary provision that if the sterling area balance of payments with Switzerland was adverse, the Swiss would finance in sterling the amount of the deficit, up to a maximum of £10 million within the first year and a maximum of £15 million for the first two years taken together. Any deficit beyond these figures had to be settled in gold.

In fact, the first year's limit was closely approached after only eight months, and has recently been exceeded, so that payment has had to be made in gold. In part this was due to heavy (though obviously foreseeable) governmental payments early in the period, particularly for the movement of British troops returning from Italy over the Swiss railways. It arose partly from the summer's tourist outlays, which had also been foreseen but proved heavier than had been expected, necessitating closer control of the winter season's traffic. But more particularly (as *The Economist* pointed out on November 16th) it arose from heavy expenditure in Switzerland by other sterling area countries, and especially by South Africa and India. Britain has felt obliged to deny herself imports of Swiss luxury goods, and high priority goods have been available only in small quantities. British exports, on the other hand, made a strong recovery, and last year were in money values more than twice their pre-war level. From her normal position of trade debtor to Switzerland, Britain became a substantial creditor, only to find that heavy invisible payments and the imports into sterling area countries from Switzerland had swung the overall position back again heavily "into the red."

The second year's account will not be burdened with heavy special payments, which possibly explains why the monetary agreement gave more latitude in the first year than in the second. But the available margin now—an additional £5 million—is un-

likely to suffice for both the budgeted tourist outlays (which are being kept within planned bounds by the new system of Swiss control) and continued Dominion expenditure on the recent scale. If there is an overall deficiency, Britain must pay in gold which she cannot afford and Switzerland must receive gold for which she has no use—for some years now an excess of dollars and gold has been embarrassing the Swiss authorities (who still think in terms of monetary rather than physical controls) because it increases the inflationary potential. Given the autonomy of the Dominion import controls, it is not easy to see a remedy satisfactory to both parties. Britain after this fuel crisis can scarcely hope rapidly to expand her exports, and, in a phase of such pressure, could hardly feel content to use precious productive resources to meet Dominion purchases, except as part of a planned arrangement for release of sterling balances. The only remaining course would seem to be to curtail tourist expenditure. But would that suit the Swiss? Perhaps, after all, they will feel that the better plan for them would be to give a little more elasticity to the limits set in the original agreement.

Cotton Export Pattern

The country's need for increased exports to "hard" currency areas has now been recognised in the new cotton textile export arrangements which were outlined by the Board of Trade last week. Except for certain Empire territories "to which special considerations apply" allocations on a country to country basis are to cease. During the war an intricate export allocation system was built up to direct cotton piece goods to American markets. Later, when lend-lease began, the allocations were revised, so that cotton exports could be directed to those areas where consumers' goods were required to induce the producers of essential foods and materials to increase their output.

Some of the consequences of these wartime changes are indicated in the following table—which shows exports of cotton piece goods and cotton yarn in 1938, 1945 and 1946 to the main geographical areas:—

	Cotton Piece Goods: '000 sq. yds.			Cotton Yarn: '000 lbs.		
	1938	1945	1946	1938	1945	1946
U.S.A.	8,674	2,825	6,521	570	72	214
Canada	64,458	8,072	5,298	3,598	3,954	4,324
S. Africa	109,465	75,510	76,002	2,732	3,929	5,095
Australia	145,894	95,620	87,955	6,540	4,432	4,786
India	273,317	1,223	12,368	5,138	89	144
Remainder of Empire	250,592	182,831	213,732	3,710	2,207	2,855
Argentina	97,584	155	3,601	4,170	2	8
Rest of S. America	67,913	96	1,944	4,060	3	107
Near East	64,233	14,755	23,220	...	...	...
Far East	32,079	60	5,891	...	...	...
Europe	158,282	17,047	30,810	45,952	934	1,261
World TOTAL	1,386,235	441,095	513,287	122,950	16,103	19,383

Total cotton piece goods exports fell from 1,386.2 million square yards in 1938 to 441.1 million square yards in 1945. An even larger proportionate fall was experienced in yarn exports. By 1945, European, Far Eastern and Indian markets had been almost wiped out by war, lack of shipping and other enforced cuts. In piece-goods, the areas least affected by the reduction in exports were the Dominions (excluding Canada) and the Colonial Empire. During 1946, there was a slight readjustment of the balance in favour of Near and Far Eastern markets and of the United States. But progress was sluggish in Canada and South America. The European market recovered slightly, but the Indian market regained only 4 per cent of its 1938 volume. Many of these markets, such as India and South America, may well have disappeared, so far as the cheaper end of the trade is concerned. But the piece-goods figures suggest that in some markets there is still an opportunity to restore, as a first target, the 1938 level of trade, if only the output were available. In others, especially the United States, a further large expansion in sales will require revised and vigorous selling methods to offer serious competition to the protected local industry.

The Board of Trade announcement pointed out that the export allocation is considerably reduced for 1947. This is a masterpiece of brevity, for the new export allocations will have to take account now not only of a limited labour force and the five-day week but also of the fuel crisis. This must react on the size of the export quota. If the public in this country is to be clothed and "hard" currencies are to be earned, there may yet have to be drastic revisions in the special considerations given to Empire customers—or even a return to country by country allocations.

It will be seen that our imports from all countries taken together exceeded our exports by £246 million, or less by about 16 per cent. than in the comparable period of 1938. At first sight this result may not seem unsatisfactory, although it must be remembered that before the war we were able to pay for our import surplus to a large extent out of income on overseas investments which have been sacrificed in paying for the war. But when one examines the composition of this global import surplus, the picture is disturbing; for it will be seen that our deficit in trade with the all important "hard" currency countries, such as the dollar area, the Argentine and Sweden, on which we depend for a large part of our supplies of food and raw materials, amounted to as much as £320 million.

NEED FOR "HARD" CURRENCIES

That trade deficit involves a drain on our exchange reserves which would be serious enough, but unfortunately it is not the only source of strain. Far from receiving reparations from Germany, for example, this country has been compelled to send large quantities of foodstuffs into the British zone simply to avoid economic chaos there, and assistance must also be given to other ex-enemy countries, such as Austria and Italy. So grave would be the consequences of an economic breakdown in Europe that no responsible person can question the wisdom of this policy in our own interest, though perhaps one may be permitted to express regret that Germany could not have been made to be self-supporting from an earlier stage of the occupation. It is patently in our interest that the labour and industrial plant of Germany and of Italy should be brought into production and not be left standing idle at a time when the world is suffering from severe shortages of goods of all kinds. To rehabilitate the economies of these ex-enemy states will, it appears, make heavy drafts on our available dollars for at least a further three years, but fortunately after 1947 at a diminishing rate.

This is one adverse factor which has appeared since the signing of the Washington Loan Agreement to intensify the doubts, expressed at the time by Lord Keynes and others, whether the Loan would prove large enough to tide us over the difficult period before us. Another such factor is the sharp rise in United States prices which has substantially reduced the purchasing power of the Loan—that being only another way of saying that the credit is in danger of running out more rapidly than had been hoped.

In July, 1947, there comes into effect the obligation we have accepted under the Washington Loan Agreement to make sterling earned in current transactions freely convertible into dollars or other currencies, and as things are running at present a critical situation seems likely to arise within two years from now. The severity of the crisis would depend on the extent to which we can succeed in stepping up our production and diminishing our adverse balance with the "hard" currency area.

At present, no other country is under a similar obligation to convert into "hard" currency the proceeds of current trade, owing to the five years' transition period allowed by the Bretton Woods agreement. That would be of little account if such countries were in a position, equally with the "hard" currency group, to supply the essential foodstuffs and raw material that we need; but such is unfortunately not the case. It is because North America and the other "hard" currency areas are alone able to export these vital supplies on a large scale that the problem of securing imports to maintain our standard of living has become almost entirely a problem of securing dollars. And this in turn is why it is so essential, as Government spokesmen have emphasised, that our exports should be directed as far as possible to the "hard" currency countries. This is, however, easier said than done. It takes two to make a bargain.

From what has been said already it will be apparent that this search for so-called "hard" currencies is dictated by the economic realities of our situation. Before the war, doubtless, the dollar became known as a "hard" currency in virtue of its convertibility into gold and therefore into all other currencies; this is still, of course, an important characteristic of a "hard" currency to-day, but what is perhaps even more significant in present circumstances is the capacity of the country in question to supply required goods. In this connotation a "hard" currency country is one which (a) has the goods we need; (b) does not want to the same extent the goods we are able to export; and (c) is not prepared to extend credit beyond a defined limit. It is for these reasons, rather than for convertibility into gold or dollars, that the Swedish krona is "hard" from our point of view, whereas the Danish krone is not. Denmark is a willing buyer of the goods we are able to supply and in return for part of them she sends us dairy produce which is just as important for our economy as Swedish timber; but for her purchases from us in excess of her exports to us she can only pay us in kroner, which are not convertible into dollars. Sweden, on the other hand, is not prepared to increase her shipments of timber to us unless we can offer more of the goods she requires, in particular coal.

These facts illustrate the weight of the burden to be assumed by us on July 15, 1947. The restoration of free convertibility of sterling earned in current transactions was one of the obligations entailed by the acceptance of the American loan of \$3,750 million, and, as I have already mentioned, events subsequent to the signature of the agreement have combined to intensify our doubts as to the sufficiency of the amount of the loan. It must, however, always be remembered that if the risks are great the reward of success would be great indeed also. It would be nothing less than the re-establishment of sterling in its proud position of a universal international currency.

U.S. TARIFF POLICY

Fundamentally, balance in our trade position can be restored only through a vigorous production drive to raise our total output of food as well as of manufactured goods, for the more we can raise our aggregate production the less we shall need to buy abroad and the more we shall have available for export. Yet the utmost effort on our part will not suffice unless at the same time the United States is pursuing policies consistent with expanding world trade. It was foreseen that in the years after the war the outside world would become largely dependent on American supplies to speed up reconstruction. If other countries are to meet their direct obligations to the United States and at the same time to build up the system of multilateral trade which America so much desires, free from discriminatory practices, they must be adequately supplied with dollar reserves; and in the last analysis it depends on the actions of the United States whether the dollars are made available. There is an obvious danger that the unavoidable dependence of war-exhausted countries on American supplies for reconstruction will lead to a world shortage of dollars.

In the first instance, such a dollar shortage can be averted only by large-scale American lending. That lending programme did indeed make some headway during 1946, through the medium of the Export-Import Bank. The time has now come, however, when it was expected that the World Bank for Reconstruction established under Bretton Woods would take over, and it is somewhat disturbing that that institution is apparently not yet in a position to begin effective operations. It is to be hoped that the American financial world will give the new organisation every support, since, as has been said, American lending through that or other agencies is a prerequisite of the kind of trad-

ing world, permitting a broad flow of American exports, which American business men themselves feel to be essential if widespread unemployment in the U.S.A. is to be avoided.

In the longer run, of course, as I emphasised last year, a dollar shortage that would compel other countries willy-nilly to restrict their purchases of American goods can be averted only if the United States is prepared to accept a large increase in imports. We welcome the increasing awareness of that basic fact among business men in the U.S.A., as also the considerable success of the preliminary trade talks held in London last autumn between representatives of eighteen nations. The object of those preliminary discussions was the limited, if important, one of reaching agreement on an international code of general principles to guide commercial policies in a multilateral trading system. The actual work of clearing away trade barriers by mutual tariff reductions and other concessions has still to be accomplished at the full-dress trade conference to be held later this year, and the result of those negotiations will be awaited with keen anxiety. It is not too much to say that that conference will probably decide once for all whether international trade can be rebuilt on a sound footing, or whether the world will relapse into a system of barter and discriminatory practices, with fatal consequences to world prosperity. It will be a tragedy indeed if, after the wonderful Anglo-American comradeship in war, we cannot find means of co-operating in a great drive for expanding trade and raising standards of living throughout the globe, the attainment of which can alone afford any firm basis for hopes of permanent peace in the world. We all welcome what we believe to be the general condemnation of political isolationism in the U.S.A., but failure to co-operate financially in re-establishing trade relations would be equally fatal to prosperity on both sides of the Atlantic.

It should be understood that the interests of this country lie not merely in obtaining direct tariff concessions for ourselves; what matters is that the great American market should become accessible to the goods of the whole world. That is because the settlement of our dollar deficiency must take place to a large extent through triangular and multilateral channels: for example, American purchases of raw materials, such as the rubber and tin of Malaya, are a major source of dollar earnings for the sterling area as a whole. Some people would even question whether scope exists for massive direct exports from Britain to the United States, holding that the direct trade must in the nature of things be confined largely to high-class manufactures and luxury goods enjoying at best a limited market.

PROSPECTS FOR BRITISH EXPORTS

I believe that British exporters in a wide range of industries will find a surprisingly ready outlet for their goods in the United States if they will bend their efforts in that direction. Indeed, the view has been expressed by a competent American observer that, even in lines where British exports are already established in the American market, the surface has been no more than scratched. If this outlet for our goods is to be fully developed, however, it is imperative that our exporters adopt modern methods of sales promotion appropriate to the American market. In the past, failure to employ such methods has been made a reproach to British manufacturers. Instead of relying on resident agents, who do little more than accept orders for the product, some undertakings have recently established their own sales organisations overseas, and it is felt that many other firms might usefully follow this example. In this connection may I stress the importance of visits overseas by firms' principals? Such a visit by a partner or director who is in a position to give orders on the spot and make contact at the highest

level with importing firms has a value which cannot be over-estimated. Our bank and its affiliates stand ready and anxious to assist the export trade in every possible manner.

While a lowering of the American tariff wall is most desirable, it should be realised that, in our case especially, a high level of American national income is no less important; for the amount the USA buys from abroad varies directly with the state of American prosperity, and an increase in the American national income brings a proportionately much greater increase in the demand for the high-class products which in the past have represented the bulk of our United States trade.

EXCHANGE CONTROL BILL

Two Bills now before Parliament are of great interest to us—the Exchange Control Bill and the Companies Bill. The reference already made to our critical position in regard to the dollar exchange is enough to prove the need for the continuance of strict exchange control, and no time limit can at present usefully be set within which control can be terminated. Our whole future standard of living depends upon successful balancing of our "hard" currency accounts. While control must necessarily continue for a long time, it is to be hoped that we shall retain as our object of policy the restoration of free exchanges. Strict control, necessary as it is under present conditions, is in itself a hindrance to legitimate trade. Many types of transaction, e.g., foreign travel, purchase of goods and works of art, which have to be prohibited because they are unilateral, would give rise to corresponding transactions on the other side of the account, and would, in fact, be more than self-balancing and a source of profit, if only an equilibrium could be restored within which greater freedom could be allowed. Further, it is the particular disadvantage of exchange control that it renders illegal many things which the ordinary citizen wants to do and can with difficulty be prevented from doing. A good deal of public education, it seems to me, is needed to teach ordinary people the reasons for exchange control and thereby to discourage evasion which at first sight seems innocent and harmless.

COMPANIES BILL

Shareholders may remember that in my statement last year I welcomed the decision of HM Government to implement by legislation the Report of the Cohen Committee appointed to make recommendations for the revision of the Companies Act, and that I added a plea that the details should be very carefully scrutinised and considered in the light of what is really practicable, particularly the much discussed nominee question. The Companies Bill which has now been introduced is a lengthy and complicated measure, directed largely to furnishing shareholders and persons dealing with companies with more information regarding the affairs of their companies, an objective upon which the Committee laid great emphasis and the desirability of which I endorse.

The Bill indicates that HM Government has attempted to make the proposed changes in the law administratively workable and convenient as far as possible to businesses

honestly and properly conducted, although the Bill is capable of further improvement in this direction. Considerable and important modifications of detail in the Cohen Committee's nominee recommendations have been made. Nevertheless, the nominee proposals, even in this modified form, are so involved that I doubt whether they will be readily intelligible to the ordinary investor, with the consequent risk of failure to comply with the law on his part, through inadvertence or ignorance. It is widely held that it is impracticable to prevent deliberate evasion. If this view is correct, then to enact a law with which only the well-intentioned are likely to comply, and under which the detection of defaulters is so difficult as to be virtually impossible, would surely be contrary to public policy. Such a law would indeed rapidly fall into disrepute through the inertia of even the well-intentioned.

So far as the banks and their nominee companies are concerned, the nominee proposals of the Bill as drafted raise no special point of principle or serious administrative difficulty; but the intricacies and technicalities of the subject are such that personally I believe it would be wise to recognise that the attempt to secure effective universal disclosure, buttressed as it must be by complicated measures to ensure enforcement, would impose upon the companies and the public labour and inconvenience wholly incommensurate with any advantage gained.

One other point: may it not be that the proposals would have far-reaching results abroad, in so far as obligations are to be placed upon foreign owners which may be resented, and which might lead, in some quarters of the globe, to retaliatory legislation of a severe character?

2½% GOVERNMENT BORROWING

Mention has already been made of the unexpectedly large increase in our deposits. I feel bound to make some further reference to this phenomenon because I do not think it can be regarded as being entirely unconnected with the reduction to 2½ per cent. of the rate for long-term Government borrowing.

With a national debt of the present size a reasonably low interest rate is essential if the current burden is to be tolerable, and if the inflationary dangers of large budget deficits are to be avoided. At the same time, particularly when taxation on the modern scale is operating concurrently to reduce still further the return from savings, regard must be had to the effect on national habits of thrift. Individual saving has still a role to play as a source of capital for enterprise, and thrift is valuable for that reason to the whole body politic as well as to the individual saver. But at the present moment it plays an even more vital part in mitigating the pressure on the various physical controls which are still the necessary bulwarks against the perils of a purchasing power greatly in excess of the volume of purchasable goods. Thanks to the good sense and discipline of our people, such controls have been more effective in this country than in any other country in the world. For this very reason it is undesirable to subject them to undue strain or to prolong indefinitely the period of their continuance. It is no doubt within

the power of the Chancellor of the Exchequer to reduce the long-term rate still further, if he is prepared to increase the proportion of floating to total debt. What is to happen in these respects will no doubt be revealed to us during the next twelve months. Meantime, perhaps I may be permitted to express the view that on balance the reduction in rate has gone as far as is consistent with the maintenance of that wholesome relation between spending and saving which, together with increased productivity, is vital to the restoration of our economic health.

STAFF COLLEGE

Turning again to domestic matters, I would like to mention a new departure which we are making this year, and which we believe will be of great benefit to the staff and to the Bank. We are establishing a training college for our staff, and for this purpose we have acquired a freehold mansion, standing in its own grounds of about thirty acres, known as Eyhurst Court, Kingswood, Surrey. We intend in the first instance to concentrate on a course for men of about 40 years of age who through war service, have lost some valuable banking experience and training. Thereafter our basic scheme will include two courses—a junior course and a senior course. Accommodation is available for some forty to fifty students as residents, as well as the residential staff. There are suitable lecture rooms and facilities for recreation. We believe that the courses which we propose to hold will widen the outlook of our future officials and will help to equip them for managerial and other responsible posts.

STAFF

During 1946 the demobilisation of our permanent staff has to all intents and purposes been completed. Less than one hundred of our permanent men and women remain in the Forces. The resettlement has been carried out satisfactorily in spite of the many difficult problems involved, chief among which is the housing shortage. We are by no means satisfied with the distribution of our staff, and both from the Bank's point of view and that of the staff a big adjustment is overdue; but until the housing situation is very considerably easier there are many moves which it is impossible to carry out without the parting of families and consequent discomfort, which neither the staff nor the Bank are anxious to face unless absolutely necessary.

Our returned men and women have settled down well and by their application and determination to resume their interrupted careers have earned excellent reports. We still have a large temporary staff, and active steps are in preparation to give a number of these permanent status. Without their work often carried out in dangerous and trying circumstances, the Bank could not have carried on as it did.

I desire once again to pay a tribute to the work of our whole staff, both permanent and temporary, men and women alike; from the Chief General Managers to the humblest messenger they form a grand team united in their devotion to the service of the Bank and through the Bank to the service of the shareholders and of the public.

NOTICES

WILLIAM R. WARNER & CO., LTD., Power Road, W.4, require an assistant to the Export Manager. Good education and initiative essential. Desiderata: experience import-export procedure, advertising, accounts and statistics, overseas correspondence, knowledge of foreign languages, particularly French; trade marks, contracts; pharmaceuticals and cosmetics. Age about 30. Starting salary £400-£450.

ADMINISTRATIVE or Executive position, or one leading thereto, required by Chartered Accountant, aged 39, Member I.I.A., with extensive experience in management control of production, materials, selling, personnel, etc.; all modern systems, investigations and reorganisations. Over £1,000 p.a. earned since 1942.—Write: Box 398.

SALES MANAGER, experienced Home and Export Markets, General Management, Buying, Licence Negotiations. Proven capability in building and creating business.—Box 404.

URGENTLY WANTED by Market Research Department, "Scientific Investment," by Parkinson.—Write Box 405.

BARRISTER (30), Honours Graduate, formerly Secretary of a National Organisation, now Secretary of a Merchants-Shippers' Company, seeks interesting position. Possessing wide administrative experience, sound knowledge of economics, fluent French/German, widely travelled. Present emoluments £1,600 p.a., but material aspect secondary.—Box 406.

BANK EXECUTIVE, shortly retiring, disliking prospect of inactivity, would welcome opportunity for part-time appointment where wide experience of financial affairs and extensive contacts in Britain and Overseas would prove valuable.—Write Box 407.

UNIVERSITY GRADUATE, qualified Accountant (40), wide experience as Secretary to Industrial Associations, seeks responsible position.—Box 408.

Companies Bill in Committee

On Tuesday the House of Lords began their hearing on the Committee stage of the Companies Bill and succeeded in dealing with the first 13 clauses on which no fewer than 56 amendments were called. An attempt by Lord Maugham to limit the penalties in connection with accounts and auditing to wilful and knowing contravention of the provisions was answered by the Lord Chancellor by the point that a man who was neglectful and failed to carry out the duties imposed upon him by the Act should not be able to get away with his neglect, though he promised to look into the matter further. Lord Maugham also sought to make changes in the rights given to proxies under the Bill to speak at meetings, and the Lord Chancellor was prepared to meet him to the extent that the right should be given in the case of private companies but not in the case of public companies, though he accepted the amendment dealing with part of Clause 5 under which originally provided the proxies could not vote both for and against a resolution. Clearly some proxies would have to attend meetings of public companies prepared to act in opposite directions and, if allowed to speak, to talk with two voices. The present position appears to be that they will retain their right to vote according to instructions of the legal shareholders but may only do so in silence. An amendment was agreed to which provides directors with discretion about the preparation of consolidated accounts which under the Bill have to be prepared as at the same date as those of the parent company. This provision would have involved difficulties for overseas subsidiaries where, unless the presentation of consolidated accounts is to be greatly delayed, it would have been impossible in many cases to make the dates agree. This is a difficulty which is, after all, familiar to accountants and in the past it has not been an impossible matter to make an adjustment in the consolidated accounts to cover the gap in the accounting dates of the subsidiary and parent.

The Lord Chancellor moved an amendment to change the definition of the word "subsidiary." Under the Bill the old doctrine of majority voting power is the crucial test; under the amendment, power to secure appointment of directors is to be the test. This recognition that a Company may, in all practical effect, be a subsidiary even though, from a strictly legal point of view, it is not majority controlled, is welcome. The consequence of such a move as that recently announced by the British American Tobacco Company to "shed" the Tobacco Securities as a subsidiary by reducing its voting power below 50 per cent but retaining its share in the equity had reasoning behind it. On the other hand, it would clearly have rocked the entire foundation of the new Companies Act if there had been any conflict between the legal definition and the practical meaning of a subsidiary.

New Wage Demands

There is a touch of grim irony in a week which has produced nearly 2,000,000 unemployed and queues at the labour exchanges together with further demands for higher wages and shorter hours. The full force of the coal shortage on employment has fortuitously coincided with a court of enquiry recommendation for a shorter working week in shipbuilding, demands for increased wages and shorter hours from railway workers and the submission of the building workers' demands for higher wages to arbitration.

In shipbuilding, a court of enquiry has published its report on the workers' claim for a 44-hour 5-day week. Taking as their starting point the long-established connection between shipbuilding and engineering, where the principle of the 5-day week has already been admitted, the Court have recommended for shipbuilding a 44-hour 5-day week from March to October and a 44-hour 5½-day week from November to February. This 5½-day week during the winter recognises the industry's need for daylight working, especially on the ship-repairing side where harbour dues will have to be paid over idle week-ends. The recommendations apply only to hours, and their effect on wages and production has still to be negotiated and worked out. But one immediate consequence of shortening the working week would certainly be to increase the congestion in the dockyards of shipping tonnage awaiting repair and reconversion.

The possibility of further dislocation and higher costs in transport is raised by the demand this week by the three railway unions—encouraged perhaps by Mr. Dalton's publicity about the £17½ million "profit" on nationalisation—for an all round increase in wages of £1 per week and shorter working hours. Taken by itself, this further increase in wage demands after a consolidation of wartime gains would be serious enough, for it must inevitably raise transport costs and give incentive to other

workers to hold out for increases. It has occurred at the same time as the building industry dispute has gone to arbitration. A double shock to the wages structure would result if both increases were granted and it might well encourage a general demand for wage advances at a time when the industrial system will be struggling to recover from the first effects of the coal crisis. The arbitration findings in the building industry dispute will consequently be awaited with something more than interest, not only for their effect on housing costs but also on the entire wages structure of industry.

These wages and hours demands may well create critical problems at a number of key points once industrial production begins to recover. Their potentialities certainly dwarf the progress in labour relations this week symbolised by the abolition of the Furniture Manufacturing Wages Council and the recommendations of the Café Wages Board for a 47-hour week, holidays with pay and overtime rates for unlicensed premises.

Australian Loan Silence

After the considerable comment which was aroused by the silence of the Australian authorities last year about the results of the Conversion operation in June, it is more than a little surprising that the Commonwealth authorities should be content with the announcement that they regard the result of the conversion offer made last month to holders of £18½ million of Commonwealth 4 per cent and Western Australia 3½ per cent stocks as "satisfactory." Once again, the results of the cash and conversion offers have not been published, though there appears to be at least indirect evidence that the cash applications were allotted in full.

It is difficult to perceive the logic of this reluctance to give information which is clearly required if a fair market is to be made in the new stock on the London Stock Exchange. Silence breeds uncertainty about the hands in which the new stock is held; the opening dealings indicated this uncertainty only too clearly, for the stock rose from a small discount to a quite useful premium. It is surely desirable that all uncertainty should be cleared up by the Australian authorities who, after all, should not be unwilling to follow the established practice in the London market of disclosing the results of the new issues.

Issuing Houses and "Stags"

The first annual report of the Issuing Houses Association suggests that, after a rather halting start, the Association has been able to settle down to some useful work. Its membership has been extended and generalised, so that 52 companies and firms are now members, including practically every issuing house in the country. The Association was born after consultation with the Bank of England; that link has been maintained and strengthened—the Executive Committee have had close touch with the Bank of England and have always found the Governor and Deputy Governor very helpful. The Executive have also established the principle that their contacts with the National Investment Council and the Capital Issues Committee should be covered through their normal contact with the Bank.

As for the work of the past year, the Issuing Houses Association added its voice to those of other investment bodies in representations to the Chancellor of the Exchequer regarding his statement in the House of Commons last March about Japanese bonds. It has also discussed with the Council of the Stock Exchange a variety of questions such as placings versus public issues, and the desirability of bi-weekly meetings of the New Issues Committee. And the new Companies Bill has been under the consideration of a sub-committee. The problem of the "stag" has, of course, a particular relevance for the Association. Clause 48 of the new Bill is framed to deal "with the more objectionable type of stag" and is considered adequate for this purpose. But the Association is also keeping under review "the more complicated issue of dealing with the stag who is prepared to accept allotment with the intention of selling his shares immediately thereafter."

These questions of "staggering" are always difficult in periods of new issue activity. But to seek, as the Association post-allotment speculator will scarcely diminish them. Where is the line to be drawn? Does an allottee who sells after a moment's initial speculation of this type play an important part in establishing a rational market and a firm investment basis for the

The Association acknowledges that this is a complicated problem, and its examination of the problem is likely to be prolonged before a solution—if one exists—is discovered.

Chinese Currency Chaos

The prospect of continuing, and perhaps intensified, political instability and civil war in China has not failed to affect the exchange position of the Chinese dollar. For some weeks past the black-market rates quoted in China for gold, dollars and sterling have been rising steadily, but the movement until this week was at least retarded by the official policy of offering gold in the black market. The amount in question has always been insufficient to satisfy the voracious appetite of the market, which is being fed by the ever-increasing inflation of the domestic currency. This type of intervention in the market is always bound to be extremely expensive in terms of the results which it achieves, especially when applied in China, where it can safely be assumed that a good deal of the gold will find its way into channels for which it was least intended.

The futility of this endeavour to mop up inflation by gold sales has now been realised, and this week the Central Bank of China withdrew from the black market in gold. The result, of course, has been to accelerate the depreciation of the Chinese dollar as measured by prices offered for gold and foreign currencies. Gold bars which were quoted at 676,000 Chinese national dollars per ounce at the beginning of the week, jumped to 920,000 dollars in one day. Similarly, the rate for the US dollar rose from 13,500 to 18,000 Chinese dollars, and that for sterling from 43,000 to 53,000 Chinese dollars. There has since been some recovery from these panic prices—gold fell to 700,000 dollars on Wednesday. But since the fiscal machinery of the Central Government is still largely paralysed while its expenditure, military and civil, is steadily expanding, the sources of the inflationary flood are gushing more strongly than ever.

It is difficult, indeed, to avoid the conclusion that the present Chinese dollar is sliding to complete collapse. The Chinese authorities are still toying with a situation which appears to be sweeping beyond their control. As an example of the type of remedial measure now being suggested in Nanking is the recommendation which comes from the legislative Yuan that in order to meet the present crisis "all gold bars should become Government owned, transactions in gold should be halted, foreign currency transactions should be prohibited, and the black market should be wiped out." This is indeed attempting to cure a raging fever by removing the thermometer.

Exchange Control in India

The Indian Central Legislative Assembly has this week passed a finance bill which in some respects is the counterpart of the Exchange Control Bill introduced in Britain recently. It gives permanent statutory form to the war-time mechanism of exchange control in India which was closely modelled on the British system. Explaining the bill, the Finance Member said that it gave the Government wide and discretionary powers which, however, would be wielded with the general objective of allowing nearly all transactions of a current nature, subject to certain restrictions

designed to ensure that capital was not being transferred in the guise of current payments. In addition, the Government intended to allow moderate transfers of capital where these were required for trade purposes such as the establishment of overseas branches of Indian trading firms and banking and insurance operations. It is the intention of the Indian Government to continue the licensing of imports but to provide exchange freely for duly licensed operations. Foreign exchange will be provided for the transfer of profits, interest and commissions to persons resident outside India. The Finance Member also pointed out that persons leaving India would be allowed to transfer Provident Fund balances and savings up to certain limits.

The main contrast between the Indian and the British exchange control measures is that the former omits any schedule of territories within which exchange control will not apply. This does not imply that India will in future operate exchange control *vis-à-vis* other countries in the sterling area. The decision, according to the Finance Member, was made because in view of India's new status "it was not desirable to include in the new Act a schedule of territories to which exchange control restrictions would not apply, as this might give the impression that India wished to continue permanently the system of pooling her foreign exchange, which is a feature of the present sterling area arrangements." Powers are given to the Reserve Bank under the bill to exclude specified currencies and payments from restrictions, by the issue of notifications, and by virtue of these powers the Reserve Bank will be able to continue arrangements under which transfers to the United Kingdom and other sterling area countries will be allowed without restrictions. The Indian Government's policy, according to the Finance Member, is to achieve multilateral convertibility of all currencies, including the rupee, as soon as possible, and to confine restrictions to those necessary to ensure the control and regulation of capital movements.

In an earlier statement in the Legislative Assembly, the Finance Member gave interesting information about the extent to which India's sterling balances during the war were increased as the result of the pooling of her dollar earnings, and, conversely, of the net expenditure of dollars by India in more recent months. Between 1939 and March, 1946, India's balance of payments with hard currency countries was in the aggregate favourable to the extent of 1,140 million rupees, or £85½ million, and this net amount was contributed to the sterling pool against payment in sterling to India. Between April and September, 1946, however, the position changed, and the balance of payments with hard currency countries had been unfavourable to the extent of 210 million rupees, or £16 million.

Low Cotton Supplies

During the war years, world cotton production ran considerably below the 1935-39 average of 30,875,000 bales. The output of all the main suppliers shared this declining trend, but since world consumption was also reduced stocks began to accumulate. At the beginning of the 1946-47 season, world stocks were estimated at 23.7 million bales compared with 23.5 million bales on August 1, 1939. Production for the current year is calculated to amount to 22,050,000 bales, which would represent an increase of 8 per cent over the very low output of 1945-46. Consumption in Europe is expected to increase by 3½ million bales during the current season while in the United States it will probably be

WELFARE AND PLANNING IN THE WEST INDIES

By T. S. SIMEX

15s. net

Recent developments in many parts of the Colonial Empire, particularly in the Caribbean, in Africa, and in Malaya, have given the subject of colonial administration a new importance. This book is based on the author's personal experience of social problems and administration acquired during three years of work in the West Indies as Social Welfare Adviser on the staff of West Indies Development and Welfare. His conclusions are his own; they are in many respects novel, and he has not been deterred from discussing questions that have embarrassed others. He has compared the development and organization of social institutions there and in the West Indies.

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Statistical Summary

GOVERNMENT RETURNS

For the week ended Jan. 18th, 1947, total ordinary revenue was £98,750,000, against ordinary expenditure of £59,210,000, and issues to sinking funds £410,000. Thus, including sinking fund allocations of £11,955,356, the deficit accrued since April 1st is £523,457,356 against £2,098,159,825 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1946-47	Receipts into the Exchequer (£ thousands)			
		April 1 to Jan. 19, 1946	April 1 to Jan. 18, 1947	Week ended Jan. 19, 1946	Week ended Jan. 18, 1947
ORDINARY REVENUE					
Income Tax	111,100	787,884	669,642	67,941	59,962
Sur-tax	80,000	31,619	36,642	6,670	5,810
Estate, etc., Duties	140,000	93,783	116,484	2,455	3,260
Stamps	29,000	18,044	27,654	200	500
N.D.C.	325,000	28,325	27,177	442	605
E.P.T.	357,252	277,796	7,555	4,215	
Other Inland Rev.	1,000	193	233		45
Total Inland Rev.	1,686,000	1,317,100	1,156,228	85,263	74,397
Customs	595,000	454,705	489,306	11,308	13,880
Excise	592,000	416,500	438,700	6,100	5,700
Total Customs & Excise	1,187,000	871,205	928,006	17,408	19,580
Motor Duties	45,000	24,952	29,414	525	3,757
Surplus War Stores	150,000	...	102,534	...	530
Surplus Receipts from Trading	50,000	...	40,000	...	...
Post Office (Net Receipts)	5,300	3,400	6,380	...	...
Wireless Licences	1,000	720	690	...	...
Crown Lands	15,000	7,427	22,828	...	...
Receipts from sundry loans	22,000	60,241	33,214	689	498
Miscell. Receipts	316,130	228,504	231,868	10,385	98,750
Total Ord. Rev.	3,161,300	2,285,044	2,318,684	103,885	98,750
SELF-BALANCING					
Post Office	120,900	91,600	101,700	2,200	1,900
Income Tax on E.P.T. Refunds	...	...	138,750	...	1,329
Total	3,282,200	2,376,644	2,551,384	106,085	101,979

Expenditure	Estimate, 1946-47	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Jan. 19, 1946	April 1 to Jan. 18, 1947	Week ended Jan. 19, 1946	Week ended Jan. 18, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	490,000	341,180	370,153	709	5,778
Payments to N. Ireland	20,000	7,834	13,379	...	...
Nat. Land Fund	50,000	...	50,000	...	...
Other Cons. Fund Services	...	7,566	7,002	233	232
Total	568,000	356,580	440,534	942	6,010
Supply Services	331,891	401,531	238,952	84,400	53,200
Total	3,886,917	4,371,911	2,830,186	85,342	59,210
SELF-BALANCING					
P.O. & Broadcasting	120,900	91,600	101,700	2,200	1,900
Income Tax on E.P.T. Refunds	...	...	138,750	...	1,329
Total	4,007,817	4,463,511	3,070,636	87,542	62,439

After decreasing Exchequer balances by £213,136 to £3,107,138, the other operations for the week decreased the gross National Debt by £18,413,009 to £25,144 million.

NET ISSUES (£ thousands)					
P.O. and Telegraph	260				
E.P.T. Refunds	38				
Overseas Trade Guarantee Act, 1939, Section 4 (1)	1,624				
Housing (Temporary Accommodation) Act, 1944, Section 8 (1)	5,000				
Coal Industry Nationalisation Act, 1946, Sec. 34 (1)	4,000				
Local Authorities Loans Act, 1945, Section 3 (1)	1,650				
War Damage Compensation Commission	2,000				
Finance Act, 1946, Section 26 (7) - Post-War Credits	358				
Finance Act, 1935, Section 30 (1) 3 per cent. Local Loans Stock	6,000				
	20,930				

CHANGES IN DEBT (£ thousands)					
Net Receipts		Net Repayments			
24% Defence Bds.	2,650	3% Defence Bonds	2,535		
24% Treas. Stock	6,720	Treasury Bills	9,855		
24% Savings Bds.	1,600	Tax Reserve Certs.	12,281		
1946-47	24	Other Debt: Ext.	52		
Other Debt: Int.	11	Ways & Means Adv.	9,195		
		Treasury Deposits	5,500		
	11,005		39,418		

* Including £1,810,000 paid off on maturity.

FLOATING DEBT

Date	Treasury Bills				Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England			
1946							
Jan. 19	1820-0	2399-7	435-6	...	1602-5	6257-8	
Oct. 5	1960-0	2541-9	460-5	13-5	1773-5	6749-4	
" 12	1980-0	2535-5	462-7	14-8	1775-0	6768-0	
" 19	2000-0	2550-6	430-4	9-0	1764-5	6754-5	
" 26	2020-0	2532-2	425-3	...	1743-0	6720-5	
Nov. 2	2030-0	2505-5	462-5	...	1743-0	6741-1	
" 9	2040-0	2479-0	426-6	...	1743-0	6688-5	
" 16	2050-0	2464-4	405-7	...	1743-0	6663-1	
" 23	2060-0	2481-5	392-4	...	1742-5	6676-4	
" 30	2070-0	2460-5	372-4	...	1742-5	6645-4	
Dec. 7	2080-0	2487-3	378-1	...	1742-5	6685-9	
" 14	2100-0	2377-8	389-6	2-75	1729-0	6688-1	
" 21	2120-0	2496-0	375-8	17-3	1688-5	6697-5	
" 28	2140-0	2455-6	448-0	...	1676-5	6720-1	
1947							
Jan. 11	2150-0	2467-1	411-4	...	1686-5	6715-0	
" 18	2150-0	2467-2	412-2	...	1681-0	6700-4	

TRFASURY BILLS

Date of Tender	Offered				Applied for	Allotted	Percentage Rate of Allotment	% Allotted at Min. Rate
	1946	1947	1948	1949				
Jan. 18	130-0	185-3	120-0	10	0-59	54		
Oct. 18	170-0	276-2	170-0	10	1-70	50		
" 25	170-0	262-4	160-0	10	2-03	52		
Nov. 1	160-0	290-9	160-0	10	1-37	39		
" 8	160-0	295-4	160-0	10	1-32	38		
" 15	160-0	282-2	160-0	10	1-67	45		
" 22	160-0	272-0	160-0	10	0-62	54		
" 29	170-0	313-7	170-0	9	11-25	31		
Dec. 6	170-0	295-8	170-0	10	0-14	45		
" 13	170-0	280-3	170-0	9	11-92	46		
" 20	170-0	285-8	170-0	10	0-27	47		
1947								
Jan. 3	170-0	273-7	170-0	10	0-69	54		
" 10	170-0	287-6	170-0	10	0-16	47		
" 17	170-0	287-4	165-0	10	0-41	51		

On Jan. 17 applications for bills to be paid on Monday were accepted in full at £99 17s. 7d. and above. Applications at £99 17s. 6d. for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 51 per cent. of the amount applied for and applications at higher prices were accepted in full. £160 million (maximum) of Treasury Bills are being offered for Jan. 17. For the week ended Jan. 25 the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 2½ BOND SUBSCRIPTION

Week ended	N.S.C.		2½ Defence Bonds	
	1946	1947	1948	1949
Oct. 26	3,500	2,380	" 21	4,400
Nov. 2	2,900	2,090	" 28	2,500
" 9	3,250	2,530	1947	
" 16	2,800	2,875	Jan. 4	2,600
" 23	3,950	3,230	" 11	3,500
" 30	2,900	4,250		
Dec. 7	3,400	4,525	Totals to date	*1,669,970
				£870,742

* 373 weeks. £ 37 weeks.
Up to Jan. 11th principal of Savings Certificates to the amount of £416,675,000 had been repaid.

BANK OF ENGLAND RETURNS

JANUARY 23, 1947

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	1,371,548,610	Other Govt. Securities	1,438,166,528
In Bank Deposit	78,699,223	Other Secs.	812,296
		Coin other than Gold	6,076
		Am't of Fid. Issue	1,450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1,450,247,833		1,450,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	261,664,998
Reserve	3,691,506	Other Secs.	23,359,855
Public Depts.	17,450,471	Advances	17,829,989
		Securities	41,180,844
Other Depts.	288,499,031	Notes	78,699,223
Bankers	58,343,723	Coin	991,466
Other Accs.	346,841,754		382,536,731
			382,536,731

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

COMPARATIVE ANALYSIS

Date of Issue	1946				1947			
	Jan. 23	Jan. 8	Jan. 15	Jan. 22	Jan. 23	Jan. 8	Jan. 15	Jan. 22
Issue Dept.								
Notes in circulation	1,334-7	1,402-0	1,368-6	1,371-5				
Notes in banking department	65-6	48-2	64-7	78-7				
Government debt and securities*	1,399-3	1,449-1	1,449-2	1,449-2				
Other securities	0-7	0-9	0-7	0-8				
Gold	0-2	0-2	0-2	0-2				
Valued at s. per fine oz.	172-9	172-9	172-9	172-9				
Banking Dept.								
Deposits:								
Public	13-1	13-9	25-2	17-5				
Bankers	232-8	314-5	298-7	288-5				
Others	54-8	59-8	57-2	58-3				
Total	300-7	388-2	381-1	364-3				
Securities								
Government	230-0	327-2	297-2	261-7				
Discounts, etc.	14-3	17-7	18-4	23-4				
Other	252-6	357-0	333-6	302-9				
Total	65-5	49-3	65-7	79-7				
Banking dept. res.	21-9	12-7	17-2	21-8				

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,400 million to £1,450 million on December 10, 1946.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. In the London silver market price per fine ounce was raised from 44d. to 55½d. on August 6th, 1946. The New York market price of silver changed to 70½ cents on January 20th, 1947. Bombay bullion prices were as follows:—

Date	Gold		Silver	
	per Fine Tola	Rs. a.	per 100 Fine Tolas	Rs. a.
1947				
Jan. 16	104	12	151	4
" 17	104	0	151	0
" 18	105	0	153	15
" 20	105	4	155	3
" 21	104	4	154	0

January 25, 1947

MARKET.—Money conditions at the end of last week of this week suggested that the position might be more comfortable than at any time since the new cash ratio week-end, funds immobilised on official accounts—transfers but also, apparently, in consequence of banks for their foreign exchange working balances—were returning, and on Saturday as well as avoided any recourse to the special buyer. There was a change in the floating debt position. There was money on Treasury deposit receipts, while maturities of (of which £23 million was held by clearing and compared with only £5½ million in the previous week. Treasury bill issue was underallotted by £5 million and thus fell correspondingly short of nominal market applications declined—this is evidenced both by

the Bank return and by the fall in total applications—and the market share therefore rose from 47 per cent. to the high figure of 51 per cent. Partly for this reason, and partly because of tax transfers, the easier condition of the short loan market proved shortlived. On Tuesday, when payments for the new bills began, money was in strong demand, although a release of money later just sufficed to balance the position. By Wednesday, when a hold-up of funds arising from the new issue activity was added to the other sources of pressure, an appreciable sum had to be obtained by sales to the authorities.

The Bank return shows that public balances are still quite high, and that the further large reflux of currency has been much more than offset by a reduction in the Bank's security portfolios. Bankers' balances have therefore dropped by £10 million to £288½ million which by the new cash standards looks a distinctly low figure. If the pressure continues, the banks will certainly lean to work closer to 8 per cent. than they did at the year-end, when the average ratio was nearer 9 per cent.

SECURITY PRICES AND YIELDS

(A fuller list containing 370 securities appears weekly in Records and Statistics)

Prices, Jan. 1-Jan. 22, 1947		Name of Security	Price, Jan. 15, 1947	Price, Jan. 22, 1947	Net Yield,* Jan. 22, 1947	Gross Yield,* Jan. 22, 1947	Prices, Jan. 1-Jan. 22, 1947		Last two Dividends			Name of Security	Price, Jan. 15, 1947	Price, Jan. 22, 1947	Yield, Jan. 22, 1947
High	Low						High	Low	(a)	(b)	(c)				
British Funds*															
103-3	101½	Conversion 3% 1948-53.	103½	101½xd	£ s. d.	£ s. d.	111½	111½	%	(d)	(d)	Australia 3½% 1965-69.	112½	112½	£ s. d.
103-3	102½	War Bonds 2½% 1949-51.	103½	103½	0 3 4	1 2 5	105½	104½	(d)	(d)	(d)	Birmingham 2½% 1966-71.	105	105	2 7 6
101½	101½	Exchequer Bds. 1½% 1950.	101½	101½	0 6 10	1 2 1	128½	100½	(d)	(d)	(d)	Argentine 3½% 1972.	101	101	8 0 7
105	103½	War Bonds 2½% 1951-53.	104½	103½xd	0 7 5	1 8 10	131/10	118½	40 c	40 c	40 c	Anglo American Corp. 10s.	127½	127½	3 2 9
105	104½	War Bonds 2½% 1952-54.	105	104½	0 10 9	1 12 4	42/40	40/40	25 c	40 c	40 c	Anglo-Italian Oil (I).	69/	66½	3 0 0
105	104½	Funding 2½% 1953-57.	105½	105½	0 9 3	1 13 9	95/44	91/44	15 c	120 b	120 b	Assoc. Port. Cem. Ord. Stk. (I)	41/-	41/3	4 17 0
107	106½	Nat. Debt Sec. 3% 1954-58.	107½	107½	0 11 7	1 17 7	243½	233½	12 b	8 c	8 c	Austin Motor A Ord. Stk. 5s.	94/6xd	93/-xd	3 0 3
109	108½	War Loan 3% 1955-59.	109½	109½	0 12 0	1 18 0	58/3	53½	9 c	24 c	24 c	Barclays Bank Ord. "B" (I)	235/-	235/-	2 2 8
108	107½	Savings Bds. 3% 1955-65.	107½	107½xd	0 14 6	1 18 11	28½	26½	8 c	8 c	8 c	British Oxygen Ord. (I).	105½	105½	2 13 9
108	104½	Funding 2½% 1956-61.	105½	105½	0 16 3	2 4 0	77/4	73½	8 c	12 c	12 c	Courtaulds Ord. (I).	57/3	57/3	6 17 3
109	108½	Funding 3% 1959-69.	109½	109½	0 17 3	2 4 0	47½	45½	5 c	10 c	10 c	Dorman Long Ord. (I).	76/-	74/-	3 4 9
121½	121½	Funding 4% 1960-90.	121½	121½xd	0 19 0	2 4 6	49½	40	7½c	3 c	3 c	Imp. Chem. Ind. Ord. Stk. (I).	54/-	54/-	1 17 0
104	104½	Savings Bds. 3% 1960-70.	104½	104½	1 2 6	2 4 10	55½	53½	5 c	5 c	5 c	Lancs. Cotton Ord. Stk. (I).	75/-	72½	6 25 0
104	104½	Savings Bds. 2½% 1960-63.	104½	104½	0 24 9	2 6 9	77½	72½	10 c	10 c	10 c	Lever and Unilever Ord. (I)	82½	82½	4 17 0
123½	122½	Victory Bonds 4% 1960-63.	123½	122½xd	1 1 2	2 6 9	81	81	4½b	24 c	24 c	London Brick Ord. Stk. (I).	34½	34½	2 15 0
109½	109½	Savings Bds. 3% 1965-75.	109½	109½xd	1 1 2	2 6 9	81	81	4½b	24 c	24 c	M.S.S. 4½ Int. Pref. Stk. (I)	36½	36½	3 3 0
108½	107½	War Loan 3½ aft. 1952.	108½	108½	0 10 1	2 3 1	105½	105½	12½b	5 a	5 a	N.-Eastn. Elec. Ord. Stk. (I)	58½	58½	1 16 0
116½	116½	Consols. 4% (after 1957).	116½xd	116½	0 16 11	2 6 10	63/41	63/41	28½c	12 c	12 c	P'chin 'Nescon Ord. Stk. 10s	62½	62½	4 6 0
115½	114½	Conv. 3½ (after 1961).	114½xd	114½	1 7 7	2 10 0	98½	98½	138½	30 a	30 a	Prudential "A" (I)	94½xd	97½xd	3 5 6
100½	99½	Treas. Bds. 2½% (after 1975).	109½	109½	1 2 7	2 8 9	147½	138½	30 a	12½b	12½b	Turner & Newall Ord. Stk. (I)	142½	141½	3 14 0
110½	109½	Treas. Stk. 3% (aft. 1968).	110½	110½	1 3 0	2 7 10	96½	89½	3½a	8½b	8½b	Woolworth (F. W.) Ord. 5s.	94/-	92½	3 8 9
117½	116½	Redemption 3% (1966-96).	117½	116½	1 8 0	2 10 11	107½	101½	15 a	55 b	55 b		106½	104½	
99	98	2½%	98½	98½											
(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Yield Basis															
percent 5 flat yield and 1 assumed average life 17 years 6 months															
69.58% † Free of Tax.															

lightly lower than last year's figure. A prospective demand of 26½ million bales during 1946-47 seems possible, and on this basis the potential end-of-season stock on July 31, 1947, would amount to about 19½ million bales.

Looking ahead beyond this year, there appears, therefore, to be some likelihood of a shortage of raw cotton supplies unless production expands. The International Cotton Advisory Committee which was set up in Washington in September, 1939, was originally intended to regulate world cotton production. In April, 1945, the Committee's functions were expanded. The main cotton importing countries were invited to join and a sufficient number have responded to make the organisation adequately representative of both producers and consumers. The original policy of restriction of production has doubtless been shelved and it is to be hoped that, in its place, an expansionist programme will be substituted. World shortages are more undesirable than world surpluses and the committee will perform a valuable function if it can encourage an expansion in production of cotton to bring it into closer relation with demand.

* * *

Dearth of Timber

The problem of British timber supplies was raised last week in Parliament. It has been said, with scarcely a touch of exaggeration, that the present shortage of supplies is so serious that it may endanger the housing programme and threaten widespread unemployment in the furniture industry. At present there are scarcely any accumulated stocks of softwood in this country, and total supplies in 1946 amounted to only 800,000 standards available for all purposes. Before the war, the trade normally had a million standards in reserve. Since 1929 there has been a serious decline in the world supplies of soft timber. In that year, world exports amounted to nearly 6 million standards; by 1934-38 they had shrunk to 4½ million standards, and in 1946 they amounted to only 2 million standards. Pre-war imports into the United Kingdom amounted to 2½ million standards; last year they totalled less than one million.

The main difficulties in obtaining increased supplies are only too familiar. Exporting countries would be able to send more if Britain were able to supply complementary commodities in exchange. Thus, unless Sweden can get coal, timber has to be used as fuel; Finland requires iron and steel in order to get her communications working before felling can be increased. Further, it has not been possible to purchase any supplies from Roumania, Yugoslavia and the USSR. Small quantities, however, are being bought in the United States, Czechoslovakia and Austria, while the Timber Controller has gone to Canada to buy as much as he can get. Even with the reduction of timber to 1.6 standards per house, the present supply is unlikely to be adequate for this year's programme of 300,000 houses. To cover the gap, forests are being worked in Germany in order to produce timber of housing size. In 1946, 55,000 standards were obtained from this source, and considerably increased quantities are expected in the current year. The dearth of wooden railway sleepers has forced the companies to start using reinforced concrete and steel alternatives on a limited scale.

The position of hardwoods, plywood and veneers is, perhaps, worse. Before the war, there was little home-produced hardwood, whereas in the last two or three years it formed the major proportion of the United Kingdom's supplies, and output is now declining. The level of imports is very low and the situation for the furniture industry has become increasingly difficult. New and unfamiliar timbers are being tried, but the supply situation is unlikely to improve for some time. In the context of a fuel crisis the difficult supply position in timber has been pushed into the background, but nevertheless it will remain to threaten the building and furniture industries for many months ahead.

* * *

—And Supplies from Russia

An announcement of the State Planning Commission in Moscow states that the Soviet timber industry has carried out its plan of output for 1946 to 98 per cent. It is certain that this figure understates the extent to which the timber industry has not fulfilled the plan. Indeed, after the Gopian statement was made, *Pravda* disclosed that timber production in 1946 had fallen short by 9 million cubic metres. Since the total timber output for 1946 could not possibly have been planned at some 450 million cubic metres (the average annual output before the war was about 200 million cubic metres) the percentage of non-fulfilment must have been considerably higher. The deficit of 9 million cubic metres is

significant—the average annual export of timber from Russia in the last pre-war decade was about 10 million cubic metres.

Several reasons account for this unsatisfactory state of affairs in the timber industry. There is the chronic shortage of labour—only half of the plan for the recruitment of labour has been carried out. Output per man has been about 20 per cent below the established norms. If it is assumed that the year's plan aimed at something like the average pre-war output, then the deficit of labour and the lower productivity must have resulted at best in the cutting of only about 100 million cubic metres last year. The progress in the mechanisation of timber cutting is also reported to have been delayed. This reduced output sets the scene for the conflicting claims of the Ministry of Foreign Trade for export timber and of the various housing authorities and industries for domestic use. The Five-Year Plan provides for the building of houses at a rate twice as high as the pre-war rate—which is not too high in view of the destruction of 6 million buildings and of the very high proportion of wooden houses and farm buildings in Russia.

Another formidable stumbling block to expansion of output and export is transport. There is a shortage of rolling stock, of lorries and of all forms of fuel, especially of petrol. The Five-Year Plan provides for further mechanisation of transport as well as of output and for the building of ten thousand miles of rail and motor haulage roads. But it is difficult to say just when the execution of the plan will come into full swing. Until that happens, timber is likely to be allocated for export rather sparingly, unless there are strong inducements to a different policy. Import of machinery from abroad might, for instance, speed up an increase in the output of timber; and it is conceivable that to achieve this, higher allocations for exports might be made at the expense of domestic needs. The Five-Year Plan puts the demand of the timber industry for machines—a demand expected to be met mainly by Soviet industries—at 40,000 electric saws, 12,000 tractors of various types, 470 narrow-gauge locomotives with flat cars, 14,000 trucks with trailers and the requisite number of bulldozers. Importing countries which could meet part at least of the machinery requirements would stand a correspondingly higher chance of getting timber from Russia.

* * *

Victoria Falls Power Expropriation

The South African Government announced on February 5th that the Electricity Supply Commission can acquire other electric power undertakings after a prescribed period and that action would be taken to expropriate the undertaking of Victoria Falls and Transvaal Power Company. The directors anticipate that they will receive two years' notice of expropriation at the end of 1948.

The company, which is incorporated in Southern Rhodesia, supplies electric power and compressed air to the majority of the Rand mines and to other users. It also manages plants for the Electricity Supply Commission. In the event of expropriation, the Commission would presumably acquire the supply service assets of the company on a going concern basis, and the "fair value" could in case of disagreement be determined by arbitration.

The capital structure of the Victoria Falls company is £2,000,000 in 6 per cent £1 preference shares, which participate for a further 4 per cent, and £2,500,000 in £1 ordinary shares, which received 19 per cent for 1945. The preference capital, which until recently benefited substantially from the operation of Dominion income tax relief, is repayable at 20s. In consequence the shares have fallen during the past week from 27s. to 24s. Some estimates have put the break-up value of the ordinary shares at £6—a calculation which has regard to the inner reserve element in the omnibus item of £8.3 million for creditors and taxation reserve. This item is more than counter-balanced by gilt-edged holdings of £8.8 million. The balance sheet itself disclosed a break-up value of no more than 36s. 10d. at the end of 1945, compared with the current price of the ordinary share of 117s. 6d.

Shorter Notes

The joint industrial council for the furniture trade has recommended a plan to help workers in the industry during the present period of reduced earnings. It is suggested that each worker should receive from his employer a loan equal to the amount he would have earned at the minimum time rate for those hours lost during the week. This loan is to be repaid within three months of the end of the present emergency by working extra time. Such a plan has indeed much to commend it and merits consideration by all industries on a national scale. The important point about it is not that it secures the maintenance of incomes during the "shut-down" period, but that it

(Continued on page 303)



*Bombay**

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An appointment will shortly be made to a teaching post in the Department of Economics and Political Science on the scale of salary £600 to £750 per annum. Applications are invited, and should be sent to the Registrar, University College of Wales, Aberystwyth, by March 15, 1947.

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The Transfer Books of the 5½ per cent Cumulative Preference Stock will be closed from Monday, the 24th, to Friday, January 31, 1947 (inclusive) for the preparation of the interim dividend on the Preference Stock for the half-year ending September 30, 1946, payable on February 1, 1947.

By Order of the Board,
H. JOHNSON, F.C.I.S., Secretary.
Buckfriers House, Parsonage, Manchester, 3, January 17, 1947.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD. at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 111 Broadway, New York, 6.—Saturday, January 25, 1947.

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February 1, 1947

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VOL. CLII NO. 5397

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3

BY AIR (U.S. and Canada only) \$24

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

The Stalin Gambit

WHEN Mr Bevin told his radio audience on December 22nd that Britain "does not tie herself to anybody" he was doubtless trying to appease the Labour rebels who said, and still say, that Britain has in fact been tied to America. For any other purpose the statement was misleading. Britain is, by treaty, explicitly and closely tied to Turkey, to Iraq, to Egypt, to Portugal; the rope thrown by M. Blum has been caught and the first loop is being made. Not for the first time, the Foreign Secretary has found that sweeping honest-to-goodness statements about British policy may be misunderstood. True, this particular phrase was followed by the qualification "except in regard to her obligations under the Charter"; but that only made matters worse. For the juxtaposition was bound to put ideas into the head of anyone in Moscow who was either looking for trouble, or merely looking up the terms of the Anglo-Soviet Alliance of May, 1942, as part of the briefing for Field-Marshal Montgomery's visit. Article IV of that instrument looks forward to a time when both governments will have adopted "proposals for common action to preserve peace and resist aggression in the post-war period," and will then recognise "by mutual agreement" that special undertakings to help one another against fresh aggression by Germany and its associates have become unnecessary.

The conversations that have already begun through the new Soviet Ambassador in London, Mr Zarubin, should, in fact, be given an objective at once wider and more restricted—wider in space and more restricted in time—than Mr Bevin's proposal of an extension of the present alliance from twenty to fifty years. No British Government can commit the country to any very specific obligations so far ahead, save under the Charter of Uno. In the present state of Anglo-Soviet relations, such a proposal lacks seriousness. What is far more important is that the Soviet Government should be persuaded that these talks should lead up to a patient and wide-ranging survey of relations over areas not covered by existing agreements; for example, the eastern Mediterranean and the Middle East—where there is a gap in the Soviet *cordon sanitaire* and where British military commitments are at least as costly as they are likely to be in Europe. This is not to suggest that it is primarily the British fault that no such general talks have taken place since Potsdam. There has certainly been little sign in the last eighteen months that particular value was attached in Moscow to the British alliance; nor has there been much disposition to observe the spirit of the much neglected Articles V and VI, which pledge the governments to "close and friendly collaboration . . . for the organisation of security and economic prosperity in Europe" and to "all possible" mutual economic assistance. In fact, until Mr Stalin made his gruff gesture of conciliation last week, there was no prospect ahead save running actions of bitterness over Austria, Germany, atomic energy, culminating in a long wrangle over the Far Eastern situation in 1948. Against such a background, European dogged by suspicions: suspicion in Moscow that

THE TIMES

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Published February—1/- per copy

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COMPANY MEETINGS

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

FACTORS AFFECTING FUTURE RESULTS

MR GRAY MILLER'S REVIEW

The forty-fourth annual general meeting of this company was held, on the 7th instant, in London, Mr Gray Miller (the chairman) presiding.

The chairman, in the course of his speech, after dealing with various items in the balance sheet, said:—This brings me to the profit and loss account. "Trading profit, dividends and interest for the year" is arrived at after deduction of all charges and expenses for management, etc., with the exception of depreciation and amortisation, which is shown separately on the other side. You will note that the figure in respect of the year to September 30, 1946, shows a small decrease of £142,507 in comparison with the previous year's figure. United Kingdom taxation—both excess profits tax and income-tax—has also been separately shown. In the case of excess profits tax, there is a decrease of £3,034,382 at £3,887,000, as against the comparable figure of £6,921,382 last year. The principal reason for this decrease lies in the reduced rate of excess profits tax operative during the year under review.

Income tax at £3,557,918 shows an increase over last year's £2,069,654 of £1,488,264. This is the natural result of the position referred to in my remarks regarding excess profits tax; in other words, the reduction in the charge for excess profits tax automatically increases the charge for income tax and you will find that 9s. in the £, calculated on the decrease of £3,034,382 in the excess profits tax charge, accounts for practically the entire increase in the income tax charge. The segregation of these taxation figures explains very clearly why the net profit of £4,975,470 shows an increase of £1,397,109 over last year's figure of £3,578,361.

INCREASED FINAL DIVIDEND

The carry forward last year was £2,571,590, to which must be added the profit for the year as previously mentioned of £4,975,470, less the dividend on the five per cent. preference stock of £225,000; on the six per cent. preference stock of £360,000; and the two interim dividends paid during the year on the ordinary stock amounting to £2,177,795, leaving a disposable balance of £4,784,265.

Out of this amount, the directors recommend the distribution on March 31st next of a final dividend (free of United Kingdom income tax) on the issued ordinary stock of one shilling per £1 of stock, amounting to £1,187,888, the allocation of £400,000 to "general reserve," and of £150,000 to the employees' benevolent fund, leaving £3,046,377 to be carried forward.

You will recall that in announcing the interim dividend paid in September last, we explained that the increase from 10d. to 1s. had been made possible by the reduction in taxation and in my speech last year I stated that we thought it right that the ordinary stockholders, who have suffered in the past from increases in the rate of tax, should benefit at the earliest possible moment from a reduction in the rate. I feel sure you will agree that the accounts now before you justify the increased final dividend which your directors recommend, as being in line with that policy while not conflicting with the equally justifiable policy of conserving your company's resources.

The prospects of the company returning to its offices at Westminster House, which are still occupied by the Ministry of Fuel and Power, unfortunately do not seem any brighter than they were last year.

CONDITIONS ESSENTIAL FOR SUCCESS

Let me say, in conclusion, that I am reasonably optimistic about the future of your company, the success of which, however, becomes more and more dependent on world economic conditions, over which we have no control. In assessing prospects, it may be relevant to state that the accounts now under review do not, to any important extent, reflect a resumption of profitable trading in Far Eastern territories formerly occupied by the enemy. Our companies in those areas are operating, but still only to a limited extent, and it may be some time before conditions are such that business can be resumed on the former scale.

I must apologise for the short notice you have had of the meeting. The reason is that I am sailing next week for the United States, and I wanted to preside at this meeting before I left.

I now beg formally to move the adoption of the report and balance sheet for the year ended September 30, 1946, including the payment on March 31st next of a final dividend (free of United Kingdom income tax) on the issued ordinary stock of 1s. per £1 of stock and the transfer to general reserve of £400,000 and to employees' benevolent fund of £150,000.

I may also mention that the directors have declared for the year 1946-47 an interim dividend of 1s. per £1 of stock (free of United Kingdom income tax) also payable on March 31st next, so that the ordinary stockholders will receive on that date 2s. per £1 of stock. I will now ask Mr Gough to second the resolution and when that has been done, if there are any questions to be put or comments to be made on the accounts, it will be a convenient time to do so.

Mr H. R. Gough (a deputy chairman) seconded the resolution and it was carried unanimously.

F. W. WOOLWORTH AND COMPANY, LIMITED

COMPANY'S BEST SHOWING

The thirty-eighth annual ordinary general meeting of F. W. Woolworth and Company, Limited, will be held in London on the 21st instant.

The following is an extract from the statement by Mr W. L. Stephenson, the chairman, circulated with the report and accounts:—

The directors' report for the year ended December 31, 1946, has, I trust, given satisfaction. It is the best showing the company has produced in its 38 years' existence. A year ago I ventured to predict that for 1946 there could be expected a better supply of improved merchandise and a great increase in the return of Woolworth men engaged in the Services. This is exactly what has happened, although I am not going to suggest that the supply position is approaching normal.

INCREASED TRADING PROFIT

The trading profit is a handsome increase over that of 1945. This can be ascribed to two great factors, substantially larger volume of sales and improved operation.

We are still very far from free supplies of goods to meet consumer requirements. We have as yet made no progress in bringing the physical part of our branch stores to their proper condition, but we have been in the fortunate position of greatly improving the work of operating the company's business.

The accounts disclose a profit for the year 1946 of £9,148,357, an increase of £1,898,909 or 26.19 per cent. over that of the much improved year 1945. The final dividend on the ordinary stock is recommended at 1s. 97d. per unit and a cash bonus of 1s. per unit, making a total distribution for the year of 3s. 6d.

THE GENERAL MORTGAGE BANK OF PALESTINE, LIMITED

DIVIDEND OF 6 PER CENT

The twenty-fifth annual general meeting of this Bank was held, on the 9th instant, at the Bank's offices, at Tel-Aviv.

The chairman, Mr S. Hoofien, explained that, in consultation with the auditors, the directors had reframed the balance sheet so as to make it conform to the requirements of the Cohen Committee. The item "Loans on Mortgage" had increased by £P1,100,000 in spite of repayments to an amount of £P300,000. This latter item included £P180,000, representing repayments in advance of maturity, the lowest for several years. It would appear from this fact that the borrowers' abnormal liquidity was now decreasing. The net increase in the outstanding balance of Loans on Mortgage was the largest on record.

The directors had for several years, at a fairly heavy sacrifice, kept an exceptionally large cash balance; this policy had now justified itself, inasmuch as it had enabled the Bank to commit itself to a much larger amount of loans than otherwise would have been possible with the reduced demand for the Bank's debentures, owing to the flow of available funds towards investment in industry and commerce.

Circulation of debentures had increased by £P400,000. Whilst this amount compared very favourably, not only with recent war years, but even with such prosperous pre-war years as 1937 and 1938, it was still regrettably low in comparison with the needs of the Bank's borrowers.

The report and accounts were unanimously approved.

A dividend of 6 per cent. on both the ordinary and the preference shares was proposed and approved.

ORIENT STEAM NAVIGATION COMPANY, LIMITED

BIGGER AND FASTER SHIPS NECESSARY

The forty-seventh ordinary general meeting of this company was held, on the 7th instant, at No. 7 Bishopsgate, Mr J. C. Geddes (the chairman) presiding.

The chairman, in the course of his speech, said:—The net balance for the year was £148,825, after making provision for depreciation and taxation. A dividend of 5 per cent. free of tax on the ordinary shares, was recommended, leaving a balance of £192,354 to be carried forward to next year's account. £429,575 has been paid towards the cost of "Orcares"; it had been hoped, at the time of ordering, this vessel would have been delivered by now. Construction, however, had been seriously delayed by shortage of material and labour and it was not now expected she would be in service before the middle of 1948.

He referred to the steep rise in building and running costs due to a general advance in wages, then too, more spacious living quarters were being provided for the crew, an increase in area of about 40 per cent. In "Orcares" this is equivalent to a loss of accommodation for about 200 Tourist passengers. In order to offset this loss in earning power this ship alone would have to secure additional net revenue amounting to more than £65,000 per annum. The broad solution lay in carrying more people in each ship and at a higher speed. To achieve both results, bigger and faster ships would have to be built. Into this problem the time taken to overhaul ships and to load and discharge cargo and stores also entered, increased delay in port was a dead loss and could only be paid for in additional freight and passage money.

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including the Ruhr—was being organised against the Soviet; suspicion in London that projects of economic co-operation in Europe would be wrecked by Communist criticism and non-co-operation; suspicion in Washington that loans to Europe would be used to establish Socialist dictatorships with their industries keyed to the Five Year Plan.

*

The cure of these suspicions cannot be tried in Europe alone; it has to be tried in the Middle East and the Far East as well. But it is in Europe, in Germany, that the inflammation is worst. It is conceivable that the Russians believe, as it is said the French believe, that Britain intends to rebuild a German state strong enough to restore the Balance of Power on the Continent. The only hard, acceptable assurance that the British have no such cunning and long-sighted intentions would be a long-term undertaking from them to take military action against a German Government which was breaking any of its treaty obligations. That is something Mr Bevin should not hesitate to give, if necessary before going to Moscow. But talks with the Russians should not end there. Having gone this long way to meet them, he should ask for similar assurances in different form that it is not their intention to encourage every left-wing organisation from the Dardanelles to the frontiers of India to act as advance guards of Soviet-Communist expansion. Such assurances cannot and should not come quickly; for they must be firm and far-reaching if they are to mean anything. Once secured, the way might be clear to discuss the form in which Soviet and British interests in that area could be best secured. Each government has clearly recognisable and vital interests along their respective fringes of this land-bridge. For their defence, each is tempted to push beyond the fringes outposts whose activity looks aggressive to the other side. The movement and the suspicion will continue so long as there is no firm mutual recognition of the vital interests and of the distance to be kept between them. Such agreement would be hard to get, but it would be worth trying.

If it is part of Mr Stalin's intention to draw the British aside from the Americans—and *Pravda* has almost boasted that it is—then he should see the advantages of not refusing to discuss the Middle East. There his policy has so far not created an Anglo-American front anything like that which faces him in Germany. There lie most of the military commitments which demand so much British money and man-power; and there, too, lie the most vulnerable approaches to both empires. Should he refuse discussion outright the voices which divide public support of Mr Bevin's policy would have to find a new tune. Should he procrastinate, so can Mr Bevin—over the alliance. Should he show interest, then there would be some hope of breaking the deadlocks which threaten Allied negotiations in Europe by negotiation and agreement elsewhere, with Britain in the Middle East and with America in the Far East. For it is now clear that negotiation of peace treaties settles everything except relations between the great Powers.

In any event, the reaction from Moscow was both prompt and enigmatic. First, there was an article in *Pravda*, in the usual hectoring style, deducing from Mr Bevin's words that Britain no longer had need of the Anglo-Soviet Alliance, and therefore leading in London to the suspicion that Moscow was about to denounce it. Lord Montgomery, returning from his visit to Moscow, is said to have reported that Mr Stalin was seriously concerned at this alleged new development in British policy. A Note is therefore hurriedly dispatched to say that Mr Bevin had not, of course, meant anything of the sort. And, finally, an answer comes from Mr Stalin saying that he will be delighted not only to maintain the Alliance but to extend it provided it is freed of the "reservations" that at present weaken it.

What is to be made of this curious succession of events? It is just possible to take them at their face value. It is just conceivable that the Russians did seriously think that Britain was about to abandon the Alliance. Has there not, after all, been a great deal of talk in Britain of the shortage of man-power and the need to reduce military commitments, coupled with repeated insistence that Uno is the only basis of British foreign policy? Might not this imply a decision to abandon what might eventually be the most onerous of all commitments, the promise to Russia to make war in Europe once again, in certain circumstances? In Moscow, where the unilateral revision of agreements is regarded as part of the technique of realist diplomacy, this may just conceivably have seemed to be the correct interpretation of Mr Bevin's words, *Pravda* may have been rude only to be kind, simulating an unhappy misunderstanding in order to bring about a happy reconciliation, and Mr Stalin's reply of January 22nd may have been a genuine sigh of relief. On this interpretation, the whole incident is proof of a more friendly turn in Soviet policy, to be set alongside such other evidence as the sudden advocacy of disarmament, the strangely compliant acceptance of the anti-Russian turn in Persia and the series of reassuring interviews given by Mr Stalin himself.

But there is another interpretation, which is probably nearer to the truth. This is that the Kremlin saw in Mr Bevin's verbal slip an opportunity to drive a wedge between him and the new American Secretary of State. Mr Bevin, the argument would run, is under heavy fire from the "rebels" in his party (the Kremlin probably exaggerates the heaviness of the fire). He is already under the necessity of proving that he is not anti-Russian in his policy and is doing everything he can to maintain and restore friendship between Britain and Russia. Why not try to get him on the run by making it look as if he is breaking the Alliance? Why not, by this tactic, force him to make some real concessions to the Russian point of view and thus annoy the Americans? Why not, since the Alliance is, after all, an alliance against Germany, claim that it needs to be "extended" and purged of "reservations"—that is, suggest that the price for extension is a move by Britain, in the sphere of policy towards Germany, away from the present agreement with America towards agreement with Russia. And if all this can be done before the Moscow Conference has assembled, it may sow some seeds of suspicion in the Anglo-American camp. At least it was worth trying, and it may be thought in Moscow to have yielded rather more dividends than had been expected. It has, at any rate, brought from London an implied admission that Mr Bevin cannot, for domestic political reasons, do without the Alliance, which puts quite a powerful trump card into the Russian hand.

*

Fortunately, whichever interpretation is the correct one, the next British move ought to be much the same. Now that an extension of the Treaty, and the removal of its present limitations are on the agenda, the obvious British move is to attempt to extend it into other fields of British-Russian contact, in addition to Germany. An agreement made now to resist armed aggression by Germany in an unpredictable future is, after all, of very little relevance to the present day. An alliance, in an unscrupulous and suspicious world, is the nearest thing to a contract of good behaviour that one sovereign state can expect from another and where such alliances against Germany have been concluded by the Soviet as in Eastern Europe they are the outward and visible sign of much wider collaboration. Why not, therefore, try to extend the Anglo-Soviet Alliance, now that extension is in order, into a general understanding on all questions? If the Russians are genuinely anxious for friendship, they would respond. If they are indulging in a tactical bluff this is the way to call it.

Second Thoughts on Planning

IT is a pity that the second reading of the Town and Country Planning Bill should have been pervaded with an avoidable air of grievance. The Bill was published only three weeks ago and, as its Committee stage will presumably not be taken on the floor of the House, it will disappear from the limelight until the occasion of its final fleeting passage through the Commons. Yet exposure to the public gaze is precisely what the Bill most needs, and is capable of benefiting the Bill's friends quite as much as its enemies. One thing about the control of land use that should be clearly realised from the outset by the planners is that an informed and interested public opinion is the indispensable condition of good planning. After all, it is the public that is being planned—that is being sent to Crawley and Stevenage, that is being found work in this town and denied it in that, that is being provided with a national park in one hill area but forced to circumambulate a bombing range in another. Control over development of all sorts is to be exercised in the public interest. The first step should therefore surely be to discover what the ordinary citizen wants—and not merely to listen patiently, if he ventures to speak, but to encourage him to express his views. If this means revising administrative procedure, so much the better. It is time that departmental windows were opened to the fresh air. Happily Mr Silkin's speech gave every sign of recognizing these needs. Can his views now triumph over the bureaucratic mind?

The first of the Opposition's grounds for dividing the House on the second reading was that adequate time had not been given for the local authorities to express their views. The Opposition might have gone further, and pointed out that almost every individual local authority, landowner, builder and industrialist will be affected in some different and often unpredictable way by the Bill's marathon number of clauses. Even a competent and detailed two-hour speech from Mr Silkin is no substitute for reasoned consideration. He said himself that there was enough material for several Bills and several two-hour speeches. Why not then accord the material the respect it deserves? It is far from wise to enact too many measures whose full implications have not been gathered.

The subject-matter of the Bill falls naturally into two stages. The first stage is to unscramble the financial tangle of compensation and betterment. The second and consequential stage is to endow the state with new powers of positive planning. Although the debate centred on the Bill's financial provisions, this second stage is its positive and more satisfactory side. The chief interest in the new planning powers lies in the way in which they will in practice be administered.

The new local planning authorities, the counties and county boroughs, are given complete power to lay out their areas as they choose. They can, in effect, permit or prohibit building and rebuilding without having to worry about the financial consequences. Moreover, they can compulsorily acquire land themselves up to ten years in advance of actual need and erect on it any type of building, including shops and factories. The only check on their activities—and it is a big one—is that exercised by Government departments. Not only does the Minister of Town and Country Planning have the final say on any local scheme, but other Government departments, including the ubiquitous Service departments, cannot be restricted in their activities by the local planning authorities—except by agreement. But however the arms of the octopus disport with each other, the fact remains that every detail of physical development will be controlled, and a greatly increased part will actually be carried out by the public authorities. What vitally interests the citizen is along what lines this control

will be exercised. There need be no doubting that the new powers are adequate. But will they be used well or ill, with wisdom, dispatch and restraint, or with stupidity, tardiness and licence?

The Bill naturally cannot give the answer to these questions, but it should not be wholly silent. It does not contain enough evidence of willingness to invite co-operation and to hearken to objections from interested parties, voluntary societies and the general public. The great increase in planning activity which it promotes cannot operate smoothly for some time to come. The new administrative machinery has to be oiled. Large numbers of new town-planners have to be recruited and trained; indeed, figures given some time ago by Mr Silkin himself suggest that the numbers will have to be doubled or trebled. Moreover, they need to be trained in a new tradition, which will equip them to understand and mould the social and economic fabric of the nation and not just to lay down housing densities and building lines. All this takes time, and the three years which the local authorities are given to prepare development schemes is too short a period, especially since the Minister wisely insists that the local surveys should be careful and detailed and the plans fully aired in public. The planning authorities, central and local, are far from having either the experience or the staff to co-ordinate all types of land use efficiently and promptly. But Mr Silkin can turn this weakness to strength, if he is willing to admit it, to proceed with caution and learn by mistakes and to invite the co-operation of the many who are willing to give it. There is an especial need for fostering independent voluntary surveys, such as those carried out by Nuffield College and by the West Midland group, and as the Minister recognized, for associating the universities (with due respect for the proper boundaries of academic studies) with research into the economic and social needs of their surrounding regions. Planning which goes on behind locked doors will speedily defeat its own end—that of improving the comfort and the convenience of the ordinary citizen. Planning which is willing to encourage and subsidise pioneer investigations of all types, and to seek out and to sound public opinion—to acquaint the public with the plans and the planners with the public—can be both effective and popular.

*

The belief that a public authority, merely because it is in a position to take into account all relevant factors, will automatically act for the public good has by now worn very thin. The fallibility of the planning authorities should be frankly recognised and guarded against. This is best done in two ways. So far as possible, control should be exercised through general edicts, stating what the individual may or may not do with his land and property, and detailed wrangling over individual cases should be kept to a minimum. At the same time, the idea of permitting an appeal to an independent tribunal against planning restrictions, which Mr Silkin toys with vaguely and in a minor way, should be made definite and universal. Strange things can be done under town-planning law in the name of amenity or aesthetics, and in so controversial a field it is wise at least to provide access to a second and unofficial opinion. Even the best-intentioned of public officials are driven by their rules and precedents into a rut, and they should be compelled to emerge at the most frequent intervals and justify their decisions at the bar of common sense.

The Bill's planning provisions are good because of their comprehensiveness. Its financial provisions are bad because of their vagueness, which in places cloaks an undoubted inequity Mr Silkin explained that the £300 million awarded to land

Statistical Summary

GOVERNMENT RETURNS

For the week ended Feb. 8th, 1947, total ordinary revenue was £112,869,000, against ordinary expenditure of £51,537,000, and issues to sinking funds £380,000. Thus, including sinking fund allocations of £12,745,356, the deficit accrued since April 1st is £363,564,009 against £1,970,630,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1946-47	Receipts into the Exchequer (£ thousands)			
		April 1 to Feb. 9, 1946	April 1 to Feb. 8, 1947	Week ended Feb. 9, 1946	Week ended Feb. 8, 1947
ORDINARY REVENUE					
Income Tax	111,100	100,500	851,439	68,033	56,628
Sur-tax	80,000	45,949	50,092	5,450	4,500
Estate, etc., Duties	140,000	102,462	125,959	3,872	3,000
Stamps	29,000	20,139	30,904	500	500
N.D.C.	325,000	30,817	28,642	895	400
E.P.T.	376,017	293,325	5,535	4,525	...
Other Inland Rev.	1,000	411	398	118	105
Total Inland Rev.	168,600	158,082	1,380,760	83,903	69,658
Customs	595,000	486,008	522,997	12,465	15,047
Excise	592,000	475,190	509,809	14,730	24,303
Total Customs & Excise	1,187,000	961,198	1,032,797	27,195	39,350
Motor Duties	45,000	40,931	47,803	2,251	1,893
Surplus War Stores	150,000	...	116,382	...	184
Surplus Receipts from Trading	50,000	...	40,000	...	...
Post Office (Net Receipts)	...	...	2,750	...	1,750
Wireless Licences	5,300	4,150	8,210	...	...
Crown Lands	1,000	880	840	...	...
Receipts from Sundry Loans	15,000	9,572	23,390	85	...
Miscellaneous Receipts	22,000	64,524	36,914	1,256	34
Total Ord. Rev.	3,161,300	2,662,080	26,898,477	114,691	112,869
SELF-BALANCING					
Post Office	120,900	100,300	110,200	2,800	2,000
Income Tax on E.P.T. Refunds	...	...	142,079	...	1,474
Total	3,282,200	2,762,380	29,412,676	117,491	114,343
Expenditure	Estimate, 1946-47	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Feb. 9, 1946	April 1 to Feb. 8, 1947	Week ended Feb. 9, 1946	Week ended Feb. 8, 1947
ORDINARY EXPENDITURE					
Int. & Mar. of Nat. Debt	490,000	363,438	398,741	2,784	4,277
Payments to N. Ireland	20,000	9,312	15,700	739	1,160
Nat. Land Fund	50,000	...	50,000	...	...
Other Cons. Fund Services	8,000	7,665	7,029	...	...
Total	568,000	380,415	471,470	3,523	5,437
Supply Services	332,400	423,992	256,919	74,873	46,100
Total	389,200	462,047	304,066	71,350	51,537
SELF-BALANCING					
P.O. & Broadcasting	120,900	100,300	110,200	2,800	2,000
Income Tax on E.P.T. Refunds	...	...	142,079	...	1,474
Total	401,290	472,071	329,245	77,673	55,011

After increasing Exchequer balances by £391,031 to £3,565,437, the other operations for the week decreased the gross National Debt by £47,350,984 to £25,027 million.

NET ISSUES (£ thousands)		
P.O. and Telegraph	300	
E.P.T. Refunds	1,800	
Overseas Trade Guarantees Act, 1939, Sec. 4 (1)	72	
Housing (Scotland) Act, 1944, Sec. 4 (2)	730	
Coal Industry Nationalisation Act, 1946, Sec. 34 (1)	4,000	
Local Authorities Loans Act, 1945, Sec. 3 (1)	3,000	
War Damage: Board of Trade	950	
War Damage: War Damage Commission	1,000	
Finance Act, 1946, Sec. 26 (7): Post-War Credits	307	
Finance Act, 1935, Sec. 30 (1): 3 per cent. Local Loans Stock	1,750	
	13,209	

CHANGES IN DEBT (£ thousands)	
Net Receipts	Net Repayments
Nat. Savings Certs. 3,000	Treasury Bills 16,976
2½% Defence Bds. 3,376	3% Defence Bonds 2,642
2½% Treasury Stock 50	2½% Terminable Annuities 1,421
Other Debt :-	Tax Reserve Certs. 16,619
External 4,963	Other Debt :-
Ways & Means Advances 12,565	Internal 147
	Treasury Deposits 33,500
23,954	71,305

* Including £1,975,000 paid off on maturity

FLOATING DEBT (£ millions)

(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts	Bank of England		
1946						
Feb. 9	1760.0	2411.0	388.4	11.0	1540.0	6160.5
Oct. 26	2020.0	2532.2	425.3	...	1743.0	6720.5
Nov. 2	2030.0	2505.5	462.5	...	1743.0	6741.1
" 9	2040.0	2479.0	426.6	...	1743.0	6688.5
" 16	2050.0	2464.4	405.7	...	1743.0	6663.1
" 23	2060.0	2481.5	392.4	...	1742.5	6676.4
" 30	2070.0	2460.5	372.4	...	1742.5	6645.4
Dec. 7	2080.0	2481.3	376.1	...	1742.5	6685.9
" 14	2100.0	2377.8	388.6	2.5	1729.0	6688.1
" 21	2120.0	2496.0	375.8	17.3	1688.5	6697.5
" 28	2140.0	2455.6	448.0	...	1676.5	6720.1
1947						
Jan. 11	2150.0	2467.1	411.4	...	1686.5	6715.0
" 18	2150.0	2457.2	412.2	...	1681.0	6700.4
" 25	2145.0	2461.6	395.1	...	1657.5	6650.2
Feb. 1	2145.0	2435.2	427.2	...	1633.5	6640.8
" 8	2145.0	2418.2	439.7	...	1600.0	6602.9

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Percentage Rate of Allotment	% Allotted at Min. Rate
1946					
Feb. 8	130.0	214.7	130.0	10 0.98	43
Nov. 8	160.0	293.4	160.0	10 1.32	38
" 15	160.0	282.2	160.0	10 1.69	45
" 22	160.0	272.0	160.0	10 1.67	45
" 29	160.0	258.3	160.0	10 0.62	54
Dec. 6	170.0	313.7	170.0	9 11.25	31
" 13	170.0	295.8	170.0	10 0.14	45
" 20	170.0	280.3	170.0	9 11.92	46
" 27	170.0	285.8	170.0	10 0.27	47
1947					
Jan. 3	170.0	273.7	170.0	10 0.69	54
" 10	170.0	287.6	170.0	10 0.16	47
" 17	170.0	273.4	165.0	10 0.41	51
" 24	160.0	277.2	160.0	10 1.43	24
" 31	160.0	303.0	160.0	10 1.14	37
Feb. 7	170.0	290.6	170.0	10 1.52	46

On Feb. 7 applications for bills to be paid on Monday, Wednesday, Thursday, Friday and Saturday were accepted as to about 46 per cent. of the amount applied for at £99 17s. 6d. and applications at higher prices were accepted in full. Applications for bills to be paid on Tuesday at £99 17s. 7d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for Feb. 14. For the week ended Feb. 15 the Banks will be asked for Treasury deposits to a maximum of £80,000,000.

NATIONAL SAVINGS CERTIFICATES AND 2½% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.	2½% Defence Bonds	Week ended	N.S.C.	2½% Defence Bonds
1946			1947		
Nov. 16	2,800	2,875	Jan. 4	2,600	2,910
" 23	2,950	3,250	" 11	3,500	3,240
" 30	2,900	4,250	" 18	3,700	6,750
Dec. 7	3,400	4,525	" 25	5,100	5,820
" 14	3,200	1,855	Feb. 1	5,050	4,620
" 21	4,400	2,590			
" 28	2,500	1,960			
			Totals to date	1,683,820	591,100

* 376 weeks. 8 40 weeks.
Up to Jan. 25 principal of Savings Certificates to the amount of £423,925,000 had been repaid.

BANK OF ENGLAND RETURNS

FEBRUARY 12, 1947

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	Govt. Securities	Other Govt. Securities	Other than Govt.	Issue
In Circulation	1374,620,588	1438,218,547	159,658	6,665	1450,000,000
In Bank Department	75,627,245	...	...	...	247,833
	1450,247,833	1450,247,833			

BANKING DEPARTMENT

Capital	Govt. Secs.	Other Secs.	Discounts and Advances	Securities	Notes	Coin
14,553,000	259,683,348	21,391,155	19,232,638	40,523,793	75,627,245	1,085,457
Rest. 3,833,448	...	...	...	...	...	...
Public Deps.* 26,246,022	...	...	...	...	...	...
Other Deps. 274,144,063	...	...	...	...	...	...
Bankers' 58,143,310	...	...	...	...	...	...
Other Accs. 332,287,373	...	...	...	...	...	...
	376,919,843	376,919,843				

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

COMPARATIVE ANALYSIS (£ millions)

	1946	1947
Issue Dept.:		
Notes in circulation	1328.7	1364.5
Notes in banking department	71.5	85.8
Government debt and securities*	1399.2	1449.3
Other securities	0.8	0.7
Gold	0.2	0.2
Valued at s. per fine oz.	172/3	172/3
Banking Dept.:		
Deposits:		
Public	11.9	16.0
Bankers	238.5	288.4
Others	54.1	60.6
Total	304.5	365.0
Securities:		
Government	232.5	242.7
Discounts, etc.	15.1	23.3
Other	15.1	23.3
Total	262.7	289.3
Banking dept. res.	72.2	86.8
"Proportion"	23.7	23.7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,400 million to £1,450 million on December 10, 1946.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. In the London silver market price per fine ounce was lowered from 55s. 4d. to 44s. on February 3rd, 1947. The New York market price of foreign silver remained at 70¢. Bombay bullion prices were as follows:—

	Gold	Silver
	per 100 Rs.	per 100 Rs.
Jan. 30	106 12	154 0
Feb. 1	106 12	155 8
" 3	107 0	157 4
" 4	107 0	156 2
" 5	107 0	154 4
" 6	106 12	157 0
" 7	107 0	158 14
" 8	108 8	159 12
" 9	107 12	156 4
" 12	107 0	156 12

THE MONEY MARKET.—Money has remained stringent during the greater part of this week, despite a large repayment of floating debt. There were maturities of Treasury deposit receipts totalling £136 million, so that borrowing was resumed, but the amount called was only £80 million, of which £74.5 million was allocated to the clearing and Scottish banks. On the other hand, the bill issue had been raised to £170 million and thus exceeded nominal maturities by £10 million, while the discount houses secured a substantially increased share—46 per cent. compared with 38 per cent. in the previous week.

Credit conditions at the end of the previous week were complicated by withdrawal of the moneys lodged in connection with the Dobie issue; this disturbance, coupled with tax transfers, compelled the discount market to seek official aid on each of the last three days of the week, with a moderate amount required on the Saturday.

By these standards the market this week has fared better; but although TDR maturities were concentrated late in the week, the banks elected to make large payments for new TDR's in the first few days. On Monday the market escaped recourse to the special buyer, despite payments for new bills, and on Tuesday, when no bill payments fell due, the position was rather more comfortable. By Wednesday, however, sales to the special buyer were again needed, and on Thursday the position was disturbed by heavy tax transfers, offset to some extent by maturities of TDR's.

Wednesday's pressure is reflected in the Bank return by a further contraction of bankers' deposits, to the rather low level of £274 million, but otherwise the only noteworthy movement is an unseasonable expansion of £3½ million in the note circulation, the one obvious manifestation of the dislocation produced by the fuel crisis.

SECURITY PRICES AND YIELDS

(A fuller list containing 370 securities appears weekly in Records and Statistics)

Prices, Jan. 1-Feb. 12 1947		Name of Security	Price, Feb. 5, 1947	Price, Feb. 12, 1947	Net Yield,* Feb. 12, 1947	Gross Yield,* Feb. 12, 1947	Prices, Jan. 1-Feb. 12, 1947		Last two Dividends	Name of Security	Price, Feb. 5, 1947	Price, Feb. 12, 1947	Yield, Feb. 12, 1947
High	Low						High	Low					
Other Securities													
British Funds*													
103½	101½	Conversion 3% 1948-53.....	101½	101½	5.9	10.10	111½	111		Australia 3½% 1965-69.....	112	111	6.9
103½	102½	War Bonds 2½% 1949-51.....	102½	102½	5.9	10.10	105½	104½		Birmingham 2½% 1966-71.....	105	105	2.3
102½	101½	Exchequer Bds. 1½% 1950.....	101½	101½	5.9	10.10	102½	101½		Argentine 5½% 1972.....	101	101	3.8
105	103½	War Bonds 2½% 1951-53.....	103½	103½	5.9	10.10	127½	127½		Anglo-American Corp. 10s.....	127½	127½	3.2
105½	103½	War Bonds 2½% 1952-54.....	103½	103½	5.9	10.10	130/7½	128/9		Anglo-Iranian Oil (1).....	130/7½	128/9	3.2
106	104½	Funding 2½% 1952-57.....	104½	104½	5.9	10.10	66/6	66/6		Assoc. Port. Cem. Ord. Stk. 5s.....	66/6	66/6	3.4
106½	104½	Nat. Defence 3% 1954-58.....	104½	104½	5.9	10.10	40/-	37/6		Austin Motor A Ord. Stk. 5s.....	40/-	37/6	5.6
107½	105½	War Loan 3% 1955-59.....	105½	105½	5.9	10.10	89/-	88/-		Bareilly Bank Ord. "B" £1.....	89/-	88/-	3.6
108½	106½	Savings Bds. 3% 1955-65.....	106½	106½	5.9	10.10	225/-	217/6		Bass Ratcliff Ord. (1).....	225/-	217/6	3.6
108½	106½	Funding 2½% 1956-61.....	106½	106½	5.9	10.10	24½/8	215/-		British Oxygen Ord. (1).....	24½/8	215/10½	6.7
108½	106½	Funding 3% 1959-69.....	106½	106½	5.9	10.10	105/7½	88/9		Cornwall Ord. (1).....	87/6	85/6	2.7
108½	106½	Funding 4% 1960-80.....	106½	106½	5.9	10.10	58/6	51/6		Courtaulds Ord. (1).....	58/6	51/6	6.8
108½	106½	Savings Bds. 3% 1960-70.....	106½	106½	5.9	10.10	28/9	24/9		Dorman Long Ord. (1).....	28/9	24/9	3.9
108½	106½	Savings Bds. 3% 1964-67.....	106½	106½	5.9	10.10	77/4½	69/-		Dunlop Rubber Ord. Stk. (1).....	77/4½	69/-	3.7
108½	106½	Victory Bonds 4% 1920-62.....	106½	106½	5.9	10.10	47/6	41/3		Eng. Chem. Ind. Ord. Stk. (1).....	44/-	41/7½	4.16
108½	106½	Savings Bds. 3% 1964-67.....	106½	106½	5.9	10.10	49/6	47/6		Lanco. Cotton Ord. Stk. (1).....	45/7½	41/10½	4.16
108½	106½	Victory Bonds 4% 1920-62.....	106½	106½	5.9	10.10	55/6	47/6		Lever and Unilever Ord. (1).....	53/-	49/-	2.6
108½	106½	Savings Bds. 3% 1964-67.....	106½	106½	5.9	10.10	62/6	62/6		London Brick Ord. Stk. (1).....	70/-	61½	4.18
108½	106½	Victory Bonds 4% 1920-62.....	106½	106½	5.9	10.10	84½	80½		L.M.S. 4½% Prof. Stk. (1).....	84½	80½	4.0
108½	106½	Savings Bds. 3% 1965-75.....	106½	106½	5.9	10.10	36/9	34/-		N.-Eastn. Elec. Ord. Stk. 10s.....	52/-	42/6	3.13
108½	106½	War Loan 3½% aft. 1952.....	106½	106½	5.9	10.10	58/9	47/6		Prudential "A" (1).....	58/9	47/6	19.0
108½	106½	Consols 4% (after 1957).....	106½	106½	5.9	10.10	39	35½	163.07½	Stewarts and Lloyds Def. (1).....	58/6	53½	3.0
108½	106½	Conv. 3½% (after 1957).....	106½	106½	5.9	10.10	63/4½	52	22	"Shell" Transp. Ord. Stk. (1).....	99/4½	94/-	15.0
108½	106½	Pres.Bds.2½% (after 1975).....	106½	106½	5.9	10.10	108/7½	93/1½	12½	Tube Invest. Ord. Stk. (1).....	135/-	80/6	9.0
108½	106½	Treas. Stk. 3% (aft. 1966).....	106½	106½	5.9	10.10	147/1½	118/9	10	Turner & Newall Ord. Stk. (1).....	87/6	80/6	9.0
108½	106½	Redemption 3% (1986-96).....	106½	106½	5.9	10.10	96/3	81/6	3½	Woolworth (F. W.) Ord. 5s.....	98/-	95/-	3.13
108½	106½	Consols 2½%.....	106½	106½	5.9	10.10	107/3	93/1½	15				

owners as compensation for loss of development value could be satisfactorily deduced from the figure of £9 million quoted by the Uthwatt report as the estimated annual value of development on undeveloped land. The Minister doubles this £9 million to allow for the value of development inside urban areas (excluded from Uthwatt) and he then has to multiply by an appropriate number of years' purchase, which he takes to be 15 or 16. The total then comes out at around £300 million. The calculation is admittedly of the roughest, and Mr Silkin rightly argues that any figure would be more or less arbitrary. But does he seriously maintain that this brand of arithmetic, worked out in secret by the Government and now sprung on Parliament at the second reading without even the accompaniment of an explanatory White Paper, is fairer and more accurate than would be the result arrived at by an independent judicial inquiry? Moreover, taking Mr Silkin's own rough arithmetic, it is inexcusable to take only 15 or 16 years' purchase on the grounds that the asset to be acquired is a speculative one, for the original Uthwatt calculation is already supposed to have removed the speculative element.

Mr Silkin is leaving to Mr Dalton, who is speaking too late for comment in this issue, his usual task of explaining away a confiscatory provision—in this case, the continued retention of the 1939 basis for land acquisition. Some surprise concession is on the cards. Mr Dalton's task is the harder since, having himself made a present of a capital bonus to holders of the National Debt, the Government's treatment of landowners loses even the semblance of logic which it possessed when 1939 prices were first written into the Town and Country Planning Act of 1944. It also does bad service to the cause of planning, as can be seen from the resentment occasioned by proposals to acquire property at Stevenage at 1939 prices.

The Bill's proposals for collecting a development charge from the owner, whenever land is put to a different use, are bad only in respect of their vagueness. It is rather surprising

that the Uthwatt suggestion that the land should be acquired by the State as soon as development takes place has not been adopted. This device would at least prove more expeditious and straightforward than the present arrangements by which the Central Land Board is apparently to be permitted to negotiate the charge individually with each owner. The Minister will give guiding principles to the Board, which he has promised first to explain to Parliament. It would probably be wiser, and it might even be more lucrative, to lay down a few uniform rates of development charge, which should be made subject to Parliamentary approval and varied only in exceptional circumstances, to meet needs such as those of the development areas.

This is far from being a model Bill. It is much to be hoped that during the Committee stage there will be a reduction in the number of its uncertainties, an increase in the public safeguards against inept administration and—if the Labour Party can bring itself to do justice to property owners—an improvement in the terms offered to landowners. But even with these defects, the Bill does offer a remarkable opportunity for replacing the wasteful mismanagement of Britain's scarcest asset, its land, by a scheme of rational and orderly development. The main obstacles in the way—the compensation bogey, the lack of local authority finance, the absence of powers of State planning and development—are all being removed. Such difficulties as remain will be of the Government's own creating, such as the lack of co-ordination among its own departments. No longer can the blame be laid on migrant industrialists or profiteering jerry-builders. It now remains to be seen whether the planning authorities will rise to their opportunity. Their chances will be greatly improved if they remember that physical planning requires a different technique—more delicate and more experimental—than the ordinary routine of administration, and one which can easily be poisoned at birth by bureaucratic niggling and secrecy.

The Housing Programme

At long last the Minister of Health has produced a housing target—or as he prefers to call it a programme—issued in the form of a White Paper on January 28th.* The proposals have been synchronised with the issue of the last monthly report for 1946 so that it is possible to review the possibilities of the next twelve months against the performance of the last twelve, and to indulge in calculations which can be as fascinating as they are uncertain. Nevertheless Mr Bevan's decision to commit himself to a statement of aims is to be heartily welcomed, and the more so since the White Paper is simple, courageous and to the point. Indeed, after the excessive caution the Minister of Health has shown in the past the chief surprise is that he should have been so bold about the future. To aim at quadrupling in 1947 the 1946 rate of completion of permanent houses is ambitious, to say the least.

During 1946 some 60,000 permanent and 90,000 temporary houses were completed with an average labour force of 190,000. During 1947 it is estimated that the number of men available for the erection of permanent houses will be 300,000 and that they will complete 240,000 houses. The 60,000 temporary houses which yet remain over from the temporary programme are mostly aluminium houses, which require very little labour for erection, and their completion should therefore not interfere with the programme for permanent houses, which is the crux of the year's work. Mr Bevan's calculations will, therefore,

* Cmd. 7021.

stand or fall on the number of permanent houses which are completed during the year, and this with no relaxation of the four to one limitation on private enterprise.

How far is the 1947 programme likely to be achieved? This is the vital question, but the answer is extremely difficult to predict, for it depends largely on which set of figures are used to make the estimate. The table below sets out the dilemma, for it shows that the 1947 programme contemplates a trebling of the average monthly rate of completion of permanent houses with only a 50 per cent increase in the labour force. During the last three months of 1946, which is the only fair period to take for purposes of comparison, 7,000 permanent houses were finished each month, with a labour force of 200,000, whereas in 1947 it is contemplated that 20,000 houses will be completed each month with a labour force of 300,000. This looks on the face of it impossibly ambitious.

COMPARISONS OF PERFORMANCE AND PROGRAMME.

	1946	1947
Number of permanent houses completed per month...	7,000*	20,000†
Manpower employed on permanent houses.....	200,000*	300,000†
Permanent houses under construction at end of year...	203,000	200,000

* Average for last 3 months. † Average for year.

On the other hand there were at the end of the year 203,000 houses already in process of erection, so that the 1947 target would only involve finishing these and another 37,000. Looked

at from this point of view the programme appears perfectly feasible not to say modest.

A partial explanation of this conflict in data is the lack of balance in the 1946 programme. With the performance of the whole year set out in the diagram below it is now very obvious that the house building effort of the nation has been too widely spread. In a tremendous effort to get large numbers of houses started, too little labour was concentrated on completing them. The result is that the labour force has been spread thinly over 263,000 permanent houses and has only managed to make 60,000 ready for occupation, whereas if it had been confined to no more than, say, 160,000 or 200,000 houses, at least 100,000 families would now be benefiting. Having seen the results of this policy of dispersion the Ministry of Health have now reversed the emphasis and are going full steam in the opposite direction in an effort to complete those houses which are already half built. The effect of this reversal of policy can be clearly seen from the estimate that no more houses will be under construction at the end of 1947 than at the end of 1946.

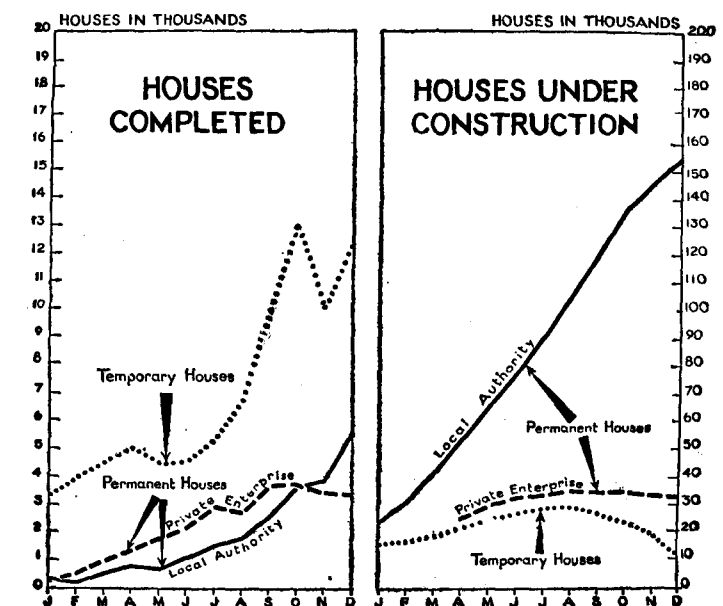
In assessing the probability of achieving the 1947 programme two further aspects of the housing situation must be reviewed—those of manpower and of materials. The White Paper contemplates a modest increase in the total manpower employed on building and civil engineering, but a considerable switch-over from work on temporary houses, adaptations and conversions to work on permanent houses:—

	June, 1946	Dec., 1946	June, 1947	Dec., 1947
Number employed in building and civil engineering.....	890,000	943,000	970,000	1,000,000
Number employed on housing work.....	566,200	621,100	582,000	600,000
Number employed on maintenance, repair, conversion & adaptation.....	375,500	366,900	280,000	280,000
Number employed on temporary houses.....	39,200	31,400	2,000	None
Number employed on permanent houses.....	151,500	222,800	300,000	320,000

The total labour force of the building industry, of which some 60 per cent is employed on housing, is intended to rise by only 57,000 over the year, whereas the labour force employed on permanent houses is intended to increase by 100,000 by drawing from the labour used on other housing work. It is impossible to be optimistic about the chances of any total addition to the labour force, but the proposal to concentrate men on finishing permanent houses is thoroughly sound.

But even if the men are successfully diverted, output is still an uncertain element in the equation. The White Paper states that "The building industry have made it clear that they

aim at a rate of output not lower than the pre-war rate." Before the war it was calculated roughly that one man could build one house in one year. With a programme of 240,000 houses and 300,000 men, the ratio is now one and a-quarter men to one house. In view of the increased size and better quality of the Bevan house compared to the average pre-war house such a change in ratio would in any case be inevitable, and does not allow for any deterioration in performance. In fact, with the fall in productivity of the building industry and the difficulties and delays due to failures in deliveries of materials, it is probably an over-optimistic estimate, and the target may not be achieved for this reason. Until productivity can be increased by more efficient methods of construction and better incentives to the men—particularly by some sort of piece-rate or output bonus system—it is likely that the ratio will be nearer to one and a-half rather than one and a quarter men per house.



The White Paper is less decisive in its forecasts on the side of materials and components, and the account of the difficulties in their supply could with great advantage have been expanded. Shortages of materials, particularly timber, have been one of the most serious reasons for the delay in completing houses. Mr Bevan has always been curiously reticent about these difficulties, and the White Paper throws little further light on the position, which naturally leads the onlooker to suspect that bad programming and planning in the Ministries of Works and Supply have added seriously to the inevitable difficulties. At all events the Minister of Health is determined

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(1945 Accounts)

BRITISH OVERSEAS AIRWAYS CORPORATION has vacancies in its Economics Branch for Assistants; age range between 25 and 40 years. Essential qualifications are good general education with commercial experience in dealing with analysis of financial results and trends, estimating or the preparation of financial statistics. Applicants should possess initiative, be capable of drafting reports and correspondence, have sound mathematical ability with Economics Degree or recognised accounting qualifications. Experience of methods of financial control in air transport, other transportation, or public utility undertakings desirable. Rates of pay range from £580 to £720 per annum, according to qualifications and experience, plus 21s. per week London allowance. Applications in writing, stating age, qualifications and past experience to Staff Appointments Superintendent, Stratton House, Piccadilly, W.1, marking envelopes "Economics." Enclose stamped addressed envelope for reply.

BRITISH OVERSEAS AIRWAYS CORPORATION has a vacancy for one Statistics Assistant; age range between 25 and 40 years. Applicants should have training and experience in statistics and statistical methods, including use of charts and graphs, with recognised degree or equivalent diploma, also be capable of organising and controlling staff. Rates of pay range from £480 to £630 per annum, according to qualifications and experience, plus 19s. per week London allowance. Applications in writing, stating age, qualifications and past experience, to Staff Appointments Superintendent, Stratton House, Piccadilly, W.1, marking envelopes "Statistics." Enclose stamped addressed envelope for reply.

THE Council of the British Institute of Management invite applications for the post of Chief Executive Officer. The position calls for outstanding qualifications. Commencing salary £3,000 per annum. Practical experience of administration and a knowledge of the theory of Management are desirable. Application with full details of qualifications should reach the Chairman, British Institute of Management, Room 453, I.C.I. House, Millbank, London, S.W.1, not later than 8th March, 1947.

UNIVERSITY OF LONDON.—A course of three lectures entitled "Some reflections on the relation of Government to Industry and Trade in the light of wartime experience," will be given by Sir Oliver Franks (Provost of Queen's College, Oxford) at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2, at 5 p.m. on Tuesdays, 25th February, 4th March and 11th March. At the first lecture the Chair will be taken by Professor Arnold Plant (Sir Ernest Cassel, Professor of Commerce in the University of London). Admission free, without ticket.—James Henderson, Academic Registrar.

LADY (29), with industrial and commercial experience, seeks position as Industrial Personnel Officer or in similar capacity. Has Intermediate Exam., B.Sc. (Econ.), London University.—Box 421.

SALES STATISTICAL ASSISTANT (female) required by Market Research Department of well-known Confectionery Manufacturers. Shorthand-Typewriting an advantage. Permanent position for reliable person.—Write, giving fullest details, Box 416.

ASSISTANT COMMERCIAL MANAGER required, possessing degree Lond. Sch. of Econ. or equiv. Alert mind, sound judgment, initiative and tact essential. Quick promotion certain.—Box 420.

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of Fifty Cents (\$50) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable March 15, 1947, to shareholders of record at the close of business, February 14, 1947.

Toronto, By Order of the Board,
January 21, 1947. J. R. BRADFELD, Secretary.

CANADIAN PACIFIC RAILWAY COMPANY.—(Incorporated in Canada with limited liability)—DIVIDEND NOTICE.—ORDINARY CAPITAL STOCK.—At a meeting of the Board of Directors held to-day, a final dividend of Three per cent. (seventy-five cents per share) on the Ordinary Capital Stock in respect of and out of earnings for the year 1946, was declared payable in Canadian funds on March 31, 1947, to shareholders of record at 3 p.m. on February 24, 1947. By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, February 10, 1947.

ACCOUNTANTS. Chartered or Incorporated, are invited to apply for positions on the consulting staff of Robson, Morrow & Co. Applicants, other than those who have been in the Forces, should have had industrial experience and be interested in developing costing as an instrument of managerial control. Age, not over 37. Training will be given to successful applicants. Four-figure commencing salary, and good prospects.—Send full particulars of education, qualifications, age and experience, marking envelope "Application," to Robson, Morrow & Co., 59, New Cavendish Street, London, W.1.

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NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for interest due 1st April next the BALANCES of the several Accounts in the above mentioned Stocks will be STRUCK on the night of the 28th February and that on and after the 1st March the Stocks will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas) (London) Registrars of the above Stocks. ROWLAND SMITH, Manager. Circus Place, London Wall, E.C.2. February 10, 1947.

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The Economist

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MARCH 8, 1947

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VOL. CLII NO. 5402

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316
ANNUAL POSTAL SUBSCRIPTION £3
BY AIR (U.S. and Canada only) \$24
Registered as a Newspaper. Entered as Second Class Mail Matter at the N.Y. Post Office.

After the Ban

AFTER two weeks of enforced suspension, *The Economist* is now free to appear once again. In each of the two weeks, the Editor of the *Financial Times*, with great generosity, put one of his pages at our disposal, which we were able to fill with a short leading article, a few Notes of the Week and some Business Notes. It is hoped that most of our subscribers were able to see these substitute issues. The type area of one page of the *Financial Times* almost exactly equals that of four pages of *The Economist*, and we therefore propose to reprint these issues in our own format, to treat them as the issues of February 22nd and March 1st, and to regard the continuity of issue as thereby preserved. Copies of these reprints will be sent free of charge, so long as the limited supply lasts, on request (to the Publisher, *The Economist*, 15 Lancaster Place, London, W.C.2—marked "Reprint"), but we particularly ask that only those readers who want them for permanent preservation will make application. It is intended to extend the period of all subscriptions by two weeks.

There is much that might be written in retrospect on the subject of the ban on the periodicals. Two points must suffice. It has emerged that the Government, though they could have taken legal authority to ban the periodicals by issuing an Order in Council, did not do so, and that their "instruction," for all its peremptory language, was without legal force. There has been some criticism of the periodicals for not challenging the position at the outset. Perhaps it would have been a good thing if some organ of the Opposition had done so; but, for ourselves, while protesting against the policies of Ministers, we believe that some latitude of authority should be conceded to His Majesty's Government, if they are acting in good faith in an undoubted national emergency. But the dangers of arbitrary action are obvious, especially towards the Press, and *The Economist* will not in future consider itself necessarily bound either by the agreement of any trade association or by the extra-legal instructions of Ministers.

The second point is to clear up a matter of specific concern to ourselves. Mention was made in the House of Lords on February 27th of an American report to the effect that a project to print an edition of *The Economist* in the United States and to fly copies to this country had been frustrated by the refusal of the Board of Trade to grant an import licence. The facts are that the Whaley-Eaton Service of Washington made a most generous offer to arrange for printing in America and were willing to accept reimbursement in sterling. In declining this offer, with full appreciation of the friendliness that inspired it, we gave as one of the reasons that an import licence would be needed and that, in our judgment, it would be refused. Unfortunately, over the transatlantic telephone, this was accidentally misconstrued as a statement that application had actually been made and rejected. The difference is small, especially since we have confirmed that our judgment was correct. But it is only fair to acquit the Government of an offence with which they have been charged but which they were never, in fact, given the opportunity to commit.

to discount shortages and the programme is, therefore, based on the assumption that materials, labour and transport will be forthcoming. It is specifically stated that every effort will be made to secure supplies, but that if imports of soft-woods fall below the austerity standards required, or the coal situation, reduces the output of bricks, cement, tiles and glass, or other sources of supply fail, then the estimates will not be achieved.

★

When reduced to its essentials the achievement of the 1947 housing programme, therefore, stands or falls on three things: first the success with which local authorities can be induced to concentrate on completing houses rather than on expanding their existing programmes; secondly on how far output per man can be increased; and thirdly on how far the existing shortages of materials can be removed by increased production and imports and by improving the distribution of stocks so as to avoid the constant loss of time on the site. The Ministry of Health's affiliations with local authorities should make the first adjustment reasonably easy. But the White Paper contains no mention of the second objective and only pious hopes about the third. Unless Mr. Bevan can elaborate what he intends in these direc-

tions it is impossible to feel confident that his programme can be achieved.

No mention is made in the statement about the objectives for 1948, but it is clear that if 1947 ends with a labour force of 300,000, and with 200,000 houses in process of erection, only some 300,000 permanent houses can be completed in 1948. The very imperfect estimates which exist allow for a total of 750,000 houses to be provided to meet the post-war emergency. If the 1946 target is achieved, the end of 1948 might see 600,000 permanent houses and 150,000 temporary houses ready for occupation. If these figures can in fact be attained by the end of that year, it will be an achievement which will largely silence the critics who now say, and with much apparent justification, that private enterprise could have speeded up the rate of completions if it had not been held in check by the Minister's doctrinaire prejudices—and this will be the more true if Mr. Bevan is then willing, as he is reported to have recently promised, to give private building its head. The Minister of Health may, in short, be one of the Government's assets at the General Election. But this depends on the time-table being adhered to and any delays would extend the housing emergency well into the politically dangerous period of 1949 and 1950.

Russians, partly to economic difficulties (most caused by the Germans, some by the Russians), partly to political events in the Danubian countries themselves. To-day the social status of the Danubian intelligentsia is unsure, and its political ideas are confused.

In the Danube States, as in Russia a generation ago, there is an urgent need for technicians of all kinds, both to repair the destruction of war and to carry out the wider plans for the future. The new regimes at times seem to wish to attract specialists. They make frequent appeals to the "progressive elements" of the intelligentsia. Conditions of pay and employment, which in present economic circumstances must be regarded as extremely generous, are often offered even to men whose political past might have been expected to count heavily against them. At other times, the same regimes show the greatest distrust towards intellectuals, even towards men who are known for their left wing sympathies. This uncertainty in government policy, and the curious contradictions of many individual cases, create much bewilderment.

The relative freedom which the universities enjoyed under the old regimes has been greatly reduced. There have been considerable purges of professors in Yugoslavia and Bulgaria. Some of those removed were obvious "collaborators," others could hardly be so described. In Belgrade, Sofia and Bucharest, the government now has a big influence in the appointment of professors and in the choice of the qualifications for future appointments of university lecturers and assistants. In Bulgaria those who wish to study at Sofia University must produce certificates from the local Fatherland Front committee of their home district to prove their political reliability. In Rumania a similar political testimonial is required for admission to student hostels, though not for admission to the university. Much is being done to develop the study of Marxist theory in the Danubian universities. This is in principle a good thing, for study of this important subject was almost completely neglected under the old régimes.

But sometimes the new governments seem to go too far. In Sofia University it has been decided to make "scientific philosophy" a compulsory subject in the examinations of all faculties. In Belgrade the text-book for university students of English literature is to be a history of the subject (now being translated into Serbian by a Soviet professor who in his copious footnotes quotes only four authorities on English literature—Marx, Engels, Lenin and Stalin. Unfortunately the number of real Danubian experts on Marxism is small, and many of those who are now teaching it can do little more than repeat slogans learnt by heart like magical formulae. These conditions make life difficult for professors appointed before the war, however conscientiously they try to adapt themselves to the new situation. They also find unfamiliar the institution of a professors' trade union, meetings of which are called from time to time to discuss such matters as British rule in India or the future of Trieste. Circumstances of course vary very much between different universities. In Yugoslavia the changes have been most radical, and Bulgaria is following close behind. In Rumania things are confused, and some people have kept their jobs who three years ago enthusiastically praised the Germans. Budapest has much the freest intellectual atmosphere. Yet this has its dangers, as the freedom is used by men of the past to propagate the old reactionary nationalism.

A large part of the Danubian intelligentsia undoubtedly supports the new regimes. There are first the Communist intellectuals. These include some fine brains—the Hungarian Joseph Revai and the Bulgar Todor Pavlov, to take only two examples. Then there are those who are not Communists and who deplore many of the methods and actions of Communist policy, and dislike the type of men whom the Communists use to carry them out, yet support the governments because they

are convinced that their intentions are sincerely progressive and will one day be realised, and that the alternative is a counter-revolution and return to the rotten past. Thirdly, there are the opportunists, who once declaimed with no great conviction the catchwords of the Fascists, and are perfectly willing, with no more conviction, either to further their personal ambitions or simply to assure themselves a quiet life, to declaim the catchwords of the Communists. These are very numerous. They will serve the present régimes as long as they are strong, but if ever they fail, they will betray them without a moment's hesitation, and will turn and rend their present masters with a coward's savagery.

The intellectual adversaries of the new regimes are also of several kinds. There are first the purged Fascists. Then there are the Conservatives who refused to collaborate with the Germans but cannot reconcile themselves with, or be trusted by, the Communists. Among them are some old and proved friends of Britain. They not only have no political power, but are being gradually excluded from economic life. From



day to day it is harder to earn their living, and their slender means are being whittled away. Thirdly, there are the men of the Left who all their lives hoped, worked and fought for social and political revolution, but cannot recognise in the reality of to-day their old ideals. They approve the government's proclaimed policy, but cannot reconcile themselves to the lies, violence, pompous incompetence and organised lawlessness. They feel unable to join any of the official parties, or put their names to the collective statements, appeals, denunciations or hymns of praise which are constantly issued by the authorities. And so they are treated by the rulers as traitors to the democratic cause, "conscious or unconscious tools of international reaction."

In Soviet Russia between the wars the insecure position of the intelligentsia, alternately courted and persecuted, praised and mistrusted, increased the difficulties of reconstruction. The Danube countries face the same problem. When so much has to be done, it is tragic that thousands of qualified people should be doomed to unemployment and gradual physical and mental decay. Moreover, it is from the discontented intelligentsia that the leaders of any future Fascist, anti-Semitic, extreme Clerical or nationalist movement are most likely to spring. In so far as the Danubian regimes think in terms of maintaining themselves by the sheer physical force of Soviet support, they can, of course, ignore the human waste and the discontent. But if, as is surely the case with most of their leaders, they wish to win the approval of their peoples and to benefit their countries, they must face the task of bringing the intelligentsia into the national life.

Danubia in 1946—iv

Intellectuals and the West

(By Our Special Correspondent)

IN the speeches of the present rulers of the Danube countries it is often emphasised that the new regimes are based on the "workers, peasants and progressive intelligentsia." The last is thus the third class recognised under the new system.

The words "intellectual" and "intelligentsia" have not quite the same meaning in Eastern Europe as in the West. They have a less academic flavour. They correspond in fact approximately to what in Britain is known as "the professional class." In particular they include lawyers, doctors, school teachers and engineers. It is hard to draw a clear line between the intelligentsia and the commercial and bureaucratic classes, though in principle it is distinct from them.

The intelligentsia has played an important part in Danubian history. It has provided many of the leaders of political parties, both right and left. It has provided both the official ideologists, employed to justify past regimes in their days of power, and the revolutionary critics who sapped their foundations. Modern political life began in the Danube countries with the diffusion, by the first intellectuals, of the ideas of 1789, which they picked up either in France or at second hand in Germany. Later, also through the intelligentsia, came the ideas of the Russian Narodniki, the Austrian Marxists, the Soviet Communists and the German Nazis. Apart from these foreign ideas there were the constant influences of the Roman Catholic and the Orthodox churches. Strong traces of all these influences can be found in the Danube countries to-day.

After 1918 the most widespread political tendency among the Danubian intelligentsia was western democracy, of a Wilsonian type. This was reflected in the official politics of Yugoslavia and Rumania, and even the counter-revolutionary régimes of Hungary and Bulgaria paid lip-service. But peasant poverty and illiteracy, the corruption and brutality of the bureaucracy, and the increasing divergence of interests between the bourgeois minority and the peasant majority created contradictions which could not be overcome, and democracy broke down, to be replaced by police dictatorships. The influence of Western ideas was further weakened when the Western Powers showed themselves unable to prevent the revival of an aggressive Germany.

During the 1930's, anti-Western feeling grew among the Danubian intellectuals. To the belief that Western democracy had proved a failure in both internal and international politics was added a resentment of Western economic domination and cultural arrogance. Much Western capital was invested in these countries. That it had brought material advantages was forgotten. There was talk of foreign exploitation, of the desire to keep the Danubian nations in a colonial status. The French and British were accused of wilfully insulting national pride, of supporting reactionary politicians and of using them as colonial governors, representing French and British interests against their own peoples.

Anti-Western feeling led Danubian intellectuals into two mutually hostile camps, which looked respectively to Berlin and to Moscow. Though they hated each other, both used much the same slogans about the Western Powers. The German propagandists identified Western influence with the Jews, and exploited the economic jealousy of the Rumanian and Hungarian commercial and professional classes towards the Jewish bourgeoisie in their midst. They also simultaneously appealed with revolutionary slogans to the oppressed classes and radical intelligentsia, and with counter-revolutionary slogans to men of property. The Communists had a simpler revolutionary propaganda, directed in the 1930's principally against the Fascist Powers, but which also dismissed the Western countries as essentially reactionary. After Munich, the opportunists tended to rally to the German and local Fascist side, but the revolutionaries, hating Germany but disillusioned with the West, looked more than ever to Moscow. They were stronger in Yugoslavia and Bulgaria than in the two northern countries. The achievements of the Soviet land armies, and of the Yugoslav Partisans accentuated this trend.

At the end of 1944 Communism, Russophilism and contempt for the West reached their high-water mark. Even then they did not win a majority of the Danubian intelligentsia, though they won many of its younger and more energetic members. For the last two years they have lost ground. This is due partly to the disappointing experience of personal contact with

Expedients and Policies

THREE Parliamentary days next week are to be devoted to the great debate on the economic state of the nation. To call it, in advance, a great debate is to take a great deal, very probably far too much, for granted. It would be very pleasant to be able to believe that the three days of speech-making will clarify the real causes of the country's plight and set in clear juxtaposition the issues that have to be settled before it can be helped to struggle out of the slough. But the prospects are not promising. The truth is that both political parties are completely bewildered; neither of them knows what can be done, or even what it wants to do. The members of the Labour Party have, to a man, pinned their private faiths and their public careers to one or other of two doctrines—either to the Socialist doctrine that a little State control will solve any problem or to the trade union doctrine that the man who is paid by the week is always right. For men brought up in either of these beliefs to be faced with a situation in which they are either obviously irrelevant or obviously wrong is not merely politically discrediting but personally shattering. There is not a new idea to be expected in the debate from the Labour benches. There may be some new ideas from the Opposition; but there is most unlikely to be an alternative policy, for the Conservatives too have never really evolved any twentieth-century economic policy other than the industrialist's version of trade unionism.

In these circumstances, it is all too likely that the debate—that part of it that is not devoted to recriminations—will concern itself almost entirely with expedients of one sort or another. This is not to say that the expedients are not themselves of importance. Many of them, indeed, if they were not overshadowed by the whole crisis of which they are parts, would rank as major items of public policy on their own account. Nobody at the present moment is likely to underrate the importance of mining 200 million tons of coal in 1947. The question of the school-leaving age is one that rightly excites the liveliest interest. Exports and imports, the possibility of saving dollar exchange, the impending date when sterling must be made convertible—here is another group of topics which make up a crisis on their own account. There is also likely to be some very plain speaking on the subject of conscription and the size of the armed forces.

All of these richly deserve to be fully debated. But it is very difficult to believe that any collection of expedients, any small-scale raising or lowering of the figures in the Economic Survey, will suffice to solve the problem that faces the British people. The question is not whether one or two hundred thousand extra persons can be added to the labour force, but whether the twenty million already in employment are going to be able and willing to work as they should. It is not the marginal expedients of harassed administrators that matter but the whole circumambient atmosphere of economic activity in this country. The economic crisis will be on the way to solution when somebody has discovered, and some economic statesman has applied, some policy that acts not merely on the hundreds of thousands of school leavers, of conscripts or of Displaced Persons but on the tens of millions of ordinary people in ordinary employment. Every intelligent citizen ought to be searching his mind for a policy of universal potency.

The first recourse for such a policy is to the moral sphere. Let the spirit of Dunkirk be re-created—the thought is almost automatic. Moral appeals can sometimes work miracles. But they do not often do so in economic affairs, where the dangers cannot easily be dramatised. The public has, after repeated doses, acquired a high degree of immunity to patriotic exhortation. And the Government have chosen this moment to make what can

only be interpreted as a deliberate decision to prefer the division of the country to its unity. They have taken steps to ram their party programme through Parliament by unprecedented closure powers. So long as they continue to affront half the nation, they undermine their moral authority to make patriotic appeals to the whole people.

It is the search for a policy of universal effect that has attracted so many minds in recent weeks to the financial sphere. It would be very rash to claim too much for a purely financial policy. But its probable results should also not be underrated. More of the country's present ills than would appear at first sight are due to the vast excess of purchasing power, to the seven billions of incomes that press upon the six billions of goods. Why does the public overwhelm the electricity and gas industries with a demand far beyond what was ever imagined before the war? Because they have more money than they know what to do with. Why is the consumption of tobacco one-third greater than before the war, in spite of the swingeing increases in duty? Because almost nobody nowadays has to count his pennies, or his shillings either. Thus the effect of inflation can be traced directly on both the fuel shortage and the dollar shortage. And what more effective stimulus to greater effort could there be than to make it less overwhelmingly easy to earn enough money to buy the goods that are in the shops?

There is, of course, a penumbra of distaste about the word "deflation." To advocate it seems to many people to be asking for mass unemployment and industrial stagnation. When, at the bottom of the Great Slump, the need was to arrest and reverse the excessive deflation, somebody invented the term "reflation" to imply a move in the direction of inflation, but only to the point of equilibrium. Another invented word is needed to-day to imply the exact opposite. "Anti-inflation" is hardly the exact term, since that implies that the chief object should be to prevent any further rise in the price level. But a large part of the present trouble is that we have all the generating causes of inflation, but that it is being bottled up. It would be better to let prices rise than to be driven ever further into the morass of rationing and control by the bottled-up pressure that is generated by a combination of high money incomes and subsidised prices. The touchstone of sound financial policy in the present emergency is comparatively simple: the object should be to bring the seven billions and the six billions together. Anything that cuts down the sources of money incomes or that raises the money value of the goods available—either by an increase in their volume or in their price—helps towards this end.

Any policy of this sort necessarily implies budgetary severity and a postponement of the hopes of large-scale tax remission that had been held out. But there is no reason why a strict financial policy need contradict what has come to be known (rather misleadingly) as the "incentive argument." No tax reduction can ever provide an incentive to effort; it can only reduce the deterrents; and if the total to be collected in revenue is not to be reduced, the need is all the greater for adjusting the incidence of taxation in such a way as to reduce its deterrent effect as much as possible. Methods of doing this have often been suggested here—a revised form of PAYE, the substitution of death duties for surtax, some replacement (if it is possible) of direct by indirect taxes. All these now become urgent necessities. But the paramount necessity is that financial policy as a whole should assist the nation in coming to its economic senses instead of continuing to drug it with the illusion of paper wealth. It may not be able single-handed to solve the economic problem. But it is the only large-scale policy of universal effect that lies to hand.

Moscow—via Dunkirk

WITH the signing of the Dunkirk Treaty, France becomes once again, for diplomatic purposes, a great European power. So far, in the international discussions since the war, its representatives have been working their passage; now they take their place in the first class. M. Bidault need restrict himself no longer to the role of mediator; he goes to Moscow with the confidence that comes of being allied to what the Russians call the Anglo-Saxon interest.

M. Bidault goes also as representative of the nation which has the deepest and most sceptical understanding of the German problem, which can have no *cordon sanitaire* between itself and the secular enemy, and has the clearest permanent interest in preventing the recovery of Germany to first-class military and economic rank. He can criticise freely the Potsdam Agreement, because his government was not a party to it. Above all, he has secured a guarantee that British foreign policy has steadily refused his country in peacetime ever since German ambitions became the main threat to its security. What was refused to the France of Clemenceau and Poincaré has been granted to the France of Blum and Thorez. Britain is pledged for fifty years to discuss common action with France against any threat of German aggression and against any failure of the Germans to carry out their treaty obligations.

There is a sense in which Mr. Bevin may be said to have signed a blank cheque. The treaty may be interpreted as binding Britain to defending features in a future German peace treaty which its Parliament might not indefinitely approve. There might be, for example, misgivings about joining with France in defending the settlement of Germany's eastern frontiers, on which the Russians and their neighbours publicly insist. There might be hesitation to oppose German efforts at breaking down a political structure imposed by treaty without consultation of the German people; just as there might be French hesitation about supporting British policy towards a central German government dominated by Communist influence. Such developments are not inconceivable in fifty years. Mr. Bevin should bear in mind, during the Moscow Conference, that British policy should not enter into commitments for which future generations in Britain may be unwilling to fight, or even to accept compulsory military service. He has only to cast his mind back fifty years—to the views and policies of Lord Salisbury—to realise how fundamentally political views and economic facts may change in two or three generations.

Elsewhere in this issue, our Paris correspondent points out that many Frenchmen will see little more in the treaty than an unusually emphatic expression of British good will, and that

final judgment of its value will wait on the practical execution of the pledges of economic co-operation. It is important to understand what is in French minds. In the course of the London negotiations, it has been said quite frankly that France wishes to occupy in western Europe—with the help of its neighbours—the predominant industrial position once held by Germany. That is why so much importance is attached by the French to giving control of the Ruhr to a non-German body. If the raw material resources and heavy industry of the Ruhr could be integrated with those of France—particularly within the framework of a European scheme in which Britain would join—then the French would feel that Germany had been irretrievably weakened as a military power and France permanently strengthened. They cannot understand why the British, having admitted that the Monnet Plan of industrial development is desirable, and that the French ambition to become a first-class power is legitimate, will not move one step further in logic and support this decisive change in the economic balance of power. The answer is that neither the French political parties nor the French people have yet demonstrated the ability or will to shoulder this responsibility; that the British fear that such ruthless realism would turn western Germany once and for all against the West and towards nationalistic Communism. Whereas the French believe that the Germans are incorrigible and that the best safeguard is to keep them down, the British and Americans, in different degrees, believe that they are educable and that the best way of ensuring their willing membership of the Western world is to help them to their feet. There lies the root of much misunderstanding.

The Dunkirk treaty is welcome to many Frenchmen only *faute de mieux*. They hoped for more, but when it was clear that British economic planning would not look beyond 1947, they decided to accept the offer of the Foreign Office, who were prepared, on a limited horizon, to look ahead as far as 1997. From the British point of view, one of the chief merits of the treaty is that its provisions for action against German aggression will weaken the pull and cogency of the French argument that their security is best assured by leaving Germany poor, divided, weak, and brutalised. Thereby the British argument for a humane and pacifying settlement will gain in force, especially if Russian obstinacy forces the West European powers and the Americans to make their own temporary settlement on the basis of three fused zones. Moreover, the content and form of the treaty are designed not only to allay Russian suspicion of a Western bloc and an abandonment of the United Nations security arrangements; they should also convince

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NOTES OF THE WEEK

No New Treaty with Egypt

Nokrashy Pasha's government, swept along by Egyptian public clamour for "permanent unity" with the Sudan, has decided to break off all negotiations for a new treaty with Britain. Thus the fruits of many months' work, including drafts agreed by both parties for an evacuation protocol and a treaty of mutual assistance, are to be thrown overboard, because Egypt will not sign them except as part of an agreement that recognises its "permanent" title to sovereignty over the Sudan, while Britain—very rightly—will not sign away the right of the Sudanese ultimately to decide their own future.

Nokrashy Pasha now intends, he says, to refer Egypt's "whole case to the United Nations." To most Egyptians—indeed to far too many of the peoples of the Middle East—this resort has all the qualities of a rub at Aladdin's lamp. It has but to be tried, and satisfaction will ensue.

But what is Egypt going to say to Uno? However it couches its case, facts unpalatable to itself are bound to emerge from any inquiry into Sudanese opinion. For the Egyptian case, on the Sudan, is that the Egyptians wish for permanent sovereignty over a people whom they believe to desire this. Any suggestion that some Sudanese wish otherwise they pooh-pooh as engineered by British puppets. But is this correct? Conscientious members of Uno will presumably make some enquiries for themselves on the subject, and even the most cursory survey by an unbiased team of Swiss, Brazilians, Danes or others will reveal that the Egyptians are wrong.

It is of course possible that Nokrashy will refer the whole matter to Uno on vaguer and wider grounds of "unfair pressure" due to the presence of foreign troops. But he has weakened this case by his recent agreement to a three-year evacuation protocol. Pending his decision upon what he is going to say, the British government returns *de jure* to the 1936 treaty, but would do well to continue a *de facto* evacuation on the basis of the unsigned protocol. This is the only road to a treaty of mutual assistance when tempers have cooled—and when the Egyptians have been persuaded by the force of the facts to adopt a more moderate policy towards the Sudan.

Sudanese Opinion

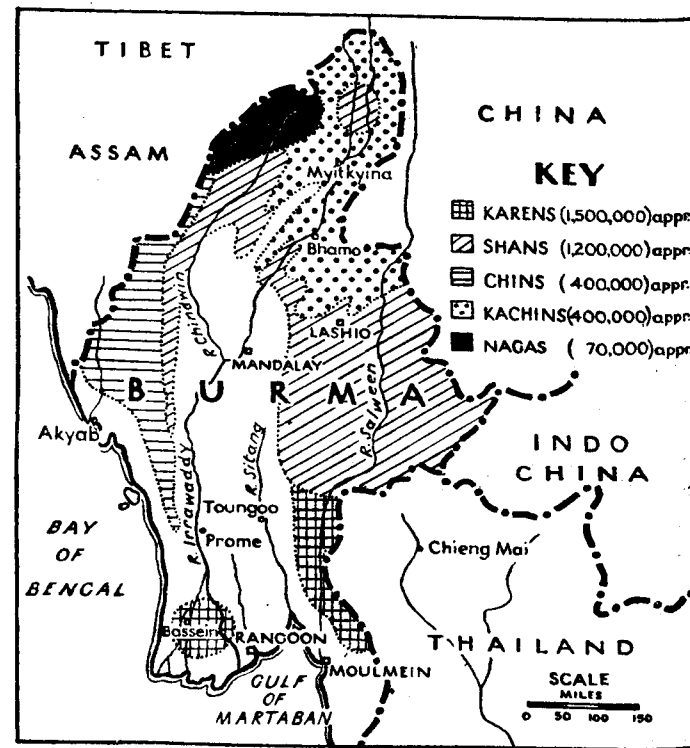
Independent examination of Sudanese opinion will show the fact that the Sudanese of the "three towns"—Khartoum, Omdurman and Khartoum North—are divided into two political parties, the Ashigga and the Umma, and that the first wants union with Egypt (though on a much more tenuous basis than Egyptians envisage), while the second does not. But it will also reveal that these townsmen are at most some 400,000 strong in a population of between six and seven million northern Sudanese, and that a third group consisting of sheiks and *nazirs* and merchants from smaller townships is beginning to be articulate. These men do not want to be swept along by urban parties that are apt, while they argue headily about one another's demerits, to forget the importance of a quiet life for the ordinary fellow, and how vital is the link between internal calm and national prosperity.

At a meeting, held this January, of the Sudan's Northern Advisory Council, a group of thirteen sheiks from rural areas submitted a sensible middle-course memorandum. They pointed to the advantages of a return to the all-party attitude towards Egypt that was attained—for a brief moment and on paper—last spring. They said that they did not want Egyptian sovereignty, though they saw the virtues of a link with Egypt. Meanwhile, they sought progress by an extension of local government. It is possible that these views will get a wide hearing because much that they express is common ground with the Umma and Ashigga parties, which do not differ very greatly about their country's future management. The cleavage between them is due not so much to differences about the power that Egypt ought to wield as to Ashigga antipathy to the prospect of rule by the Umma's grand old man, Sir Abdel Rahman el Mahdi Pasha, who is not an orthodox Moslem. If that anxiety could be allayed, the parties would probably both agree with the thirteen sheiks. Can the Egyptians, if and when all these facts are revealed by a Uno enquiry, continue to write off adverse Sudanese comment as the product of British machinations?

The Talks on Burma

The Prime Minister's statement on the results of the conversations with the Burmese delegation recorded a large measure of agreement, but U Saw and Thakin Ba Sein, representing the extreme Burmese nationalists, refused their assent to the joint declaration which resulted. At the other end of the scale Mr Churchill also expressed his disapproval, claiming that it was agreement to "pay and go." Mr Attlee denied that the agreement required the British to "go" from Burma, as it was open to the Constituent Assembly (to be elected in April) either to leave the British Commonwealth or to remain within it, and it was hoped that they would decide on the latter course.

The difference between sovereign independence and real Dominion Status, such as is enjoyed by Canada or Australia, is so slight that it is strange that so much importance is attached to it. The value of Dominion status is that it provides a symbol of the special attachment to the "mother country" of new countries founded by emigrants from the British Isles; it is not really appropriate to an Asiatic country which was brought into the British Empire by an act of conquest. Dominion status in such a case may be a useful device for enabling Conservatives to believe that the Empire still stands where it stood, but for the same reason Asiatic nationalists think it a cover for prolonging British rule. The magic word to-day in all countries such as Burma is "independence"; the Burmese will feel humiliated if they seem to have less sovereignty than India or Siam. But, if



independence is conceded, there is plenty of room for arrangements on economic matters, and if friendly relations can be maintained, there is no reason for severing the special connections established by colonial rule. It is only when the break comes with hatred and bloodshed that a country attaining independence goes out of its way to discriminate against its former rulers, and the hopeful feature of the position in Burma is that there has been so far no armed conflict such as has occurred in Indo-China and Indonesia.

The least satisfactory part of the agreement now made is that relating to the non-Burmese border tribes. The new Constitution is to be made by "Ministerial Burma," that is, the Burmese and Karens only, and this seems to prejudice the future of the hill tribes, who are often very hostile to the Burmese. But even on this difficult problem a statesmanlike compromise has been reached; a joint British-Burmese Commission of Enquiry with a neutral chairman from outside Burma (an American seems to be indicated) is to be set up and should at least ensure that the spokesmen of the tribes get a fair hearing.

Agreement Over Agriculture

Mr Williams, moving the second reading of the Agriculture Bill, displayed a sanguine confidence that here was a measure which no one in their senses would quarrel about. He argued that all sections of the agricultural industry and the Opposition as well were committed to its principles and, as if to point even more strongly the contrast between his fellow Ministers and himself, he addressed his speech to removing any remaining qualms which either the industry or the Tories might have about the Bill's real intentions. He pointed out that not only were farm prices guaranteed, but that Britain's foreign exchange position made it certain that there would be a large assured market for home produce; he stressed that only in exceptional circumstances and after every other method had failed would a farmer be dispossessed for inefficiency; he emphasised that supervision of farming efficiency would be on a modest scale, and carried out by members of the farming community themselves with full right of appeal to independent tribunals against any unwelcome decision; and he indicated that the state would only go in for farming itself, through the medium of the Land Commission, in cases where no one else was in a position to farm efficiently.

The caution and orthodoxy of Mr Williams's polity, which is rather reminiscent of the Conservatives' treatment of industry in pre-war days, offers an ironic contrast with the general tenor of Labour politics. Instead of riding roughshod over the interests affected, as the plans for transport and electricity have done, the Minister of Agriculture goes to the opposite extreme in consulting and conciliating the farmers and, to a lesser degree, the landowners and the workers. Instead of pursuing the normal doctrinaire course of state ownership and control, the Minister has founded his policy on the landlord-tenant relationship and operates his controls through agents inside the industry.

With so much concession to their way of thinking, the Opposition had a hard task to pick a quarrel. But they responded gallantly, and Captain Crookshank and Mr Anthony Hurd made an attempt to cut-bid Mr Williams for the farmer's favour by insisting that definite quantitative targets for different commodities should be established and guaranteed. Routine protests were also entered against Government control and interference. But the Conservatives had no real alternative policy, beyond that of giving agriculture a still higher degree of protection whilst reducing the safeguards for raising its efficiency. Mr Williams has got his wish and the Bill is a more or less agreed measure, although it is perhaps surprising that some of his backbench supporters have tolerated such pussyfoot tactics.

The Need for Incentives

The Agriculture Bill is good enough as a piece of machinery to deserve a general measure of agreement, and some sections, such as the new policy for smallholdings, are excellent. But, so far as the guaranteed prices and markets are concerned, it is no more than an enabling measure, leaving actual policy to be settled by the Minister; while, where efficiency is concerned, all the Bill's eloquent detail and its many minor reforms of value will have in sum a very modest effect. The Minister's own speech indicates as much. The Government's courteous treatment of agriculture has much to commend it when compared with its brusque and boorish manner to other industries. But the Government's policy is in danger of falling between two stools over agriculture in much the same way as did Conservative industrial policy before the war.

The Government promises to shelter agriculture from world competition. It will make entry into the industry rather more difficult, through the greater security afforded to tenants, whilst its fiscal policy is hardly calculated to encourage landlords to invest the new capital which the industry needs. Thus the traditional incentives to greater efficiency provided by private enterprise are all removed or reduced. But what fills their place? Official supervision and official price policy, both of which are drawn up in consultation with the industry, will no doubt drive out a few inefficient or marginal farmers. But the farmer who merely farms indifferently and shows no particular adaptability or foresight may flourish as never before. Not downright inefficiency, but mediocrity and inflexibility are the dangers, and they are serious ones at a time when an adaptable and progressive agriculture is badly wanted.

What British agriculture most needs is the investment of new capital and the adoption of new techniques. It is almost impossible to effect positive improvement of this sort by means of official supervision, and other steps are needed. In general, it is far better to spend public money on raising efficiency than on

subsidising prices. The Government, having decided to keep the landlord in existence, should have the sense to tax agricultural land with moderation and to provide new subsidies for farm improvements; while in the other direction it should surely have enough faith in its own theories to present the Land Commission with enough compact blocks of land to be able to demonstrate good farming. Mr Williams's belittling of the Commission's work was most disappointing.

Mr Williams's real work lies before him. Considerable statesmanship is called for in devising a price structure which will raise efficiency and guide production without depressing it. If he would be a little less anxious for unanimity and rather more willing to employ positive incentives, of both a capitalist and a socialist character, his goal of a prosperous and efficient agriculture would be easier of attainment. It is still a long way off.

A New Food Plan

The commission appointed by the Food and Agriculture Organisation to examine Sir John Orr's draft plan for a world food board has now reported. The ambitious Orr plan has been scrapped, partly on account of the difficulty of obtaining the necessary amount of international capital to finance the board's extensive operations (Britain, for one, would not contribute to a project which must primarily benefit producing nations) and partly, it may be suspected, because of American opposition to a thorough-going system of international regulation. In its place the commission has produced a more modest and workable scheme.

It is suggested that international price agreements for primary products should be reached, but that they should be implemented by interpal policy of the nations concerned. An upper and a lower price limit would be internationally fixed, and exporting nations would set up buffer stocks which they would add to when world prices fell too low and dispose of when they rose too high. Such an arrangement should serve to iron out price fluctuations, but it would not avoid the difficulty that, unless prices were fixed at a lower point than would be politically feasible, buffer stocks would tend steadily to accumulate. To meet the danger of chronic over-production the commission has two valuable suggestions. One is the creation of a famine reserve of basic foods held nationally for use internationally, a precaution whose desirability has been strikingly demonstrated during the last few years. The more far-reaching suggestion is that on the initiative of an exporting nation surplus food should be exported at reduced prices to needy nations. How shortly the world may return to conditions of "over-production" is indicated by the report that the United States already has plans to ship its anticipated future wheat surplus to needy nations. This humanitarian project is welcome, although it needs careful watching to see that it does not inflate the prices paid by the one important "non-needy" food importer, Great Britain.

The commission suggests the creation of a permanent World Food Council but its work seems intended to be mainly advisory. In view of the American attitude, it is only realistic of the commission to envisage that most commodity schemes should be prepared under the auspices of the International Trade Organisation. The commission's scheme is well worth careful study as an essay in the possibilities of stabilising world food prices without imposing restrictions on production.

Back to Palestine

The Conference on Palestine has reassembled. The Palestinian Arabs have said their expected say that at no price can they accept partition. The British Government has now to frame a constructive reply; its intention to do so was intimated by Mr Bevin in his opening speech to the delegates. The reply, once formulated, will presumably be presented to the Arabs round the Conference table and to the Jewish Agency representatives outside the door. Whatever it says, it will not be agreeable to both. But the time-worn procedure whereby their refusal to accept a British solution is followed by stolid British relapse into continuance of the *status quo* will not be repeated. Sir Alan Cunningham's recent visit convinced such members of the Cabinet as still needed convincing that enough has been asked of British servants in Palestine, and that a final settlement must now be formulated and quickly carried out. As if to point to what might happen if matters were allowed to jog on, a British judge has this week been kidnapped from his bench as a hostage for the life of a condemned terrorist. Happily, moderate counsels prevailed all

Moscow that British policy will not connive at German resistance or defiance. If the treaty contributes only towards these things, Mr Bevin's decision to travel to Moscow *via* Dunkirk would be amply justified.

This is likely to be only the first of many journeys in search of a German settlement. The most that should be hoped for from the present conference is that it will take the Foreign Ministers some way towards agreeing on the organisation and control of Germany, pending the conclusion of a treaty. To fix the terms of the treaty is out of the question—not even the deputies have yet considered that. Agreement must first of all be secured on the procedure to be followed in framing them. It will also, probably, be impossible to agree on the future Eastern frontier of Germany; yet this is the question which is likely in the long run to dominate all others. The German people will fasten on it as the point on which no German party leader will ever dare to take anything but the revisionist line; German politicians will press it as the issue most likely to divide the occupying powers. Nor is it likely that the political form of a united Germany will be agreed on.

The question on which some decision must be reached—is only to disagree—is how the Germans are to eat, work and trade. The British and Americans will rightly press this above all other matters on the agenda, because they cannot indefinitely subsidise the provision of food and raw materials to their zones. They will want a definite answer from the Russians whether they intend to observe the Potsdam Agreement, whether the food and industrial resources of Eastern Germany are to be pooled with those of the West. The Russians in turn will certainly demand reparations from the production which is being developed in the West and, unless some satisfaction is offered, they may well refuse the economic unification to which they are pledged. Here is clearly a matter on which no British

delegation can compromise. Mr Bevin, in his review of policy last week, told the House of Commons: "The Cabinet has formally laid down that our objective remains the achievement of economic unity and that, in speaking on this subject in Moscow, I should say nothing to saddle this country with increased liabilities." It would be better to defer for the time being any hope there may be of progressing towards a general agreement with the Russians rather than to purchase a fleeting smile from Mr Stalin by agreeing to an unjust and unworkable policy for Germany. The objective of "German economic unity" itself runs some risk of becoming a misleading slogan. It is, of course, desirable, as is Russian friendship. But a unified Germany with a disastrous policy would be far worse—for Germany and for the Western Powers—than a continuance of the present division with an Anglo-American (and possibly Anglo-American-French) policy in the West that is struggling towards the light. There will be other opportunities of coming to an understanding with Russia, but not of rescuing German policy if it takes another wrong turning now.

If for one or more of the Foreign Ministers the present conference is only a stage in the diplomatic chess game, then the new alliance will do little to make easier the settlement with Germany, for lack of which the recovery of Europe is faltering.

If, as some diplomatic observers insist, it is to be the scene of a full-scale Russian diplomatic offensive to divide Mr Bevin and General Marshall, then Mr Bevin will find the Dunkirk treaty useful. If the Russian demand for a revision of the Anglo-Soviet alliance was just a gambit in this chess game, then Mr Bevin's visit to Dunkirk might be described as casting. But if the Russians really want a closely welded ring of new alliances against German aggression, then the first link has already been forged in the West.

Too Much and Too Soon

"AN unfortunate necessity, and not to be justified except against obstruction or by pressure of business." So Erskine May describes the Parliamentary guillotine, which the House decided on Monday to apply to the remaining stages of the Transport and Town and Country Planning Bills, and the truth of the description is confirmed by history. Of 58 precedents cited from the sixty years since the invention of this procedure for fixing a rigid time-limit to the discussion of a Bill, no fewer than 48 date from two short periods of disturbance and high political feeling, from 1902 to 1914 and in the late twenties and early thirties. Of the ten remaining cases, five arose over Ireland, and three (including two relating to a single Bill) to military conscription.

Government must go on, and a procedure of this kind must clearly be available; but the bare recital of the precedents is enough to show the conditions for which it was designed. It is frankly an emergency measure; for, under normal Parliamentary conditions, the Speaker and Chairmen of Committees (including Standing Committees) have adequate means of speeding the pace of discussion without falling back on a procedure so crude and unselective as the guillotine. Irrelevance and tedious repetition of arguments can be ruled out of order. Adjournment motions, once a favourite weapon of the Irish members, need no longer be allowed to serve anything but their own legitimate purpose; and, most important of all, a Committee chairman can at his discretion pass over amendments on the paper and pick out those which seem most representative. There is no reason why discussion should drift from the point or become in any true sense obstructive unless Chairmen allow it; and on this score neither Mr Greenwood nor any other speaker in Monday's debate had any complaint to raise.

The procedure is designed for an emergency; the question is whether the emergency exists. The Government, of course, claim that it does; and there is certainly an obvious parallel between the present years and the Lloyd George era, or the period from the General Strike to the crisis of the thirties. There would be a pressure of business and the "major division of philosophic outlook" of which Mr Ascheton spoke to Standing Committee B, even if the Government were Conservative. If the Government maintain that there is a choice of evils—between preventing full discussion of complex and controversial issues, abandoning or unduly delaying urgently needed legislation, and driving Parliament beyond the limit of human endurance—they have at least the right to have their case examined. Is there, in fact, the "obstruction or pressure of business" needed to justify this peculiarly restrictive procedure?

There are here two issues—the immediate issue concerning the Transport and Town and Country Planning Bills, and the more general question of the impact of the Government's tactics on the status and efficiency of Parliament. So far as the first is concerned, the Government's case rests on four grounds. The first and weakest is obstruction—the claim that the detailed discussions in Committee have been carried unreasonably far. It is hard for anyone who has actually read the reports of the Standing Committee Debates to take this charge seriously. The Chairmen have done their work well. The debates have been neither irrelevant nor unduly prolonged, and there is no better testimonial to their value than the actions of Ministers themselves. Of twenty-eight amendments of substance moved by private members in the two committees in the week before Mr Greenwood's motion, six were accepted, and fifteen were withdrawn against an assurance

of reconsideration by the Minister—that is, were admitted to have raised legitimate points of information or criticism. Of the seven which were rejected, all but one raised important issues of principle on such matters as the closed shop, Ministerial control of the Transport Commission, or the possibility of sub-dividing some of the larger counties for planning purposes; and the one exception was disposed of in less than five minutes.

But, secondly, the Government argue that time presses, and full discussion will mean delay. So it will; but it is not unfair to ask, delay to what, and with what effects? Does anyone but a politician seriously believe that the national transport system, of which two major components—the railways and the docks—are already under direct public control, will fall into chaos if the vesting date under the Bill is put off six months from January, 1948? It would be more regrettable if the Town and Country Planning Bill were delayed; yet even here a delay of a month or two would scarcely be disastrous, now that the main outlines of the Bill are known and the authorities concerned can begin to prepare for the coming transfer of powers. Actual redevelopment over the next year or two is in any case bound to be only too limited in pace. And has due account been taken of the probable loss to the efficiency of these services, both legislative and, as at any rate one Labour member was ready to admit, administrative, through ill-considered haste? There might have been something to be said for rushing through Parliament a measure such as the Coal Mines Act, whose principles had been thrashed out in years of enquiry and discussion, and whose effect—at least in the short run—was in any case intended to take the form largely of a psychological shock; but the balance of advantage in the present case is very different. The Transport and Planning Bills are among the longest and most complicated with which Parliament has had to deal, and the issues which they raise, especially in the case of transport, are still far from familiar or clear cut. There is far more to be lost than to be gained by skimping discussion of them to the point of sketchiness. And, by a curious irony, it is these measures which are to be pushed through by the guillotine while the Coal Mines Bill was not.

If the Government's reference is to other legislation which might be held up, it may again reasonably be asked—which? Is it perhaps the Electricity Bill, Mr Shinwell's pleasant refuge from the chill realities of the fuel crisis? Is the suggestion that the nation's fate hangs in the balance because iron and steel, under public supervision and with a publicly approved reconstruction programme, may not be transferred to public ownership with the brusque decisiveness characteristic of the Minister of Supply? If arguments of this sort are in the Government's mind, then let them lay their cards on the table for the country to judge. What major legislation—emergencies apart—is proposed for the next year or eighteen months? And will its urgency justify the stifling of discussion precisely where discussion could be most useful?

Until more information is actually forthcoming, it may fairly be claimed that it is not in these directions that the justification for the use of the guillotine can be found. But there remain two other arguments of a more respectable kind. The first relates to the pressure on individual MPs. Extra time could be found this year by arranging for an autumn session; but, in spite of the Opposition's readiness to co-operate, members of all parties must have echoed Mr Greenwood's hope that anything of the kind could be avoided. The second is the possible effect of delays and postponement in legislation on industrial morale, particularly at and about the shop steward level. At a time when the Government ought in any case to be pressing for new industrial policies by no means welcome to their rank and file supporters, they may think it important to avoid any further impression, however unjustified, of a surrender to Tory obstruction. The argument is a dangerous one, since

it could easily be used for blackmailing purposes, and the Government is already only too prone to prefer restrictions and controls to positive leadership which might involve friction with its own followers. But at this particular moment the question of industrial morale is not without weight.

But even if these arguments are admitted, what do they amount to? Not, quite clearly, to a case for driving the Committee stage of the two Bills through by Easter, at a pace which makes a full discussion impossible. Parliament is being asked to do too much and too soon. There must be discussion; and the Government's right course is to begin by cutting the legislative programme down to allow it. Yet it must also be admitted that considerations neither of legislative efficiency nor of industrial morale will justify a snail's pace of progress which, as the Chairman of one Standing Committee observed, would prolong this stage of the proceedings till Easter 1949. Is it really too late to compromise—to try to secure agreement with the Opposition on a programme to be enforced by the normal methods at the disposal of Chairmen, with the possibility, if the worst comes to the worst, of an autumn session as a lesser evil than the guillotine? At the very least, why not accept the Opposition suggestion of extending the Committee stage until Whitsun? Mr Greenwood's concession of an extra day at the Report stage is a step in the right direction; but the really vital matter is to secure concessions for the detailed work of the Committees.

Are these considerations, or rather is their proper balance, not apparent to the Government? Perhaps not; and yet a suspicion remains that the true balance was apparent enough, but was weighed down by the exceedingly dangerous general arguments raised by the Home Secretary and other Labour Members. No Government of modern times, Mr Ede commented, has legislated too rapidly. The danger seemed to him not to be that legislation may be too fast, but that it may prove too slow, and in speeding it on its way a Government would be well advised not to look too closely at Parliamentary tradition and precedent. Here indeed is Mr Ascheton's "major division of philosophic outlook." Parliament has ceased to be an initiating body; but with or without Mr Ede's consent it remains, and must continue to remain, the nation's Court of Enquiry. While the floor of the House provides a platform for the questioning of Ministers and for broad discussions of policy and the principles of measures, the Committees should offer scope for detailed criticism in a less formal atmosphere, and for individual Members to make their personal contribution to legislation. If Parliament is to be anything more than a rubber stamp—a Supreme Soviet or a Fascist Grand Council—it is here that the difference must appear; and if Members of real ability are to be attracted, it is here that they must be offered a chance to give of their best. Pep talks to constituents, posting grumbles to Departments, and endless waiting for the division bell are no diet for a man capable of a real job of work.

Yet, can anyone who considers Mr Ede's principles, as translated into the practice of, for instance, Standing Committee D, seriously believe that back-benchers—particularly Government back-benchers—have at present the chance to use their abilities to the full? Is the ratio of 2½ to 1 between Opposition and Government back-bench speeches on the Town and Country Planning Bill a measure of the relative capacity of Conservative and Labour Members to contribute to the Bill's improvement, or merely of the strength of Labour Party discipline? Mr Ascheton will have the support of many outside his own party in hoping that the Government may yet learn in time to save both the quality of Parliamentary democracy and the competence of their own legislation, that sound Socialist instincts are no substitute for a social process of thought. Democratic discussion is incompatible with the present pace of legislation; and when it comes to a choice, the sense of the country will not necessarily be on the side of Mr Ede.

round and a stay of the condemned man's execution resulted in surrender of the hostage. But the incident leaves the impression that the influence of the Jewish National Council (which is now resolved to commend moderation though not to assist the government in stamping out terrorism) is slender and will collapse at the first puff of a wind adverse to Zionism.

A solution without bloodshed looks to be almost impossible, but partition offers the prospect of less resistance than does any other imaginable plan. Many Jews are ready to accept it. A number of Arabs will, while protesting, acquiesce in it, though none will like it, because all fear the proximity of a thrusting, bustling, wealthy Jewish state, but some—even inside Palestine—will give in because they see in acceptance of the situation the only road to a quiet life. Others—outside Palestine—will do so because they have little time for their Palestinian neighbour owing to preoccupation with their own domestic concerns.

If the British Government is to enforce a partition on two communities, sections of which are unwilling to accept it, must it do so singlehanded? No one will want to help, except with advice. The best method of securing the sanction of world opinion for its decision would be to announce to the United Nations Assembly the project that it intends to execute, unless that body can conceive a better, and also supply the forces necessary to carry it out. But the Assembly does not meet until September. And the British official view is that, unless some third party carries the British plan, as a "situation," to the Security Council, the Assembly is the only body that could suitably receive and handle such a statement. If this is so, the time lag of seven months from now until it meets is, to say the least, highly inconvenient.

Liberating Austria

With Germany prostrate the "independence" of Austria means very little. It is not, therefore, surprising that the Deputies of the four Foreign Ministers have quickly agreed on its acknowledgement in Clause I of the treaty they are drafting at Lancaster House. They have found it less easy to agree on what guarantees of that independence should be secured. The Americans wanted a prohibition of any political or economic "tie-ups," the French a rigid ban on an *Anschluss* with Germany. The British very sensibly argued for a temporary guarantee of Austrian independence until Austrian recovery should be well under way, and for prohibition of the *Anschluss* in the German treaty.

Obviously this country of seven millions with nearly half its population in an oversized capital will never make ends meet unless it is closely tied with some group of states that can take Austrian products and help to feed and fuel Vienna. The neighbours have so far been unhelpful, possibly on hints from Moscow. Nothing has taken the place of *Umtra* save the British loan of £8,500,000 for the purchase of food and raw materials. Two million pounds' worth of coal from the Ruhr has still to be paid for. There are hopes of American aid, and some older hands are recalling that Seipel once proposed a customs and currency union with Italy. Soviet intentions for Austria's economic future will remain uncertain until it is known how many so-called "German assets" in the shape of factories, plants and companies are to stay outside Austrian control. To decide this last point may well take the Deputies many days out of the three weeks left before they report to their Ministers.

It is still anybody's guess whether Yugoslavia's claim to 950 square miles of "Slovene" Carinthia will receive Mr Gusev's support or not. It will certainly receive no one else's—not even that of the Austrian Communists. Dr Vilfan very much underestimated a large part of his audience last week when he argued that Yugoslavia could be better trusted than Austria with this "most suitable territory within the eastern Alps for the concentration of large military formations to move in a southern or south-eastern direction." And if the wishes of the population are to be considered at all it is worth recalling that nine-tenths of the votes in Carinthia during the 1945 election were for parties favouring the integrity of the province.

As for the future, only optimists will assume that the underfed, over-controlled and apathetic Austrian people will quickly put real drive behind their reconstruction. The present Government will gain prestige if it can sign a reasonable treaty, but its need of funds and advice will be a standing invitation to interference from outside. At the moment it faces the virtual certainty of an adverse trade balance this year of over £40,000,000.

Plots and Purges in Hungary

The political consequences of the recently discovered conspiracy against the Hungarian Government are not yet clear. It has been officially announced that its leader, General Veress, has been captured and is being interrogated. About a hundred other arrests have also been made, including the "Committee of Seven" that directed the plot. It seems that the organisers came from the class of senior civil servants, former landowners and army officers which ruled Hungary in Admiral Horthy's day. Such people are still numerous and influential enough to constitute a real danger. Fanatically nationalist and conservative, they can never be reconciled to the present regime.

If the version given by the Communist Vice-Premier Rakosi is correct, the conspirators were certainly very foolish. They are alleged to have intended to restore to their former owners the estates distributed among the peasants by the land reform—an aim in which no dispossessed landed class has yet succeeded. They are also said to have planned their action for the moment when the signature of the peace treaty should cause Soviet troops to evacuate Hungary—apparently regardless of the fact that they are still to remain in Austria and Germany. Though mistakes of this kind seem hardly credible, it must be admitted that in the past the former Hungarian ruling class has often shown its lack of realism and inability to learn from history.

Among those implicated are several members of Parliament from the Small Farmers' Party. This party, which represents the peasantry and urban middle class, and won 60 per cent of the votes in the 1945 election, was forced a year ago, by pressure from the Left, to expel some of its more conservative members. They formed a new "Freedom Party" which is in formal opposition to the Government coalition, to which the Small Farmers still belong. It may now be expected that the Small Farmers' leaders will be asked by the Left to carry out a further purge. At the same time the parties of the Left are drawing closer. The Social Democrats have been conferring with the small National Peasant Party. Elections of workers' delegates to "factory committees" have been postponed, by agreement between Communists and Socialists, in order to avoid friction within the working class.

Ever since its creation the Hungarian government coalition has been weak. The ideological and personal friction has caused many prophecies of its collapse and replacement by a Communist dictatorship—and an abortive Right Wing plot will certainly be a godsend to the Communists. Yet, though the coalition satisfies nobody, it is regarded by all as preferable to any practical alternative. Neither Left nor Centre have felt strong enough to rule alone, and this is probably still the case. The coalition has already survived several crises, and there is no special reason to believe that the present one will destroy it.

Road Hauliers' Victory

The committee of inquiry into the road haulage dispute produced its report with admirable speed, and decided after meeting for three days to reverse a decision which the Road Haulage Central Wages Board had taken several months to reach. The men were jubilant, and with every reason, since the committee gave them nearly everything they wanted. The 44-hour working week is to be operated from March 1st, and the cumulative week is to be adjusted, with provision for overtime payment. The only point on which the committee upheld the original decision of the Wages Board was its refusal to extend the length of the holiday period beyond nine days, excluding public holidays, instead of the twelve days asked for by the union.

The evidence of both sides is set out in the report. For the men, it was claimed that increasing numbers of workers were benefiting by shorter hours and that the reduction in hours and the readjustment of the working week, which would bring road haulage into line with the practice on the railways, could be achieved without any loss of operating efficiency if the employers utilised their fleets and manpower more economically. The employers' case was that they had already made as many concessions in the matter of the cumulative week as they could without interfering with flexibility, and that, whatever might be the experience of manufacturing industry, the road haulage industry could not be operated efficiently on the basis of a 44-hour week. They pointed out that the men's claim was in effect a claim for increased overtime, which would add at least 10 per cent to the wages bill, at a time when the high costs of distribution were already the subject of criticism.

There will be general relief that the strike, which at one stage threatened to paralyse the national transport system, was not carried further, and there is obviously no reason why road haulage

workers should not be given as favourable hours and conditions as workers in other industries and services. At the same time it is impossible not to have misgivings about the method by which the crisis was overcome. The men's victory, for it must be regarded as such, will undoubtedly be considered by other workers as an invitation to resort to strike action. The events of the past fortnight have brought the established wage negotiating machinery into some discredit, and it is hard to say whether more blame attaches to the employers for making full use of the opportunities for obstruction which the machinery offered or to the unions and the Minister of Labour for failing to insist on a re-union and the machinery at an earlier date. It is a matter of urgency, if industrial peace is to be maintained by negotiation and not by threats, that there should be a speedy investigation both by the Government and by the two sides in industry itself into the mechanism for dealing with wage claims and settling grievances.

Safety in the Air

The first public enquiry into an air crash since the R 101 disaster had barely started when there was another at Croydon, and the next day the eldest son of the Swedish Crown Prince was killed in a crash at Copenhagen. Dakotas were involved in all three cases, and some unjustified criticism has resulted. Dakotas crash more often than other types because they are more numerous—they represent over half the world's total of commercial aircraft. Criticism of the fact that British and some other European airlines permit this type to fly with an all-up weight more than a ton above that specified by the makers appears more to the point. Yet the layman would be rash to jump to conclusions on this matter in the face of expert advice—particularly since the same experts did not hesitate to ground the new Vikings when the unsatisfactory performance of their de-icing equipment increased the risk of their operation.

Nevertheless, certain broad matters of organisation call for comment. Briefing on communications procedure appears on the evidence of the inquiry to have been inadequate, and the selection of the pilots, neither of whom had flown on the route before, somewhat irresponsible. A French witness maintained that British aircrews make inadequate use of local radio frequencies, relying instead on long-range control from this country. Be that as it may, there is undoubtedly a case, which was beginning to be appreciated even before the recent crashes produced a spate of anxious criticism, for a thorough overhaul of liaison between airfields and a transfer of the responsibility for critical decisions on landing, changing destination, and so forth from pilots to controllers, whose present function is merely to advise. For it is precisely under conditions when such a decision is critical that the pilot is already working under too much strain to be fairly saddled with the responsibility.

The extended use and standardisation of navigational aids will help to reduce the danger from the human factor. But countries at present without equipment are somewhat reluctant to invest in a particular system when the Provisional International Civil Aviation Organisation may soon recommend the adoption of another. For this reason the recent establishment under the Ministry of Civil Aviation of the non-profit-making International Airadio, Ltd., is a welcome measure, without prejudice to the types of equipment finally installed.

Navigational aids, however, are only one aspect. Engine failure at take-off is another, and de-icing a third. The intricacy and vulnerability of modern aircraft make the closest supervision and most careful organisation essential. In order that British air operations may benefit from the most broadly based collaboration on all matters dealing with civil aviation, a National Civil Aviation Consultative Council was inaugurated last Monday by Lord Nathan. Its members are representative of air operators, clubs, air personnel, aircraft constructors and users of air transport, insurance companies and the general public. Other members may be co-opted. Its work should contribute materially to greater safety in the air—the keynote of the chairman's opening speech.

British and American Car Prices

The Economist of last week (page 147) took notice of a remarkable feat of economic leadership by Mr. Henry Ford. By lowering the prices of all models in the Ford range he made the first practical response to President Truman's appeal for the maintenance of purchasing power, went far to dish the United Automobile

Workers' wage offensive, and administered a salutary shock, worthy of M. Blum, to the passive acceptance of inflation. It would be pleasant to see any corresponding lead given by an important British industrialist, whether inspired by pure public spirit, enlightened self interest, or a desire to steal the Labour movement's clothes while it is bathing. But no such picture presents itself on this side of the Atlantic; on the contrary, the Austin Motor Company, whose chairman only last week announced that "we must break prices," has raised them smartly. The contrast between the value received for a similar expenditure on British and American cars was striking enough even before the war. With the resumption of private car manufacture it has become not merely striking but shocking; even, that is, after allowing for the effects of the purchase tax.

British manufacturers have two time-honoured excuses to offer: the well-known importance of overhead costs in the industry, favouring the American manufacturer with his huge home market; and the cylinder capacity (late horsepower) tax, which, together with the petrol tax, penalises the big car. Both arguments are thin, and the second is the thinner. The way to reduce overheads is to reduce the number of models, which the industry has steadily refused to do; and it was the manufacturers themselves who demanded the retention of the cylinder capacity tax, instead of an *ad valorem* tax which would, with an equal yield, have encouraged the production of the cheap, roomy, willing cars which both the world in general and the long suffering British motorist want. Nor was any reason, apart from the manufacturers' preference, ever given why—even assuming the Chancellor to be indissolubly wedded to the principle of the cubic capacity tax—that tax should not have risen by wide steps so as to force concentration on two or three engine sizes. The conjunction of the Ford and Austin price changes is an unpleasant omen for the British export trade. Perhaps before the next Budget Day Sir Stafford Cripps might have a few words on the subject with Mr Dalton.

Alexandra Palace

The present state of television came in for a great deal of criticism in the adjournment debate in the House of Commons last week. Attention was called to the lamentable lack of accommodation at Alexandra Palace, the relatively low pay of the technicians, cameramen, engineers and script writers, the poor quality of the programmes, the limited range of people who can "look in," and the general lack of interest in the development of television, which, as one Member put it, is regarded as "the poor relation of the Third Programme." Many of these criticisms would appear to be justified, but to none of them did Mr Burke, the Assistant Postmaster-General, give an adequate reply. While admitting that the Alexandra Palace was by no means satisfactory, he denied that either the Government or the BBC had been niggardly in their treatment of television—the sum of £2 million is to be spent on its development—and claimed that the British service was ahead of the American in its quality.

It is no doubt true that technical difficulties have prevented any nation-wide development of television. It has been difficult to procure suitable buildings and sites, and material shortages, such as the shortage of steel and glass, have been operative. But the fact is that at the moment there are not more than 15,000 sets in households, and that reception is normally limited to a radius of 45 miles from the Alexandra Palace. It is hoped to set up a transmission station in Birmingham within two years, which will perhaps provide colour broadcasts, but a site has not yet been found; eventually the aim is to develop a network of stations to serve the main centres of population.

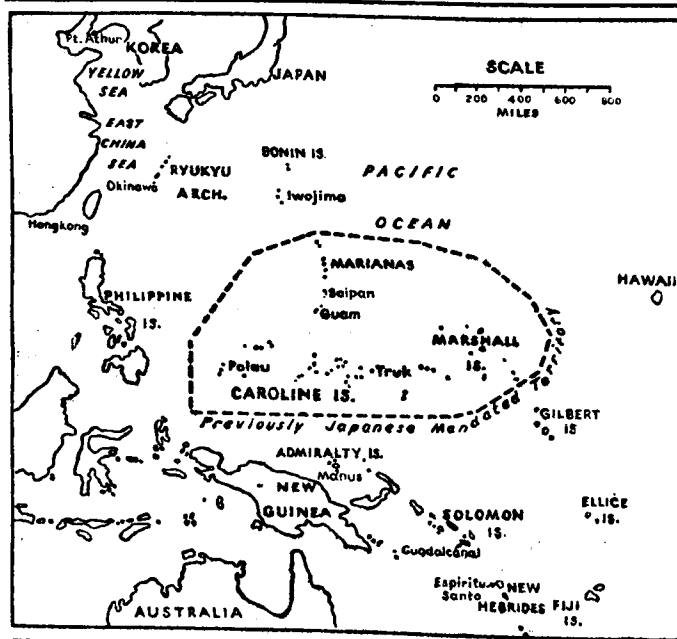
Mr Burke spoke of the Government's desire to "regard television as part of an integrated broadcasting service." The objective is very commendable; but at the moment television is apt to be regarded as a freak offshoot of sound broadcasting, and there is little evidence to support Mr Burke's claim that the British are ahead of the Americans.

Tories Off the Air

The Conservative Central Office has issued a statement claiming that in December, out of 32 political talks by 22 different speakers on the BBC home services (Brains Trusts excluded), no single address was given by a Conservative. Fifteen Socialists, six Liberals, one Independent MP, and ten speakers whose political affiliations are unknown shared the field, though some of the last

Postponement in the Pacific

WITH five peace treaties concluded with European enemies, and with the affairs of Germany and Austria now about to be considered by the Foreign Ministers in Moscow, it is easy in this country to forget that there is another region of the world awaiting a peace settlement for which not even the preliminary discussions and deadlocks have yet taken place. It has so far been taken for granted that Japan is at the end of the world peace queue, and even if it is theoretically admitted that prolonged uncertainty is as bad for international order in the Pacific as it is anywhere else, European affairs hold such an overwhelming priority of attention in this country that there is little sense of urgency about the problems of the Far East. Yet in Australia a very different point of view prevails; as seen from Canberra, the Far East is the "Near North" and the Pacific, not the Atlantic, is the neighbour ocean. If ties of special mutual understanding are still to bind together the self-governing units of the British Commonwealth, it is important that what most interests Australia and New Zealand should not be ignored or overlooked in Great Britain, and the question of expediting a peace treaty with Japan is one to



which the British Government would do well to direct its attention.

Dr Evatt, in a speech to the House of Representatives on February 26th, made a strong case for an early peace settlement in the Pacific. He spoke on the same day that the United States delegation placed before the Security Council of the United Nations a draft agreement for American trusteeship over the Pacific islands formerly held by Japan under League of Nations Mandate. The disposal of these islands—which were overrun by American forces in island-hopping operations during the war—is obviously one of the main questions for a peace settlement with Japan, and for the Security Council to decide it in advance, in isolation from other closely related problems of Pacific defence and insular administration, would be to prejudice the final issue of the peace conference when it is held. The British and Australian Governments have both taken up the position that no formal transfer to American trusteeship can legally take place before the peace conference, but the United States Government has declined to accept this restriction, arguing that it has at present actual authority over the islands and that no other Power is claiming trusteeship

for them. The United States has been strengthened in its demand by the acquiescence of the Soviet Union, which was announced by the State Department only a few days before the proposal was put to the Security Council; it had been generally expected that the Soviet Union would make objections to sole American "strategic area" trusteeship in the islands, and the sudden burst of benevolence towards American oceanic expansion—which has left Britain and Australia out on a limb in the cold wind of American displeasure—appears to be connected with Soviet manoeuvres for improvement of diplomatic position on the eve of the Moscow Conference.

The process of dividing the spoils in advance of a peace conference began, indeed, even before the war with Japan was over. In the notorious Yalta secret treaty on the terms of Russia's entry into the war against Japan, Russia received British and American consent to annexation of southern Sakhalin and the Kuriles, and although, strictly speaking, the Big Three had no authority to commit the future peace conference to these transfers of Japanese territory, nobody is in fact likely to question them, and Russia has formally incorporated the areas under its sovereignty. The United States, however, received no promises from Russia at Yalta with regard to American post-war plans in the Pacific, and this is one of the reasons for Washington's keen desire to get its title to the Mandated Islands recognised as soon as possible; there has been some acid comment on the diplomacy which conceded so much to Russia without getting any *quid pro quo* for American interests, and the Navy Department, which has long been determined to establish permanent bases in the captured Japanese islands, has been alarmed at the prospect of Soviet obstruction over the terms of a trusteeship agreement which might force the United States to choose between intolerable restrictions on strategic use and an indefinite occupation of the islands without recognised title. So the State Department is naturally taking advantage of the present diplomatic opportunity to make sure of the prize.

But such piecemeal settlements cannot be regarded as satisfactory in relation to the general question of assuring future security in the Pacific, in which not only the United States, but also Australia, New Zealand, Britain, France and the Netherlands are deeply concerned. Strategically the former Japanese Mandated Islands—the Mariana, Caroline and Marshall groups—are of great importance by reason of their position between Hawaii and the Philippines and between Japan and New Guinea, but they are only part of the strategic picture, which must also include other Japanese islands—the Ryukyu, or Luchu, and Bonin chains which lie nearer to Japan—and islands further south which are under Australian, British or French sovereignty. The question of the Ryukyus and Bonins will still remain over for the settlement with Japan even if the Security Council disposes finally of the Mandated Islands, and the Ryukyus, at any rate, may be a subject of sharp dispute, for, apart from Japanese claims to retain them on ethnic grounds, their position commanding the approaches to the East China and Yellow Seas makes them far more significant for continental Asia than the more remote islands of the ocean. To leave them to Japan would be a risk, and there has been some talk of reviving under American protection the independent state which existed in the islands before 1879; they are at present, of course, under American occupation, and it is unlikely that the Americans will be willing to let go of them. However, Soviet consent to American possession of Truk and Saipan does not necessarily imply consent to a permanent American base in Okinawa.

To the south of the Mandated Islands, the United States Navy, through the Naval Affairs Committees of Congress, has stated its desire for bases in islands now under non-American sovereignties—notably Manus in the Admiralty Islands (Australian Mandate), Guadalcanal in the Solomons (British) and Espiritu Santo (in the Anglo-French New Hebrides Condominium, commonly known as the Pandemonium). Negotiations over the leasing of these bases would be a matter between Allied nations and would not be formally a part of the peace settlement with Japan. But no sovereign state allows even the friendliest foreign Power to establish military and naval bases on its territory without great reluctance; it is only as part of a jointly planned political and strategic system that such rights can justifiably be claimed and conceded. Unfortunately, the United States, conscious of its supreme power and preponderant role in the victory over Japan, has taken it rather too much for granted that the Navy must have whatever it wants without any corresponding obligations on the American side. Britain and France, with their European preoccupations and relatively small stake in the Pacific, might be inclined to yield easily to

NOTES OF THE WEEK

"Blood for Blood"

The Government's recent declaration on India has passed from the Lords to the Commons for debate. The Opposition has tabled an amendment to the motion of approval and is expected to insist on a division. But there is already a sense of futility about these discussions. On the day of the debate comes the news that large-scale rioting in the Punjab has finally brought down the "Unionist" Coalition Government which has so far kept that province free from the extremes of communal tension. While the British Parliament gives itself up to controversy about the date of British withdrawal from India, Indian politics proceed on the assumption that British authority is already at an end; what interests Indian politicians now is no longer getting rid of the British, but the succession, and in the constitutional vacuum the struggle for the succession is to an increasing degree being decided, not by votes or discussion, but by violence and terror.

London may talk about the pros and cons of "handing over power" in June, 1948, but as far as the vast majority of Indians are concerned, power has already been thrown into the gutter for armed gangs to fight over. Since "law and order" have been transferred to the Provincial Governments, it is they and their police who hold the powers of life and death for the masses of the people, and the Viceroy is only a shadow on the horizon, powerless to save or punish. Impartiality of administration has disappeared in the provinces where tension is highest; the Provincial Government is on one side or the other, and its police act accordingly. Vast massacres take place, while the police look on. It is no or even aid the pogrom-makers of the ruling faction. It is no longer possible for the Viceroy even to find out the total numbers of casualties, for it is useless to request statistics from provincial authorities deeply implicated in the murders of their opponents. "Blood shall be avenged in blood!" the slogan used for the massacres in Bihar, is now ringing through Northern India, and the vicious circle of killing and counter-killing—it no longer matters who began it—is no longer controllable by British power. In these circumstances, the sooner the quitting is completed, the better.

India Among the Nations

An Indian Ambassador to the United States has now presented his credentials to President Truman in Washington. The event raises the question—which may soon become acutely embarrassing to the British Government—of the present international status of India. Legally, until June, 1948, the ultimate sovereignty in India remains British, and it is still an open question whether it is to be transferred to a single central Government or to two or more succession States. Yet India has now been granted independent representation abroad as if it were already an independent sovereign State, and this representation is in the hands of Mr Nehru, who holds the portfolio of External Affairs in the Interim Government and is at the same time the champion of a united India. He is, therefore, in a position to appeal to

any American pressure, but Australia and New Zealand are in a different position; their homelands are in the Pacific, the war has aroused them to a consciousness of their vital interests, and they are unwilling to accept a Pacific settlement by American fiat or by deals between the Great Powers. Hence the vigorous and self-assertive Australian diplomacy, which has become such a factor at international conferences. Australia refuses to be sidetracked or ignored. The first fruits of this new and independent foreign policy may be seen in the recent institution of the South Pacific Commission, which closely corresponds to the Australian scheme put forward two years ago. But the larger issue of a peace settlement with Japan remains, and Australia is determined to take a leading part in it; for this reason the disposal of issues piecemeal without a regular conference causes great annoyance in Canberra and a demand for speeding-up the Japanese peace treaty. General MacArthur is also, for different reasons, in favour of an early conference and treaty, and there is indeed a strong case for completing this business during the present year. Japan, unlike Germany, has a Government and can sign.

the United Nations against British "dismemberment" of India if Britain attempts to transfer what is left of the British Raj to any regional authorities not recognised by Congress. India is already represented abroad and in the United Nations Assembly by the nominees of a party which rejects Britain's right to transfer any powers except in accordance with the decisions of the Constituent Assembly now in being, and Britain, though still nominally holding ultimate authority in India, has no control over this diplomacy. Theoretically the Viceroy can still dismiss Mr Nehru, but practically this would produce such an acute crisis that it is almost out of the question. The situation is indeed a fantastic one, and it is really Britain's own fault for having for over two decades insisted on giving India separate representation in international conferences and the League of Nations before full self-government was attained. Diplomatic relations are a function of sovereignty, and ought never to have been conceded to India during the transition period. As it is, the British Government is probably in for some nasty surprises on the international level in its dealings with the Congress Party.

America and the Eastern Mediterranean

The suggestion to Washington that Britain should shed part of the load of financial assistance to Greece was well timed, and a hopeful reply has already reached London. It is not a purely British interest that a slippery foothold for Western influence should be maintained in and around Greece; and it is better done by firm economic support than by occasional naval cruises which cause unnecessary irritation in Moscow and retard rather than hasten appeasement in Greece and demobilisation in Turkey. Such support can no longer come from British resources alone, and it is only with reluctance that it has been decided in London to fix no date for the final withdrawal of British troops from Greece.

The presence in the country for many weeks to come of the Uno Commission of Enquiry, the work of the American Commission, and the preparation of the Greek Government for a spring drive against armed bands which refuse to take advantage of concessions and amnesties, offer together the prospect of some stability during the summer. The assurances of joint Anglo-American support may ensure that the Greeks will make a strenuous effort to press on with political conciliation and economic reconstruction, without which the future would remain full of danger both internal and external.

The American response to the British appeal has to be considered against the background of consultations with Government colleagues and politicians with which General Marshall has been preparing himself for his journey to Moscow. American interests in the Middle East appear to have been discussed at length. If this should enable General Marshall, as well as Mr Bevin, to use the opportunities of informal discussion which the Moscow meeting will offer to consider relations with the Soviet Union outside Europe, the chances of agreement between the four Foreign

group would probably in fact be Conservative. The BBC's reply is that, whatever may have happened in this particular month, the figures for a series of months show that opportunities for MPs to get on the air are, if anything, overbalanced on the Opposition side; while, where speakers outside Parliament are concerned, the Corporation does not and should not inquire into their political opinions. If the BBC has, in fact, anything of a left-centre bias—and, if so, it is not easy for a casual listener to detect it—the accent is far more heavily on the centre than on the left.

The point, however, is not so much the merits or demerits of the Conservative case on this particular issue as the fact that the issue needs to be raised at all. Under a reasonably competitive system of broadcasting, as *The Economist* has frequently pointed out, a party which failed to secure enough time on the air would have no one to blame but itself. It is perhaps poetic justice that Tories should now be hoist on the petard of a monopoly which one Conservative government established and later Conservative or National administrations maintained; and it may be hoped that this painful experience (or alleged experience) will finally convert Conservatives to a belief in free broadcasting enterprise. With the technical barriers to competition crumbling, and the experience of Holland, the Dominions, or the United States to serve as a guide to administration, the days of the BBC's monopoly should be numbered; and self-interest alone, as the shades of the Socialist prison-house begin to close, should inspire Conservatives to give the lead in this matter which their own professed principles demand.

In this connection a most interesting technical development is now in the offing. The BBC have invited tenders for the erection of two experimental transmitters using the Frequency Modulation (or FM) system. FM, which has been developed quite a long way in America, gives very clear reproduction free of interference. It uses short wave-lengths, and thus dodges the difficulty of scarcity of medium wave-lengths which besets the more orthodox system of broadcasting. It would be possible to have a great number of FM stations in Great Britain, though each of them would cover only a small area. It is an exaggeration, to the point of untruth, to say, as one newspaper has done, that the advent of FM will make it necessary for every listener to scrap his present set. Development will not be as rapid as that. But FM does open up the technical possibility of having a network of broadcasting stations in this country and thus removes the chief technical reason for the present monopoly.

Party Spoils in Japan

It is often embarrassing when people do in excess what they are asked to do. The recent purge decrees of the Japanese Government have shown an excess of virtue in that they have gone far beyond the directives originally issued by Supreme Allied Headquarters for the eviction of militarist and chauvinist elements from Japanese public life. This zeal is somewhat surprising, for it was widely assumed that the parties of the Right, politically preponderant in post-war Japan, would try to protect persons who, even if compromised by their records in relation to Japan's war-making policies, were fundamentally of "their own sort," and Left-wing circles, both in Japan and in the United States, loudly claimed that there could never be any thorough-going purge in Japan unless the Left came to power. But on paper, at least, the scope of the Yoshida Government's new purge orders is so far-reaching that it has caused some bewilderment to foreign observers and *The Times* Tokyo correspondent has reported a belief in "informed quarters" that the development is due to "the pressure of the extreme Left."

But there is a certain relation between cause and effect even in Japanese politics, and there is no reason for a Right Government to yield to the pressure of the extreme Left when it has a safe majority in the Diet and security from the Allied Supreme Commander against violent insurrection. Nor is there any evidence that the Japanese people is so overwhelmed by repentance for past policies that the Government is driven to far-reaching proscription by an insistent public demand. There has been so little compulsion from either Allied or Japanese quarters for the policy which the Government has been pursuing that there can be no doubt but that the latter is grinding an axe of its own in the matter. The reason is not far to seek, if the effects of the change of regime in Japan are taken into account.

Before the war the political parties had very little patronage to bestow; civil servants were selected by examination and had a high degree of security of tenure, while business appointments were at the disposal of private firms; in any case the parties could obtain only a limited share of political power owing to the strength

of extra-parliamentary factors under the old system. Now the parties have full power in proportion to their electoral success; at the same time there is an intense competition for jobs in Japan among the educated classes, for the country is deeply impoverished, the military and naval careers are closed, there are few good openings in trade or industry, and many thousands of Japanese who made a living overseas have been forced back into their homeland. The parties are seeking to build up their strength by rewarding their followers with jobs and attracting supporters by their power to offer jobs. The purge principle has given the Government parties a golden opportunity for expelling thousands of persons from posts not only in the public administration, but also in private business, and replacing them with good party supporters. It is not the Left, but the Right, parties which stand to benefit most from this spoils system, for they are already in power and can make the new appointments; even if the Yoshida Cabinet collapses and the Social Democrats enter a coalition Government, the Right parties can still use their majority in the Diet to get the larger share of the patronage.

Jugoslav Refugees

The murder of a Yugoslav consul by Chetniks in a camp near Naples last week will provide more material for anti-British propagandists in Belgrade. The crime occurred during a visit which the consul made on his own responsibility, against the advice of the British authorities. Perhaps the unfortunate man believed his own government's propaganda, which asserts that the majority of exiles, "the best sons and daughters of the people," long to return home, but are being forcibly prevented by a reactionary clique supported by British imperialists. Whatever the detailed facts, this lamentable incident illustrates a situation which has long been intolerable, and must be remedied.

British policy with regard to Jugoslav (and, indeed, other Eastern European) exiles, has been muddled and weak from the beginning. The Jugoslavs, amounting to hundreds of thousands, now scattered across Germany, Austria and Italy, fall into four distinct categories. First are the ex-prisoners of war, mainly though not exclusively Serbs, who were captured by the Germans in April, 1941. These men are honourable Allied soldiers, and those among them who for political or personal reasons do not wish to return to Jugoslavia under Marshal Tito are morally entitled to expect sympathy and help from the United Nations in general and Britain in particular. The second category are those Chetniks who fought against the Germans and did not willingly collaborate with the enemy against their fellow countrymen. To these men, too, Britain has moral obligations. The third group are those who were conscripted into various quisling formations. The most numerous of these are the "regular" Croatian Army (Domobran), which was not a political force, but was based on compulsory service. Others were mobilised into various "regular" Serbian or Slovene quisling forces or into collaborationist Chetnik units. All these men have fought against their fellow-countrymen in the service of the invader, yet many plead compulsion of one kind or another. Their case is arguable. Finally there are the members of political armies—the Croatian Fascist *Ustashe*, Ljotic's Serbian Fascists, and the leaders of the collaborationist Chetniks. These men are simple traitors and deserve no pity. The Jugoslav Government's claim for their surrender is fully justified.

The fault of British policy has been that for two years it has made no serious attempt to separate these categories from each other. It is difficult for British officers or military government officials to do this without directives; yet though the information required for the directives has been available in London and elsewhere, no orders have been given. The result has been that all Jugoslav exiles have been equally treated, and the genuine refugees have been compromised by association with traitors. Jugoslav Government propaganda has been able to denounce all British welfare work for refugees as "pro-Fascist activity." And indeed, though this accusation is in most cases false, it is not always entirely so. Men like General Damjanovic (a Serb who led troops under Wehrmacht command), the priest Djujic (who fought side by side with Germans, Italians and Croatian Fascists against Tito's men), and Jevdjevic (who kept in contact with German and Italian political and security chiefs), until at least recently, enjoyed freedom of movement, and have had opportunity to spread their Fascist ideas (the word is here used in its exact meaning) among the depressed and bewildered refugees.

The most fantastic case of all is Pavelic, the murderous Croatian Fascist leader, organiser of King Alexander's assassination and of the massacres of Serbs and Jews, who has "disappeared." The

Jugoslav Government believes that the British and Americans are protecting him. This is doubtless untrue, but if formal and urgent orders were given from the highest quarter to all Allied security services, it would surely be possible to find him.

This question is of importance, for it has played a big part in poisoning Anglo-Jugoslav and Anglo-Soviet relations in the last two years. It can be put right without any sacrifice of British interests, and until it is put right it will be impossible to make progress with the great humanitarian task of caring for genuine refugees.

The BMA and Mr Bevan

The British Medical Association has relented—a little. Last December, when the preliminary results of the plebiscite of doctors were made known, the Council announced that it would submit to a special representative meeting a recommendation that there should be no negotiations between the profession and the Minister of Health on the regulations to be made under the National Health Service Act. Since then, two things have happened. The final results of the plebiscite revealed that the majority against negotiations (54 per cent compared with 46 per cent) was not large enough to justify the Council's decision. Secondly, the correspondence between the presidents of the three Royal Colleges and Mr Bevan, commented on in *The Economist* of January 18th (page 98), revealed a conciliatory attitude on the part of the Minister which the Council could hardly ignore.

When the special representative meeting was held this week, therefore, it had before it a resolution of the Council that negotiations should be entered into provided that they were comprehensive in their scope and that the possibility that they might lead to further legislation was not excluded. The resolution was carried by 252 votes to 17. This does not mean, however, that the forthcoming negotiations will be easy going. The BMA leaders apparently still hope for an amending Act which will concede their main demands: the abolition of the clause in the present Act which prohibits the sale and purchase of practices in the public service; the right of any doctor to practise in the public service wherever he wants; the complete disappearance of the salary element in a doctor's remuneration; and the right of a doctor to appeal to an independent body against the recommendation of a tribunal that he should be dismissed from the public service.

On the first demand Mr Bevan cannot give way at all. On the second he cannot give way in principle, though he can go some distance in practice—by, for instance, laying as much emphasis as possible on incentives in unpopular areas and as little as possible on the restriction on practising in popular districts. The public has an interest here as well as the doctors; for free entry and competition, even if modified by a medical wages policy, are as valuable to the consumer of medical services as to the buyer of industrial goods. Local monopolies are a menace to the public, and Mr Bevan has in fact already declared that in the appointment of general practitioners to vacant practices in the public service he intends to allow as much individual choice and local initiative as possible.

In any case, he might reconcile the BMA on these points if he could make concessions somewhere else. Would it not be possible for him to incorporate in the regulations on remuneration the gist of an amendment passed in the House of Lords but turned down by the Commons, and allow a basic salary to be the exception rather than the rule? The Medical Practices Committee might be left to decide whether, when a vacancy was being filled, circumstances demanded that the incoming doctor should be paid partly, or wholly, by salary. Finally, if Mr Bevan could evolve some means by which a doctor's case, in the event of his dismissal, could be given an independent hearing, he would reassure, not only many doctors but a large part of the general public which regards with extreme misgiving this further instance of a Minister being the sole arbiter in his own disputes.

The War Office and the Brewers

The need for national planning—genuinely national planning, with powers to enforce decisions even on recalcitrant Government departments—could scarcely be better illustrated than by the decision of the War Office to retain 238 acres of London's Green Belt near Coudon and Purley for a bombing range. Five minutes in front of the Land Utilisation Survey's map of Great Britain, or the admirable population maps published for the Ministry of Town and Country Planning, should be enough to convince any unpre-

judiced observer that proposals for the further engrossment of open country anywhere in Southern England for purposes of this kind ought to be treated with the utmost suspicion; and when it comes to interference with London's distant and inadequate Green Belt suspicion ought clearly to harden into something a good deal stronger. In view of its manifold needs for urban development, for agriculture, and above all for recreation, the South is far too crowded to accommodate further military activities which can by any manner of means be diverted to the more open country in the North and West. The question, to which attention is drawn in a leading article on p. 179, is whether the existing of prospective machinery of national planning is powerful enough to enforce a view of this kind. Perhaps it is, and perhaps the new Town and Country Planning Bill will add sufficiently to the prestige of the Ministry of Town and Country Planning and its weight in inter-departmental battles to allow it to counter-balance (or at least play off against one another) the narrower views of other Ministries. But for the moment it is an open issue whether the capacity of the War Office for passive resistance, or the relative political importance of London local authorities as compared with demonstrators in the politically marginal areas of Wales, may not be bigger factors in the Government's decisions than unbiased consideration of the best use of the nation's land.

While the War Office has been drawing attention to a field in which planners have intervened too little, the brewers have brought up a case in which past interference has gone much too far. The New Towns Committee not long ago approached the delicate subject of beer with a tact which barely concealed the abandonment of the pussy-foot sentiments of the founders of Letchworth Garden City. The Government, in the person of the Home Secretary, last week expressed its hearty agreement; and the London brewers propose early in March to open an exhibition illustrating the planning of licensed houses in areas of new development. It will, incidentally, illustrate the need, only too often neglected in development schemes in the inter-war years, for planning authorities to consult as a matter of routine with the interests affected by each individual development scheme. The brewers' version of planning for freedom deserves every encouragement—even if, as rumour suggests, their resistance to the insidious assaults of the planners is sometimes carried a little too far.

The Right to Potter

First prize for the silliest piece of interference with people's private affairs, encouragement of snoopers, penalisation of enterprise and misuse of sledge-hammers for cracking nuts, will be duly awarded to Mr Tomlinson, the Minister of Works, for last week's Order on unpaid labour in the building trades. Henceforward any citizen who, having on hand materials—paint legally acquired over the counter, timber from a disused outbuilding or home-made breeze blocks—to the value of £10 must, before he rolls up his sleeves and constructs a new henhouse, apply to his local authority for a permit and wait the necessary weeks until he receives it, under penalty of the law. Worse, he must, if the wording of the new Order means what it says, acquire such a permit before he can even undertake in his own house any job of a total value exceeding £10, including labour as well as materials. One can foresee some pleasant legal proceedings, worthy of Sir Alan Herbert's *Misleading Cases*, with the prosecution arguing that the defendant, having spent a fortnight's holiday and several week-ends on odd jobs and decorations, had at trade union rates exceeded the permissible minimum by 20 per cent; while the defendant will plead that, since he had not attained trade union standards of proficiency, his time should be reckoned at a lower rate, bringing his suspect activities well within the law.

In practice, of course, the Order will be quite unenforceable. How much unsavoury tale-bearing it may elicit can be judged from Mr Tomlinson's own figures of complaints received and convictions made under existing Orders—11,155 complaints, 222 convictions. Snooping, whether private or official, is the last thing likely to encourage a healthy public opinion; and only a healthy public opinion—the notoriously powerful sense that such and such a thing is not done—can effectively prevent the abuse of paid labour masquerading as unpaid which the Order is designed to end. So far as it does succeed in penalising and limiting genuine self-help and neighbourliness it constitutes one more encouragement to the passive and mindless waste of leisure: one more blow to that old educative process of family co-operation which industrialisation has so largely destroyed, and one more narrowing of the small field in which even a mass-production worker can be his own master. There are many rights which could be surrendered with less damage than the right to potter.

Ministers should be improved. There have been signs that the Americans are anxious to begin discussion of the Pacific settlement; and it is legitimate to hope that the British delegation will show an interest in discussing British and Soviet policies in the Middle East. A little give and take on the fringes of the bargaining about Germany should help either to make the Russians more conciliatory or to show conclusively that they have no wish to be so. It is in Greece and the Eastern Mediterranean that the bridge between European and imperial policies lies.

The Services' Manpower

The detailed estimates for the armed forces, of which the totals had already been given in the recent White Paper on Defence, have now appeared and are summarised in the following table:—

	1946-1947		1947-1948	
	Maximum Strength	Net Estimate £'000	Maximum Strength	Net Estimate £'000
Navy	492,800	275,075	192,665	196,700
Army	3,015,000	732,000	1,210,000	388,000
Air Force	760,000	255,500	370,000	214,000
Total	4,267,800	1,262,575	1,772,665	798,700
Add: Labour force required Ministry of Supply's Vote†	1,169,600	416,000	450,000*	95,500
	5,437,400	1,678,575	2,222,665	894,200

* Minimum strength to be reached March 31, 1948.

† Excluding Ministry of Supply's non-defence expenditure.

The individual estimates for the coming year are not strictly comparable with this year's, for the Service Departments themselves will in future bear the cost of various supplies borne during the war on the votes of the Ministry of Supply or the Ministry of Aircraft Production.

But it is not the total cost in money of the defence forces that will be scrutinised so much as their total strengths. The figures given for the forces in the table are maxima. By the end of next March they will be reduced to 1,087,000. But this reduction will not satisfy many critics, not least of whom are within the Labour Party itself. These will represent a more formidable challenge to the Government Front Bench than did the dissidents on foreign policy. Their ranks include the foreign policy "rebels," the anti-conscription elements, members of the party's own Defence Committee, and a considerable section of trade unionists who, otherwise loyal to Mr Bevin, nevertheless criticise the Services' man-power figure as incompatible with the national man-power situation. It is not clear precisely what form the challenge will take, and whether there will be a debate in the near future on the White Paper as such; but a motion for the reduction in the size of the armed forces will almost certainly be considered by the Parliamentary Labour Party at its meeting on Monday and, if it does reach the floor of the House, will command considerable support. In any event, the forthcoming debate on the Economic White Paper will provide back-benchers with an opportunity for urging upon the Government their view that, with the present man-power shortage, the number of troops maintained abroad or kicking their heels in home establishments should be drastically cut down.

The critics are proposing that instead of the reduction of 340,000 from the December, 1946, level of 1,427,000 the Services' share should be scaled down to three-quarters of a million, which would make available a quarter of a million more potentially productive workers, without in any way jeopardising British defence commitments. Although the discussion principally concerns the Army, the demand is being made for an investigation into the position at Admiralty shore establishments, where it is alleged that there is a considerable waste of personnel. The suggestion for pooling resources with the Dominions for Imperial defence purposes is also being advanced. But the main point—on which the Ministers who reply will be most vulnerable—is whether the Service departments have not again succeeded, as they did during the initial stages of demobilisation, in dictating to the civilian Ministers.

To Leave or Not to Leave

As the result of the close-down of industry, the longer-term difficulties revealed by the Economic White Paper and the imminence of April 1st, a good deal of excitement has bubbled up

about the need to postpone the raising of the school-leaving age. The economic arguments for a short-period postponement, which is all the country would consent to, are very weak; for the numbers who stay on each term are small, and it will not be until September, 1948, that the whole extra age-group has accumulated. The immediate effect of postponement would, in the next six months, only add to the total labour force those children whose fourteenth birthday falls within that period. The raising of the leaving age does not result in any sudden and substantial decrease in the supply of labour on April 1st, but only a gradual one. Some 430,000 children leave school at 14 each year, which is equivalent to rather over 2 per cent. of the total labour force. As fourteen-year-olds can rarely do an adult's full day's work, and many of them do not go into employment for many months, the net subtraction from the total labour force is unlikely to be more than one per cent. even as far ahead as twelve months hence.

The educational arguments in favour of postponing the raising of the school-leaving age are very much stronger. The standard of the education which the children will receive is dependent upon three factors, the supply of teachers, the erection of extra classrooms and the provision of equipment. As the full impact of the increased numbers will not be felt until September, 1948, the increases can be met in stages over the whole eighteen months. On this basis it is hoped that sufficient teachers will be forthcoming through the regular and emergency training colleges. The position on buildings and equipment is much more precarious. The situation varies between different authorities; even before the fuel crisis, few local education authorities could feel comfortable about the deliveries of huts and equipment, but many of them had a reasonable hope that they would squeeze through. With the February stoppages the position has worsened greatly, though how much it is too soon to tell. Delays have certainly occurred both in constructing the temporary huts and in fitting them with even the minimum of tables and chairs; paper production for books has also been affected. As a result, the additional numbers staying on will certainly lead to a deterioration of general standards with consequential discrediting of the new reform. The Government might well have taken their courage in their hands and decreed a year's moratorium on raising the school-leaving age—provided always, in view of possible political repercussions, that it was made quite plain that their action was taken for educational and not economic reasons.

LCC School Plan

There is no lack of ambition about the London County Council's £187 million plan for London's schools. It is a grandiose conception, involving an average labour force of 12,000 building operatives over eighteen years, and will at its peak cost the ratepayer an additional 4s. 2d. on the education rate. Coming at the present time, when the difficulties of the nation in producing even the basic essentials of life are so vividly in mind, it strikes an unfortunate note, however excellent the ideals behind it. If comparable plans are produced for houses, roads, civic centres and the like, far more than eighteen years will be required for their completion.

The proposals are closely modelled on the Abercrombie plan, with a primary school with some 700 children for each neighbourhood unit and a secondary school, on the "multilateral" model, with 1,200-2,000 children for each community serving an area of about a square mile. Nursery schools for the 2-5 age group will serve far smaller areas, and will have only 40 places. Playing fields are one of the LCC's worst headaches, since it is quite impossible to provide more than the minimum open space round the schools and in parks for the primary schools alone. Playing fields for secondary school children will be in the Green Belt, where classrooms will be built, so that each class can spend a whole day a week outside London.

Of the 460,000 children in the county area 190,000 will be at secondary, 216,000 at primary and 54,000 in nursery schools. The capital cost of the scheme per child will therefore be about £400 at current prices, of which by far the largest proportion will be on new secondary schools, which are considered to be the central problem, and will demand almost completely new buildings. It is to be hoped that progress on a number of these will be sufficiently slow to benefit from experience of the "multilateral" system in the others. But the bold spirit which conceived the plan and the care and lucidity with which it has been drafted deserve great praise. The children of the future will not suffer from the timidity of their parents, though they may well lose something from their passion for size and equality.

Voluntary Effort

At the request of the National Deposit Friendly Society, Lord Beveridge is undertaking an enquiry into "mutual aid and other forms of voluntary action in social service." Voluntary effort takes two forms: effort on behalf of oneself and effort on behalf of others. Under the first head come all forms of saving, from the nation-wide saving organised by the National Savings Committee to the local slate clubs. In between comes voluntary insurance, and as Lord Beveridge's enquiry is to be sponsored and financed by a friendly society, it will presumably mainly deal with the scope for voluntary insurance once the National Insurance Act of 1946 comes into force and provides by compulsory insurance a minimum income for virtually the whole population.

But Lord Beveridge's enquiry will also be concerned with the other form of voluntary effort, that undertaken on behalf of others. There can hardly be any doubt that there will still be need for this, even when social security for all is nominally established. The gradual assumption by the State of the responsibility for the social services has not so far been accompanied by any falling off in voluntary work in the same field. A treatment centre for mothers convicted of neglecting their children and a council for the care of sufferers from cerebral palsy are but two recent examples of how voluntary effort can find new outlets even in a Socialist state. In the establishment of Homes for the old and the young it was a pioneer. Lord Beveridge's task will be to determine how this form of voluntary effort, at present often misdirected and therefore wasted, can be put to the best effect.

Soviet Reshuffle

The latest session of the Soviet Parliament—the Supreme Soviet—resulted in several reshufflings in the Government of the USSR. The most important of these has been Mr Stalin's resignation from the post of Minister of the Armed Forces and the appointment of General Bulganin as his successor. The Generalissimo's reason for his resignation was "the excessive burden of his main work," presumably diplomatic business connected especially with the forthcoming conference of Foreign Ministers. But it is almost certain that the Soviet public will see in Mr Stalin's resignation an act of deeper political significance.

The gesture would seem to be calculated to underline that the Ministry of Defence is now no longer as important as it was before; that the Soviet Government is bent on maintaining peace almost at any cost; and that the direction of the armed forces can therefore be left in the hands of a second-rate personality such as General Bulganin. Soviet opinion undoubtedly links this with Mr Molotov's plea for disarmament before the United Nations and with further cuts in defence expenditure in the new Soviet budget. In the estimates for 1947, the Ministry of Armed Forces gets 18 per cent of the expenditure compared with 24 per cent in 1946 and 43 per cent in 1945.

Another somewhat sensational reshuffling is reported from the Ukraine. There Mr Khrushchev—"the Stalin of the Ukraine"—has been dismissed from his post as Secretary-General of the Ukrainian Politbureau and replaced by Mr Kaganovich. Only exceptionally grave uneasiness over the economic and political situation in the Ukraine could have impelled Mr Stalin to make this change. Mr Khrushchev has apparently not been able to master the chaos and devastation that war and Nazi occupation left behind. Shortly before his dismissal the Government announced that in 1946 the total industrial output in the former occupied provinces had not yet reached 50 per cent of pre-war production. The Ukraine has also been most severely affected by the drought. In the past, Mr Kaganovich has often been employed in the breaking of bottlenecks by shock methods—his present appointment foreshadows the use of some such methods in a determined effort to speed up the rehabilitation of the Ukraine.

Of the other recent changes, the following are of some importance. Mr Voznesensky, chairman of the Planning Commission, has been appointed a member of the Politbureau in Moscow, which increases his authority. Mr Zhdanov has resigned from his post as Chairman of the Supreme Soviet. The Minister of Health has been dismissed. All these and other changes add up to a considerable shake-up in the Administration. There have also been a number of "reformist" moves in the legislative field, such as the foreshadowed incorporation of Habeas Corpus in the new Criminal Code and Criminal Procedure—all designed to create the impression (or possibly more than the mere impression) of a liberalisation of the regime.

German Drive for Dollars

While the House of Commons was expecting disclosures last week in the debate on a supplementary estimate for Germany and Austria of over £39,000,000, Mr Hynd heard the first doubtful voice—of what may well be a chorus—asking questions about the coming German export drive. They came appropriately from one of the Socialist members for Coventry; they elicited the very un-Socialist reply that "it would probably be a good thing for British industry if there was a bit of sharp competition here and there."

This easy-going aside is, presumably, not typical of the spirit in which Mr Hynd and the President of the Board of Trade will conduct their arguments about German competition with British exports in hard currency countries. The issue has hardly yet arisen in practical form, because no long term export programme for Germany has been submitted to the Cabinet. Its form and content await the result of the Moscow Conference. But the American partners in the Joint Export-Import Agency of the fused zones have already announced a target of £300,000,000, and there is evidence that a tug-of-war between the Board of Trade and the Control Office has already begun.

Three different, but equally important, questions arise. First, will Mr Hynd be able to maintain the claims of dollar-earning German exports against the fears of British industry expressed through Sir Stafford Cripps? The latter has the ear of his colleagues at all Cabinet meetings, particularly at those which discuss trade policy; Mr Hynd can attend only those meetings which discuss Germany. Secondly, what happens if there is deadlock on the Anglo-American body controlling German exports, for example, if the Americans insist on directing them into channels which injure British interests? Thirdly, what is to be British policy regarding German trade with Eastern and Southern Europe (which has no dollars to offer) especially with those ten countries for which Germany in 1936 was both the biggest supplier and the biggest market?

To raise these questions now is not to challenge the policy of subsidising the recovery of Western Germany. Even if it were economically wrong—which it is not—the British taxpayer would demand that the Germans should pay for their own food as soon as possible. But sooner or later the attack from British industry will begin; and woe betide the Chancellor of the Duchy of Lancaster, if it is then revealed that there is no clear Cabinet brief for the British officials running German exports, that these are under-selling (thanks partly to low labour costs) British and French manufacturers, and that the British taxpayer is being saved £100,000,000 a year only at the expense of his own export drive.

Reconditioning Rural Houses

Soon after the Labour Government took office the Minister of Health announced that the new Housing (Rural Workers) Act, proposed by its predecessor, to encourage the reconditioning of rural cottages, would be dropped. This was an interim decision. Mr Bevan declared that as soon as possible he wished reconditioning to be resumed, but that first priority must be given to the building of new houses, to which all the available rural building labour should be attracted.

The Rural Housing Sub-Committee of his Central Advisory Committee has shown in its fourth report (HMSO, 9d.) that even as an interim decision this policy was short-sighted. Proper reconditioning adds to the total housing accommodation available by bringing back into use houses which would otherwise remain unoccupied and by providing extra rooms in existing houses. It also includes a much-needed element of diversity in the housing programme, since the cottages concerned are of varying sizes and can accommodate the larger family, the childless couple or the single person as required. Secondly, full reconditioning will provide a modernised house for about half the expenditure of labour and material required for the same quantity of new houses—by no means an irrelevant point in the light of the Economic Survey's references to the building industry. Thirdly, the balance of evidence received by the committee shows that in the country there is labour suitable for reconditioning which is not suitable for building new houses—this is particularly true of the village craftsmen. Moreover, much of the rural labour is immobile, but could be used for reconditioning property in its immediate neighbourhood.

Having established the case for reconditioning, the committee then discusses how it could best be encouraged. It recommends that the former maximum grant of £100, which, since the owner

Letters to the Editor

The Twilight of Ministers

SIR,—Although I recognise that the admirable article which appeared in your columns last week could only accord a summary treatment to this subject, I feel that there was one serious omission among the precedents mentioned. I refer to the case known as Dalton's Dilemma."

If future Chancellors of the Exchequer had been allowed to arrogate to themselves the same degree of technical information, or to bandy about their department's secret plans with that academic playfulness for which their predecessor in the middle of the twentieth century was so justly notorious, it is legitimate to doubt whether the overweening powers of Cabinet Ministers would ever have been shorn. The chief credit for the vision which immediately perceived the danger—if not for the solution ultimately adopted—must go to the head of my own department. He it was who first realised the prime importance of "The Question of Sources of Personnel Supply." It was useless, as he pointed out in the Purple Paper on this subject, for the State bureaucracy to go to the universities for their supplies of labour, if part of this pool of skilled men leaked away each year into other occupations. How, he asked, could the administrative service of the nation maintain its high quality, if it was not to have the only reservoir of trained human material entirely at its disposal? The question was particularly relevant, for at that time an excessive proportion of our best young men at the universities were being absorbed into the frivolous pursuits of party politics, and meanwhile the State was being forced into the position of an unhappy mendicant begging for the reluctant services of the "marginal intellectual." And the leader in this movement away from public responsibility was the Labour Government's own Chancellor of the Exchequer—the prototype of the arrogant political intelligentsia of the mid-twentieth century.

The manner in which the "Dalton Dilemma" was solved provides yet another example of that happy spirit of compromise, which you rightly acclaim as the desideratum of "less fortunate peoples." The planned allocation of labour was one of the tenets of the government then in power, and it was only a short step from this principle to the law, which has stood the test of time for almost a century, that the State service should receive a first priority allocation and that the surplus should be "seconded" to certain other essential occupations—from which politics was, of course, excluded. That dealt effectively with the future. The problem of the intellectuals who were already in ministerial circulation remained, and there appeared to be no way, short of assassination, round this obstacle to the onward march of British constitutional development. However, the trade unions once again came to our aid, and since the great party purge of "armchair socialists," which preceded the introduction of the two-day week at about this time, the drab don has virtually disappeared from the English political scene.—I am, sir, your obedient servant,

A. SHONFIELD (P.R.O.)

The Ministry of Skilled Labour (Civil Service Commission),
The Athenaeum

Nationalisation and Efficiency

SIR,—Two articles in your issue of January 18th advance the following propositions: (1) The Electricity Bill is good but not urgent and ought to be postponed. (2) The economic fate of the country depends upon the sense of responsibility of the 10 per cent of active trade unionists who provide the effective leaders of working-class agitation.

Can you imagine any quicker way of killing their sense of responsibility than postponing nationalisation measures and so convincing them (however wrongly) that the Labour Government has sold out to capitalism?—Yours faithfully,

Trinity College, Oxford

PHILIP WILLIAMS

SIR,—Mr Tom Sargent's letter in your issue of January 11th is interesting as an example of the methods used by advocates of nationalisation of industry in presenting their case. Industry, privately operated and owned, is wasteful (no evidence being produced); the greatest wastage arises from separate undertakings competing with each other for profits; the aggregation of as many businesses as possible under single ownership would eliminate this wasteful competition for profits; the example of the ICI and other large industrial groups proves this; therefore, nationalisation or

grouping on one balance sheet would eliminate wastage in industry and would also permit production of a "socially useful" character at present not entered upon because it is unprofitable.

One would like to see evidence that public ownership, where it is in practice, is less wasteful and more efficient than private ownership: that if competition were eliminated the community would benefit; that so-called "socially useful" production or services will not become an additional burden on the community, or a matter of subsidy of one section at the expense of another; and, finally, that we have the ability to design and to operate the kind of organisation which will be required to handle these great aggregations of industry under public ownership.

In other words, what we require is a little more evidence and much less *ex parte* statement. To take one point alone: is Mr Sargent quite sure that within the industrial concerns he has in mind there is either greater over-all efficiency or avoidance of competition between individual units?—Yours faithfully,

44 Endcliffe Rise Road,
Sheffield, 11

W. H. HIGGINBOTHAM

Principles of Compensation

SIR,—That Stock Exchange prices reflect political insecurity has long been painfully familiar to British investors in Russia, in South America and in China. But is it not precisely to guard against the changes which result from politicians' being judges in their own cause that we should insist upon our accepted practice in the past that compulsory acquisitions should be at a price determined by an independent valuer, who is bound to assume a willing vendor and have regard only to the intrinsic value of the property? Otherwise, short of complete communism, you favour all other property owners at the expense of those who happen to run the particular type of property which the state covets. Does your correspondent, Mr Watkins, really favour this?—Yours faithfully,

Glebe House, Knebworth, Herts

G. R. Y. RADCLIFFE

The Polish Elections

SIR,—I do not think it is possible to make any analogy between the abandonment by us of our former Russian friends in favour of the new Bolshevik rulers of that country and our relation towards the Poles who fought on our side throughout the recent war. The Russian revolution was an internal affair of the Russian people, the Communist régime was established there without any outside assistance, even to some extent against foreign intervention.

On the other hand what has occurred in Poland was not a change of her political and social system, brought about by a genuine native process, but an enforced imposition on the country of a foreign system, in opposition to the will of the overwhelming majority of the Polish people. The issue is, therefore, not social reforms, as sometimes suggested, but the freedom of a whole nation, menaced from outside.

Neither does it seem fair to describe the Communists and their puppet groups in Poland as the Polish "Left Wing"—while simultaneously calling all the genuine Polish political parties, forming the backbone of the Polish nation, "Right Wing." This alleged Right Wing contains elements sometimes more socially radical and "leftish" than most of the Socialist leaders in the West. That which separates them from the Communists is their will to preserve democratic liberties and to resist all the forms of totalitarianism.

To assert that the only alternative to the Communist rule in Poland is the dictatorship of the extreme Right Wing is to obscure the real issue which is at stake in Poland—the issue whether the Polish nation will be free to shape its own destiny.—Yours faithfully,

J. S. WILLIAMS

111 Cadogan Gardens, S.W.3

Cotton Costs and Prices

SIR,—The letter from Mr R. P. Lynton on "Cotton Costs and Prices," in your issue of January 11th, appears likely to give a wrong impression of the effects of a shorter working week in the cotton industry.

The trade unions did not, during the joint negotiations, base their claim for the shorter week on the belief that production would

not decline; on the contrary, they claimed, and were conceded, a compensatory wage adjustment fully proportionate to the reduction in hours to maintain earnings in view of the anticipated loss in output. It is difficult to compute indirect gains of the shorter week, and the position should be assessed in terms of what deterioration might have ensued in the overall situation by retaining the longer week rather than in positive advantages from introducing a shorter one. In practice, it is the general experience that output has declined since the shorter week was introduced—at many mills, at least—or even more than proportionately to the reduction in weekly hours.

The great bulk of cotton cloths are subject to price-control orders of the Board of Trade, which, even before the change in hours, restricted margins to a level which was anything but generous. The adjustment which the authorities have allowed is materially less than would be necessary to compensate employers fully for the higher wage-rates and higher incidence of overheads per unit consequent upon the reduced hours.

Incidentally, our protest against the experiment at John Bury and Co. was not based upon the merits or otherwise of five-day working; it was made because unilateral action at individual firms on matters of far-reaching consequence strikes at the whole principle of collective bargaining upon which our industrial structure at present fundamentally rests.—Yours faithfully,

GEO. B. FIELDING, Director

The Cotton Spinners and Manufacturers' Association,
Midland Bank House, 26 Cross Street, Manchester 2

Canadian Appeals

SIR,—Your interesting note on "Canadian Appeals" in your last issue has one slip which you may wish to correct. The Dominion did indeed abolish the appeal to the Judicial Committee in criminal cases in 1933, and the validity of that Act was upheld by the Judicial Committee itself in British Coal Corporation versus the King in 1935; but no Act has ever been passed abolishing the appeal in civil cases. The recent proceedings dealt with the validity of a Bill introduced in the House of Commons

in 1939, but never passed. The Dominion Government referred this Bill to the Supreme Court of Canada for an advisory opinion; the Court upheld the validity of the proposed legislation; and certain Provinces then appealed. It is not yet certain whether the Dominion Government will proceed with a similar Bill at the coming session of Parliament.—Yours faithfully,
3 Lakeview Terrace, Ottawa, Ontario

EUGENE FORSEY

Bretton Woods

SIR,—While thanking you for the review of my book *Bretton Woods for Better or Worse* in *The Economist* of January 25th, may I correct a misapprehension? I have nowhere suggested that a high bank rate would be the appropriate treatment of the present monetary situation. As I have said in the preface, my criticism is of the International Monetary Fund as a permanent or long-term plan. I have also, it is true, pointed out the present and immediate need for stabilising the wealth-value of money. But, when "the commercial banks have been stuffed overfull with Government borrowing," something more drastic than dear money may be needed (such as the forced loans which have been resorted to in Belgium and some other countries to extinguish redundant money). And, if inflation takes hold in the United States (where the total of currency, plus demand deposits, has quadrupled since 1929), a rise in the gold value of the pound sterling (probably by several stages) may be necessary to guard against inflation here. Such measures might have to be supported by dear money, but that might not be necessary.

Your reviewer suggests that in advocating freedom to alter parities, I go far towards denying any value to international co-operation in the monetary sphere. But my contention is that, given Anglo-American co-operation in stabilising the wealth-value of the pound and the dollar, rates of exchange would present no difficult problem, and that, without such stabilisation, it would be disastrous to tie the pound to the dollar, and to commit Great Britain to whatever alternations of inflation and deflation the United States might indulge in.—Yours faithfully,

R. G. HAWTREY

29 Argyll Road, W.8

Books and Publications

Spengler-Toynbee History

"A Study of History." By Arnold J. Toynbee. Abridgement of Volumes I.—VI. By D. C. Somervell. 617 pages. 25s.

THE Victorians with few exceptions believed in progress. The fact of progress appeared obvious to them, not only on the material, but also on the moral and political plane. Doubts about the inevitability of progress have, however, become more frequent during the last thirty years. Two devastating wars, an unprecedented economic setback and a vicious spiral of ferocious social revolution and counter-revolution have naturally raised the question whether civilisation is really as secure as it looked about 1900, whether indeed it may not be on the way to breaking down altogether, and this has led to a new interest in the fate of systems of human society and culture which came to grief in the past. In the heyday of Victorian optimism historians were of course familiar with ruins, but they were not reckoned really significant; the heir of all the ages did not then think it possible he might be one with Nineveh and Tyre. A corollary of the belief in progress was a concept of the unity of civilisation which fitted in well with the egocentricity of the European outlook; as the way of advance had been through Western civilisation, which was then spreading over the whole world, other forms of civilisation seemed of little importance; they were merely outmoded constructions like the scientific theories of earlier times.

Spengler, the pioneer of the reaction against nineteenth-century optimism, had quite a different idea of civilisation. He held that history revealed not one civilisation, but many, and that each history showed a certain cycle of growth and decay; all civilisations, including the Western, were therefore comparable, and by comparative study of them it was possible to foretell in outline the destiny of the modern world. The work of Professor Toynbee is on the whole in the succession to Spengler, though it has a much more English quality; Toynbee avoids Spengler's absolute determinism and his mind has a brilliant and stimulating vivacity of thought in striking contrast to the pompous and ponderous style of the German scholar. Yet the Toynbee revision of Spenglerism does

not altogether escape from a rigid schematism which is open to the charge of distorting history rather than interpreting it.

The book which has just been published is a one-volume abridgement (made not by Professor Toynbee himself, but by an admirer of his work) of the first six volumes of *A Study of History* which were published before the war with a promise of more to follow. The great length of Toynbee's own composition is not accidental; he is interested in non-European cultures not only for purposes of illustrating his general theory, but for their own sake, and many pages are devoted to particular episodes, so that the book tends to become an encyclopaedia of the lesser known phases of human history. The abridged version concentrates on what is deemed essential to the theory and most interesting to the general public, and it is significant that more than half of the total number of pages is concerned with the "break-downs" and "disintegrations" of civilisations. It is the decline, and not the advance, which gets the greater share of attention.

The value of the Spengler-Toynbee method for historical thinking lies in the release it affords from crude conceptions of single-track automatic progress. Instead of regarding all past civilisations as mere steps upward to our own eminence, we are enabled to view them as "responses" to the "challenges" of specific conditions; history can thus be closely integrated with anthropology and sociology and new insight gained into the processes of cultural and social evolution. But the method needs to be used with great caution and respect for facts; if analogies are pressed too far, it quickly breaks down and becomes a trap for the unwary. Professor Toynbee in his desire to classify civilisations and reduce their history to a common pattern, produces some extraordinary results. On the analogy of the growth of Western civilisation from the dissolution of the Roman empire (the "universal state" of Hellenic civilisation), he dates "Islamic civilisation" (or the two different civilisations into which he divides it) only from about 1275 and calls the Caliphate empire the "universal state" of an earlier "Syriac" civilisation. But the rise of Islam was quite different from that of Christianity; it did not grow within a empire of alien culture, but made its own state from the outset. The distinctive cultural achievement

was expected to contribute one-third of the cost, was based on the assumption that the average cost of reconditioning was £150, should be raised to £300 in view of the rise in building costs. Of this amount, the Exchequer should pay £200, the county council and the rural district council halving the remainder. The committee also recommends, Miss Jennie Lee, significantly, dissenting, that these grants should, as under the old Acts, be paid where necessary to private owners (including owners of "tied" cottages), although it should continue to be a condition of grant that the cottage should be occupied by a person who can pay only a rural worker's rent and that the rent should be controlled within this limit. Mr Bevan may find it difficult to swallow this recommendation. Yet his acceptance or refusal of it will reveal his real desire. Does he really wish to increase the total rural accommodation at the lowest possible cost in materials and mobile labour and in the shortest possible time? Or does he put his political prejudices first?

Town Planning in Committee

The first few days of the standing committee considering the Town and Country Planning Bill were spent on an issue which has become familiar under Labour legislation. How much independence should be given to the Central Land Board, which the Minister is to appoint to administer the £300 million compensation fund and to levy development charges? The Bill, following the familiar pattern, leaves the Board's constitution and powers to be settled in the main by Ministerial edict. Mr Silkin was of course able to claim that this makes for flexibility, while the Opposition argued with a good deal more force that it also makes for a secret and uncertain division of responsibility between Minister and Board which is highly unsatisfactory. Although Mr Silkin has yielded on some points of detail, such as accepting that the Board's permanent secretary—although appointed by the Minister—should be dismissable by the Board, he clearly means to keep a tight rein on the Board's general operations.

The Bill simply states that the Board shall "comply with such directions as may be given to them by the Minister." Mr Silkin stated his willingness to specify that these should be "directions of a general character" and further to provide that an annual report of the Board's activities should be presented to Parliament, stating any directions that had been received from the Minister, except where secrecy was enjoined in the "public interest." These are valuable concessions; but can secrecy ever be really essential in this matter?

Mr Silkin quoted an example. It may well be desirable to levy lower development charges in South Wales and other development areas so as to attract enterprise. This can be done by means of a general instruction to the Board which would be made public. This is sound enough. But Mr Silkin suggested that, in addition, it might be desirable, "on planning grounds," to vary the development charge within the development area itself, and to do so by way of secret direction from the Minister to the Board. This argument envisages that the Board should be used by the Minister as an instrument of detailed town-planning control, auxiliary to his direct powers of forbidding or limiting development.

Any such arrangement is of very doubtful wisdom. It would establish a two-headed control, would require yet more co-ordination among planning bodies, and might undermine such planning freedom as the local authorities are to be given. Surely the purpose of the Bill is that decisions should be taken on planning grounds and that financial adjustments should be consequential? It may be argued that in some cases building will not go where it is wanted, unless special financial inducements are offered. This may hold for a broad area; but within that area it is surely better to offer developers a limited choice of sites (any unsuitable site can, after all, simply be banned) rather than to risk creating the envy and uncertainty which differential charges may create especially when they are operated in secret. It is difficult to believe that the possibility of secrecy, however useful a weapon it may be against obstruction, can do more good than harm.

Ritual Murder

The uproar in the House of Commons on Monday of this week over the delayed executions for ritual murder in the Gold Coast will long stand as a classic case of parliamentary solicitude for the welfare of colonial peoples at its most belated, ill-informed and misdirected. No heed was paid, by those who endeavoured to argue that the principles of British justice had been set aside, to the fact that the Gold Coast Legislative Council whose new

unofficial, elected majority is quite free of any possible dictation by the Governor, is quite capable of acting as a sounding board for local opinion. It would have performed this function by now if there had been a gross miscarriage of justice, without the intervention of the imperial Parliament. The exchanges with the Colonial Secretary in the House showed a complete lack in many cases of any knowledge of conditions in the colonies. Fortunately, members redeemed themselves to some extent on Wednesday after Mr. Creech Jones had made a full statement of the facts and of the Governor's views.

The background to the murder was given on page 641 in *The Economist* of April 20, 1946. Delay in the executions has been due to three factors. First, there have been the carefully timed legal quibbles of the lawyers of the accused whenever execution was imminent. The second cause has been the anxiety of the Gold Coast administration to consider all legal issues raised by the defence, which is understandable, since human lives are at stake. The third has been the intervention by a group of Members of Parliament some time ago to secure further consideration of the case, an intervention which was slow to take any concrete form, but which effectively delayed the executions. Responsibility for delay thus rests on all three to some extent, but primarily upon the family of the late Sir Ofori Atta, with which the convicted men have some blood relationship.

Clearly the Governor, whose full responsibility in the matter has now been upheld, has a difficult decision to make. If the sentence is carried out, Western principles of law and justice (dispensed originally, it should be noted, by an almost entirely African jury) will be vindicated. On the other hand, to execute five men after three years' delay is repugnant to British feelings. Yet if the sentences are commuted, then ignorance, fear and superstition will have gained a resounding victory—and the lesson will not be lost on the inhabitants of the "bush" villages of West Africa. In this country the whole incident is a startling illustration of the degree of ignorance in high quarters of colonial affairs. In matters of justice it is usually the best course to trust the juries, the judges and the executive authorities who are on the spot. If Members of Parliament are not prepared to do that, they should at least inform themselves of the facts.

Crisis of the Hungarian Coalition

The Hungarian political crisis, created by the discovery of the anti-government plot, has deepened in the last weeks. Among the persons allegedly implicated was the General Secretary of the Small Farmers' Party, Bela Kovacs. This man's past record shows that he was no Fascist, and in particular that he was a convinced supporter of the Land Reform. He is of peasant origin. He was, however, generally regarded as belonging to his party's Right Wing, and strongly opposed the infiltration of Communists into the civil administration. As General Secretary, he was responsible for appointments within the party, and is believed to have used his influence in favour of its more conservative elements. He himself admitted mistakes in this connection, but firmly denied that he was engaged in a conspiracy.

The Committee of Privileges of the Hungarian Parliament examined his case, and decided on February 22nd against the annulment of Kovacs' Parliamentary immunity. The decision was denounced by the Communist Vice-Premier, Rakosi, and the Social Democrat Minister of Justice, Riesz. On the 24th it was announced that Kovacs had voluntarily renounced his immunity, and submitted to interrogation by the head of the Political Police. On the 26th it was learned that he had been arrested by the Soviet authorities.

Pressure by the Left Parties on the Small Farmers continued. On March 1st the Small Farmers' leader, Premier F. Nagy, announced that the party would make every effort to "harmonise its political views with those of the Left-block parties." A split has also taken place in the small National Peasant Party, which politically stands between the Small Farmers and the workers' parties. It represents part of the poorer peasantry, and is led by a group of very able radical intellectuals. Its General Secretary, Imre Kovacs (not to be confused with Bela Kovacs), has now resigned and has been replaced by Erdei, who stands for closer co-operation with the Communists.

It remains to be seen whether the coalition will stand this crisis. Hitherto Hungary has differed from her south-eastern neighbours in that a moderate conservative party was represented in the government, and enjoyed very wide freedom of Press and public meeting. This state of affairs was always deplored by the Communists, who argued that it was the cause of the unfavourable attitude of the Soviet Union to Hungary's territorial claims at the



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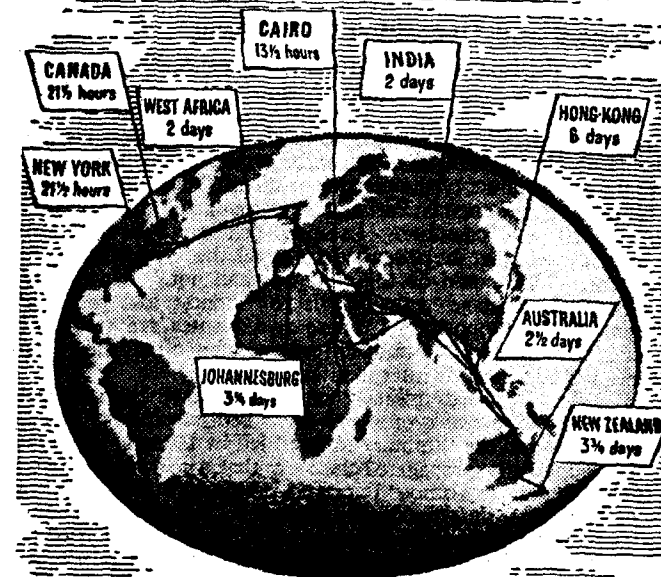
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of Islam was already virtually complete by 1275 and it was particularly brilliant in the period which, to fit the scheme, is compared with the "Dark Age" in Western Europe. Similar distortions are inflicted on Indian and Chinese history for the sake of comparability, and they seem to show that the method used, though it can be a good servant, is a bad master.

Marxian Economics

"Studies in the Development of Capitalism." Maurice Dobb. Routledge. 396 pages. 18s.

MR DOBB's studies, as he himself points out with engaging candour, have grown rather than been designed over a matter of twenty years. Taken together with the need to translate Marxist terminology into the more usual language of political and economic discussion, this process has made them hard reading; and the faint-hearted student may perhaps be excused if he ends by wondering whether his trouble was really worth while.

The most valuable service of Mr Dobb's approach is to drive home once again the lesson that economics must be political economy, concerned with the texture of social life as affected by the market economy as well as with the working of the market itself. History is the best corrective to an unduly technical and market-minded approach to economics; and Mr Dobb avoids, at least in principle, the opposite error of converting economics purely into politics and forgetting that the economist has a special sphere and competence of his own. So far, so good; but, when it comes to current problems, which were after all the author's main target, a book which might have been as illuminating as Schumpeter's *Capitalism, Socialism and Democracy*, peters out through obstinate adherence to the Marxian categories. A framework of thought which makes it impossible to recognise the new feudalism of the USSR for what it is (one remembers the illuminating comparisons drawn by Professor Brogan between pre- and post-Revolutionary Russia), or to proceed beyond the crudities of a Palme Dutt in the classification of Fascism, is not much help in forecasting the problems of the next generation. A little less insistence on using the tools of the Bronze Age of political economy would have paid Mr Dobb a handsome dividend; for, while the study of history may certainly illuminate the future, it is necessary first to analyse the present accurately enough to be able to ask the historian the right questions.

West Indian Analysis

"Welfare and Planning in the West Indies." By T. S. Simey. Oxford University Press. 267 pages. 15s. net.

THIS is a depressing book. Commissions and Royal Commissions are for ever visiting the West Indies, whose inhabitants must have been more reported upon than any other people in the world. Professor Simey, who was social welfare adviser to the first Comptroller for Development and Welfare in the West Indies, does not merely add another fact-finding survey to the numbers that have already been published; he goes back far beyond the existing facts to find their causes. As a psycho-analyst investigates an individual's personality by leading him back to first things and uncovering early environmental stress, so Professor Simey explores the West Indian personality by tracing the origins of the West Indian community. In so doing he explains the main features of West Indian society to-day, not by the people's descent from the African negro, but by the fact that they were slaves. It was the plantation economy that laid the foundations of society. It was Emancipation that destroyed the foundations, and they have never been re-built.

It is not this analysis that makes the book depressing. Indeed, Professor Simey's conclusions about the personality that emerges from it are encouraging. Unlike some other observers of the West Indians, he rejects the proposition that the West Indian is naturally indolent and a permanently inferior specimen of humanity. He finds that the basic personality is sound—or could be if it were not for the two adverse environmental factors that mould it. The first is his poverty. The average West Indian is so poor, so utterly and appallingly poor that he has a craving for food which has become a complex as dominating as sex is, in Freudian analysis, to the average man. The second is his colour. To the influence of colour on social status, and to the attitude of the dominant white caste, Professor Simey, like other sociologists, attributes a great deal of the West Indian's frustration and consequent aggression. The aggression may be overt, or it may be

veiled in the submissiveness and accommodating attitude that are so characteristic of the West Indian.

What is depressing about Professor Simey's study is that although both these environmental stresses are, or should be, removable, he does not seem to see any prospect of this happening. In the case of West Indian poverty, it is not for want of trying. The Development and Welfare organisation was hailed as a great step forward in improving West Indian conditions, but Professor Simey examines it critically and finds it in many respects, particularly in its economic policy, sadly deficient. In his view, nothing less than an entirely new approach is needed, accompanied by new methods of administration and new types of administrators, both in Whitehall and in the islands themselves. And the patient must co-operate with the therapist.

His criticisms will not be popular; and it may be that his conclusions and recommendations, which are not always easy to grasp owing partly to some clumsy writing and partly to his abundance of ideas, are too drastic. But those who would scoff at them as unrealistic and would condemn his analysis as meaningless should first answer these questions. If he is wrong, who is right? And why is it that in spite of all the reports and White Papers, in spite of all the effort and sums of money that have been directed to the islands, conditions should remain so bad and the West Indian personality remain so disintegrated and unstable?

Shorter Notices

"The World of Learning 1947." (Europa Publications Ltd.) 532 pages. 60s.

This is a guide to international academic life which should fill many of the gaps brought about by the war in the world of thought. It contains detailed information concerning universities, colleges, learned societies, scientific institutions and associations, libraries, museums and collections of many countries and the names of the principal staff running them.

"At Home with Income Tax." By R. W. Harris. Stone and Cox. 178 pages. 7s. 6d.

Since a "good tax" should be easily understood, and since the chief beast of burden is the man-in-the-street, a short guide to "How to fill up your returns correctly, understand and check your tax, get the reliefs to which you are entitled and claim repayment," should help to satisfy an obvious and even urgent demand. The explanation of different types of tax and an excellent index should provide the ordinary citizen with a useful help in trouble.

From The Economist of 1847

January 30, 1847

THE wealth of every nation is derived from the labour of its inhabitants, and as it is by physical and mental labour that all is produced, the facilities of obtaining national riches are in greater or less proportion to the intelligence existing in the country. By the spread of knowledge and education, the people are enabled to produce the greatest amount of commodities for exportation, with the least physical toil, whether they be the direct productions of the soil, or are derived from the natural and artificial resources of the country. By the influence of education and intelligence on legislation, wholesome and just laws are enacted; by equal and good laws, the industry of its inhabitants is encouraged; and the people thus finding themselves secure in the peaceful enjoyment of the fruits of their labour, without the imposition of partial and excessive taxation, the general resources of the country are rapidly and extensively developed, and the nation becomes proportionately prosperous and happy.

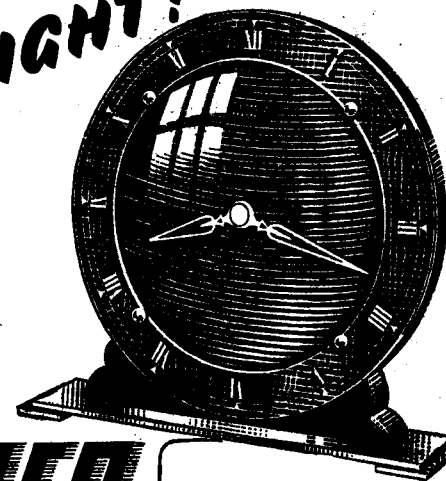
To use the words of Edmund Burke—"Education is the cheapest defence of nations."

The following extract from the letter of "A Dorsetshire Tenant-farmer" tells its own tale:—

"... I was led to believe when I took the farm that I should not be injured by the ravages of game,* but it has since proved quite differently... Believe me, Mr. Editor, no person could well tell the compensation I ought to have received last year for the destruction the pheasants did to my wheat and barley crops; I consider myself at least 300*l.* out of pocket, owing to the damage the game did me last year; and it is not very pleasant to a farmer to be dogged about in the manner we are, by the rascally gamekeepers, especially on our own lands; I consider they do us as much injury as the game....

* That is the usual tale told to a new tenant on entering a game farm. Victim after victim has been trapped in that way.

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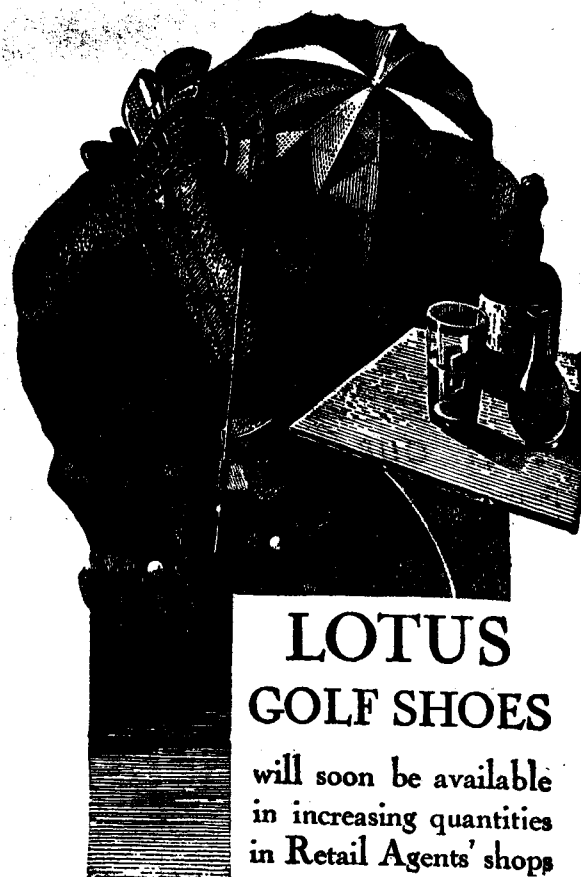
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Peace Conference. The Small Farmers Party is now to undergo a further purge, and seems likely to lose all independence. There has been talk in the Left-wing Press of new elections, which would probably more closely resemble those of last autumn in Bulgaria and Roumania than the free elections held in October, 1945.

* * *

Government and Opposition in Bulgaria

In Bulgaria, from which (as from Hungary) Soviet occupation forces must shortly be withdrawn, things are not going smoothly. There was a stormy scene in Parliament at the end of January, when the Premier, M. Dimitrov, accused an Opposition member of having obtained by illegal means information discreditable to the Government's conduct of the elections. When Dimitrov demanded the removal of this man's Parliamentary mandate, all Opposition members left the chamber. In a speech on February 11th Dimitrov denied that he intended to expel the Opposition from Parliament. "We could do this, but we shall not." He mingled accusations of sabotage with appeals to "honest and patriotic" members of the Opposition. These two virtues are frequently demanded by Balkan Communist leaders, who often show considerable latitude in their interpretation.

Two trials of alleged military conspirators have been recently held in Sofia. The two groups are the "neutral officers" led by General Popov and the "military league" led by General Stanchev. The first apparently propagated the view that a new war between the Great Powers was impending, and prepared "black lists" of Government supporters for future revenge. The second planned armed action against the Government and "the restoration of the old order." Stanchev was one of the leaders of the military group on which the "Zveno" Party was originally based. He played an important part as a technical organiser of the revolution of September 9, 1944, and distinguished himself in the campaign of the Bulgarian Army against the Germans in 1944-45. He was then given the military command of the Plovdiv district. During 1946 he began to quarrel with the Communists, and in August he was arrested, at the same time that General Velchev, then War Minister, was disgraced.

The background to political troubles in Bulgaria is the economic crisis arising from the 1946 drought, which, though less disastrous than in Roumania, is very serious and is expected to reach its climax in May. Dimitrov, in his Parliament speech, used the words "our people may starve and the livestock die off if the necessary measures are not taken." In these circumstances the Two-Year Economic Plan, submitted to the present session of Parliament, though an admirable document, sounds a little academic. It provides *inter alia* for the doubling of the number of "labour co-operatives" (the Bulgarian version of "kolhozy"), and the creation of 50 "Machine Tractor Stations" by the end of 1948. Electrification plans, to which the Government attaches special importance, include the establishment during 1947 of 12 thermo-electric and 16 hydro-electric centres and 16 transformer sub-centres. Where the agricultural machinery and electrical equipment will come from is not stated.

* * *

Dock Decasualisation

The principle of decasualisation of dock labour, applied for the first time during the war, has been recognised by both sides of the industry as necessary for the permanent organisation of the ports. But efforts to reach agreement on the terms of a scheme have hitherto failed, and the Minister of Labour has had to intervene with his own draft proposals. His scheme would mean the supersession of the wartime arrangements for regulating dock labour and the replacement of the National Dock Labour Corporation and Ministry of Transport schemes for the Clydeside and Merseyside ports by a National Dock Labour Board. Its object is "to ensure greater regularity of employment for dock workers and to secure that an adequate number of dock workers are available for the efficient performance of their work."

The machinery and organisation proposed would follow the broad lines of the recent Forster Committee of Inquiry, and would preserve the main features of the existing arrangements. The Board would be responsible for maintaining a register of dockers and employers and for the allocation of workers to registered employers. It would have powers to ensure that satisfactory schemes for welfare and training were operated. The Board would consist of a chairman, vice-chairman and ten other members appointed by the Minister, together with eight representatives, in equal numbers, of employers and trade unions. It would appoint local Boards, consisting of equal numbers of employers and union representatives, to deal with the day-to-day administra-

tion. Dock workers would be regarded as being in the employment of the Board, and would be expected to accept any work to which they were allocated; disciplinary measures would be taken against any who failed to comply. The scheme would be financed through a levy on employers, fixed by the Board, generally as a certain percentage of gross wages.

The Minister's scheme will be submitted to both sides of the industry for their acceptance; objections can be lodged during the next forty days. There are bound to be some; for the scheme imposes a measure of control which may well be unpopular with both sides in an industry with a strong individualist tradition, while the employers will probably resist the idea of joint control over its administration. The latter objection is certainly wrong; for here, if anywhere, is a case where labour aspirations to joint control can be satisfied, not only with no loss, but at a positive gain to the national welfare. The main legitimate criticism of the scheme is that it evades the controversial question of payment for the guaranteed week. This question has been referred once more to the two sides with instructions to try to effect a settlement by March 31st; if they fail, as they are almost bound to do, the matter will be submitted to arbitration. In general, the new scheme has the advantage over its predecessor of being on a national basis, but will need to be highly flexible in its operation if it is to succeed in so variegated an industry.

In the immediate future, it would affect rather more than 70,000 workers. Whether a labour force of this size will be permanently required depends upon such factors as the level of international trade and the extent to which mechanisation can be introduced into the handling of cargoes. At the moment there is a definite surplus of labour in the docks—which, apart from any other disadvantages, is a thoroughly uneconomic use of manpower urgently needed elsewhere.

* * *

Fire Services Bill

A strange divorce of financial and administrative responsibility makes its appearance in the Fire Services Bill, the text of which was published recently. The dispersion of control in the hands of a multitude of small authorities running the fire services, which existed before the war, is to make way for the concentration of control in the hands of the county and county borough councils, who are to bear seventy-five per cent of the cost. Yet, in spite of the general administrative experience of these larger units of local government and the fact that they will bear the main cost of the fire services, the Home Secretary is to have in his hands almost all the powers over pay, conditions of service, discipline, appeals, and methods of appointment; over the design and supply of equipment, and over the organisation of local schemes. This division between the man who pays the piper and he who calls the tune can hardly be palatable to the more independent authorities.

The need for more efficient and better co-ordinated arrangements than existed before the war is beyond dispute, and it is also desirable that the wartime National Fire Service should be given back into local hands, but it is doubtful whether the Home Secretary need have assumed such all-embracing powers, which give him the right to intervene in the details of local arrangements, or, if he considered this power essential, whether the Exchequer is justified in shouldering only twenty-five per cent of the cost. The powers of the Home Secretary are closely modelled on those he already possesses over the police by the Police Act of 1919, but the Exchequer grant in the case of the police is fifty per cent. No doubt the Treasury has argued that a twenty-five per cent fire services grant is handsome enough when no grant at all was payable before the war, and the Home Secretary has countered that he must have greater powers, and the bargain has been struck accordingly. But both sides of it are at the local authorities' expense.

Shorter Notes

In answer to a Parliamentary question on March 3rd, Mr T. Williams said that he hoped that approximately the same number of German prisoners would be available for the next harvest as for the last one. This surprising expectation was partially explained by a statement that agriculture would be accorded the highest priority, when the remaining prisoners were allocated for work. Even with such a reallocation with all its wastage of acquired skills, the slowness of the rate of repatriation is painfully brought out.

*

The scheme for assisted emigration to Australia, which was announced in March, 1946, will come into force on March 31st of this year. Shortage of shipping will restrict numbers, and

Mr Bottomley assured the House that the proportion of skilled artisans would be limited.

*

The Secretary of State for the Colonies has appointed a committee, to be known as the Colonial University Grants Advisory Committee to advise him on expenditure on higher education in the colonies. The committee will function on lines similar to the University Grants Committee for this country. The chairman is Sir Hector Hetherington. The first task of the committee is to apportion the £4,500,000 earmarked from the Development Fund.

*

The Minister of Health has decided to permit an increase in the maximum selling price of houses built by private builders

Letters to the Editor

The Case for Deflation

SIR,—Your leading article, appearing by courtesy of the Minister of Fuel and Power in the *Financial Times* of February 28th, was so excellent that it seems mere perversity to criticise what was, after all, an unimportant metaphor.

But if a boat "is being borne along by the current of a river," it is more difficult to steer it and not more easy. In fact, if the current is more rapid than the pace of the boat, the only way to continue is to proceed stern foremost with a heavy weight over the bows.

The more I consider this as a simile of the country's present method of progression, the more do I think that your writer has achieved an unconscious brilliance.—Yours faithfully,

A. B. ROBBINS, Capt.

11 St. Mary's Road, Wimbledon

[We wish we could claim it was conscious.—EDITOR.]

SIR,—Your "Case for Deflation" appears to rest on a statement in the earlier Economic White Paper, which you paraphrase as follows: "seven billion pounds of purchasing power are pressing on six billion pounds of goods." Great play has been made with this idea. Is everyone quite clear as to what it means?

The Government seem to suggest that the value of available consumer goods and services should not be noticeably less than the total of all incomes after deduction of income-tax. Admittedly Lord Keynes questioned the social value of private thrift; but we hardly feel that he would have suggested the complete elimination of saving. For surely this is the logical conclusion to be drawn from the Government's argument?

What is this £6,000 million of "goods and services available to be bought by consumers"? We can only assume that it represents an estimate of the total of consumers' expenditure. If this is so, a comparison with the situation in 1945 may be helpful. In that year consumers' expenditure at market value amounted to £5,645 million. The total of incomes, after tax, was £7,103 million. The difference of £1,458 million was, of course, net saving. So far from bewailing this "leeway," the Government in effect exhorted the public to increase it, by spending less and saving more.

The propensity to consume may well be much higher now than in 1945. But surely this does not justify elliptical arguments innocent of any reference to the function of saving. The Government's favoured solution to the present problem appears to be an increase in the output of goods and services to a point at which the entire net income of the community is required to absorb it. Yours, Sir, appears to be to seek, by a different approach, a similar equilibrium—on the one hand to reduce incomes and on the other (a more original approach) to combat inflation by removing controls and allowing prices to rise. Both solutions appear to involve the total elimination of saving, and with it of investment. We realise, however, that appearances (especially wraith-like ones) are apt to be deceptive.—Yours faithfully,

A. C. GILPIN
ANGUS MAUDE

16 Queen Anne's Gate, S.W.1

[Mr Gilpin and Mr Maude, like good economists, are trying to make the matter more complicated than it is. The six billions

under licence owing to the rise in building costs. In future the maxima will be £1,300 (£1,400 in London) compared to £1,200 (£1,300 London) previously. As many local authorities have been receiving permission for some time to accept contracts up to the higher figures, this concession is only fair.

*

In the Ministerial changes announced this week, Mr H. A. Marquand, Professor at the University of Wales, becomes Paymaster-General; Mr J. H. Wilson, Fellow of University College, Oxford, takes his place as Secretary for Overseas Trade, and Mr E. F. M. Durbin, Lecturer at the London School of Economics, becomes Parliamentary Secretary to the Ministry of Works. Forty years ago professional politicians played quite a large part in academic economics, providing several vice-presidents of the Royal Economic Society. The rôles are now being reversed.

of goods surely include the investment goods that are available. It is certainly better that the public should save their excess incomes rather than try to spend them. But it would be better still if they did not have excess incomes on a far greater scale than there is any possibility of matching by a flow of goods—consumption goods and investment goods combined. The only *real* saving that a community can do is the amount of useful physical capital that it creates. Any state of affairs that allows the public to believe that they are saving more than this is unsound. At present the public's huge—and unreal—savings are offset by the Government's continuing dis-saving. Would it not be better to cancel both out?—EDITOR.]

M. Bierut and the British Council

SIR,—Your Former Correspondent would largely contribute to the explanation of doubts raised by M. Bierut's past if, on his part, he would indicate the source of his information. For his facts do not conform either to those published previously by *The Economist* or to the official biography of M. Bierut, as published recently by the *Rzeczpospolita*, the official organ of the Warsaw Government.

"Your Former Correspondent" maintains that Bierut was arrested by the Polish authorities in 1935 "at the height of the Pilsudski terror." But, according to the official biography, the arrest took place in December, 1933—*Rzeczpospolita* No. 312, November 13, 1946. The documents found on Bierut on that occasion made it clear that Bierut had left Poland for the USSR illegally and that he had returned to Poland equally illegally. Therefore it is difficult to attribute the fact of arrest to the "Pilsudski terror." Every Government in the world would have done the same with a man who had transgressed the existing laws.

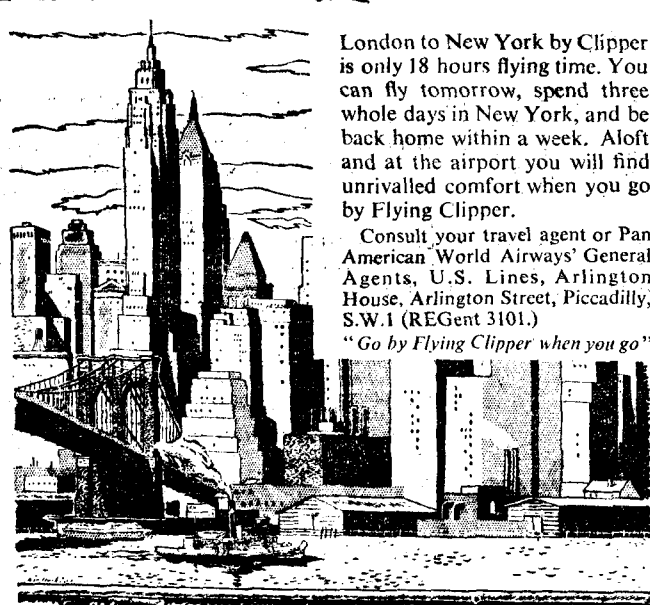
"Your Former Correspondent" goes on to say that "from 1940 till the second half of 1944 he never left German-occupied Poland for a single day." According to him, it was the "underground activity" in those years as well as his outstanding feats that earned him his highest State dignity in the present regime. This again does not conform to the official biography published in the Warsaw Press, which definitely states that Bierut arrived in the so-called "General Gouvernement" and particularly in Warsaw, only in the middle of 1943, and that it was only then that he embarked on his underground activities—*Rzeczpospolita* No. 325, November 26, 1946. On January 1, 1944, Bierut became chairman of the National Council of the Homeland. As is known, under the Warsaw regime this post was until recently equivalent to that of the Head of the State. Are we to assume that six months' activities would have been enough to elevate Bierut to the dignity of the President of the State, had he not previously played an important part in, and rendered services to, the Communist Party, which accorded him this high honour? Unfortunately, neither the official biography nor "Your Former Correspondent" specify what were really these great merits, since—according to both versions—until the middle of 1943 Bierut was never anything more than "an obscure official" and a philanthropist acting for the benefit of the organisation for the relief of political prisoners.

When, after the formation of the Lublin Committee in July, 1944, Bierut's name was for the first time announced to the world, the broadcasting station of the Union of Polish Patriots in Moscow gave on August 17, 1944, strikingly scarce and very general facts about his career up to date. For two years the Warsaw Govern-

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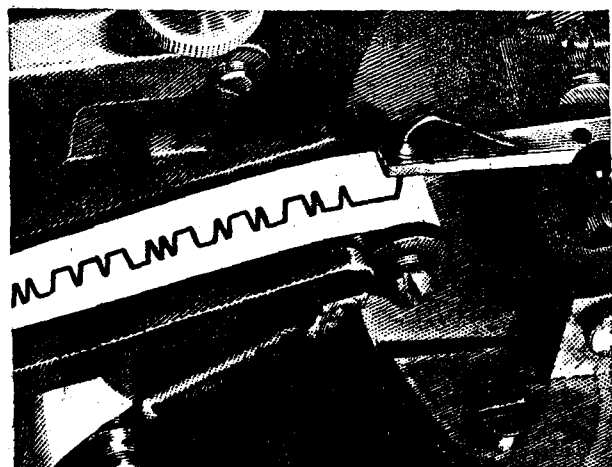


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TRANSPORT

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The road transport that we operate directly ourselves under 'C' Licences is valuable in many ways. It permits a useful check-up on our contractors' charges. It facilitates experiments in such things as new types of packing or body design. It means that if we are unable to get satisfactory contract services in any locality we can operate without great difficulty ourselves.

Under the Transport Bill now before Parliament, the Government will either take over or control the businesses of our contractors. When it does so it is most important that we should retain our present liberty to run our own vans.

It is true that the Bill will not prohibit our doing this, but we shall only be allowed to do so under certain restrictions. Once the principle of imposing these restrictions is conceded, it would be easy for the Government of the day to make them so onerous that 'C' licensed vehicles would no longer be readily available as a competitive alternative to the nationalised road transport system, a check on its efficiency or a stimulus to its enterprise.

We therefore urge that the Government should amend its Bill and leave unhampered the Trader's right to carry his own goods in his own vehicle to whatever point he desires.

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AMERICAN SURVEY

The Chances of Freer Trade

(From Our US Editorial Staff)

"TO be fully effective, general rules for international commercial and trade relations such as those laid down in the Suggested Charter (for the International Trade Organisation) must be supplemented by specific action to reduce, modify or eliminate barriers to trade such as tariffs, quantitative restrictions and discriminations." This sentence is from the Acting Secretary of State's announcement of negotiations for trade agreements with eighteen other countries, made on November 9th last. Evidence is gradually accumulating of the extent to which this thesis has support in a country that has just returned a Republican majority to Congress.

The record of the efforts that the Truman Administration has made in the course of the last two years under multilateral world trade is impressive. The Reciprocal Trade Agreements Act was renewed in July, 1945, for a further three years; under it, the President has power to reduce any American tariff by as much as half of the rate prevailing on January 1st, 1945. The initiatives and invitations of the State Department have been mainly responsible for summoning the Preparatory Conference which met in London last September and the subsequent meeting that is to be held in Geneva in April.

As part of the American preparation for this meeting, the Committee for Reciprocity Information is now holding hearings to get the views of individuals, firms and trade associations interested in items on the published list of commodities whose status may be affected by the forthcoming bargaining on rates. The Committee includes members from the Tariff Commission, and the Departments of State, Treasury, War, Navy, Agriculture and Commerce. Following a general session for members of Congress and general representatives five panels for special classes of commodities are now sitting separately to hear some 850 spokesmen for such varied products as coal, coffee, apples, razor blades, lace, honey, castor oil, spangles and canaries.

What they say follows patterns thoroughly familiar through the twelve years that the Reciprocal Trade Agreements Act has been in operation. In the opening round, the representative of the American Tariff League is heard; so is the representative of the National Foreign Trade Council. This time, the Tariff League's case is a reaffirmation of the belief that tariff rates should be determined domestically (that is, by Congress rather than by negotiations conducted by the President with foreign powers); that chaotic world conditions make this an inappropriate time for reducing US tariffs and a time when foreign nations will give little in return; that recent foreign loans have pyramided abnormal exports on top of normal exports to such an extent that if there were to be an increase in imports sufficient to balance both, it would be so large as certainly to displace goods of American producers. Industries needing tariff protection are not necessarily inefficient; some cannot mechanise entirely and some have a high proportion of labour costs. A diversified economy serves the general welfare and the national security; a flexible, equitable tariff is sound.

In specific support of this line of reasoning, some communities come to the hearings in a body; from Gloucester, Massachusetts, come representatives of the Chamber of Commerce, the Fisheries Association, the Fishing Vessel Owners Association, the Sea Food Workers Union, the Building and Construction Trades Council, the Central Labour Union, the Gordon-Pew Fisheries Co., Ltd., Davis Bros., Fisheries, Inc., and Solomon Sandler, with the Mayor at their head, all demanding to be heard on fish. The representatives of individual industries have a largely unvarying purpose, to meet the general aim of reciprocal reduction of rates with the specific cry; But not ours! There are some understandable exceptions: producers of ethyl gasoline see no harm in facilitating imports of lead; producers of zinc hold that zinc ores should be encouraged, though obviously not the finished product. The Aluminium Association welcomes the arrival of bauxite ores but not of aluminium, while the bauxite producers protest. Makers of chocolate bars are free traders on sugar, cocoa beans, and Near East almonds, but not on their combination of the three.

Because of the large number of parties to the negotiation that is to take place in April, the official list of negotiable articles is a long one; and so, accordingly, is the list of firms filing protests. Even though each firm is interested in only one product—or at most a small group of products—the political effect of their multiple protests is cumulative. Those in charge of the Reciprocal Trade Agreements programme doubtless weighed the loss of time that would have occurred if the series of agreements had been spaced, and concluded that the benefits of a quickly-concluded multiple negotiation were worth the domestic risk of hearing all the opposition at once. But the present demonstration of the political axiom that those in favour of a programme are apt to be silent partners, while those opposed say No at the top of their lungs, may be about to cause the Administration some difficulties.

It is true that there are more than three score organisations interested in the expansion of American foreign trade: important among them are the National Foreign Trade Council, the US Associates, the China-America Council, the Council for Inter-American Co-operation, the World Trade Foundation, the Committee on Foreign Economic Relations. But they have so far failed to make a co-operative approach to their needs for money and personnel, and there is a certain polarity among their more prominent personalities. Their efforts are consequently more overlapping and less cumulative than might otherwise be the case, particularly as respects a campaign across the country.

At the hearings, moreover, the overall interest of the general foreign trade organisations is only sporadically supported by the specific pleas of groups like the National Council of American Importers and individual firms seeking outlets for their goods abroad. The rarity of appearances in the latter category may indicate that many industries are unaware of the possibility of getting the bargaining power of the United States used to obtain reductions of duties, quotas, and preferences that obstruct the entry of their products into other countries. Or it may reflect satisfaction with current private arrangements worked out by firms well related to various cartels.

But the balance of present testimony may be gauged by the introduction into the House of Representatives, within a few days of each other, of four resolutions. These offerings, advanced by Messrs. Jenkins of Ohio, Gearhart of California (both members of the influential Ways and Means Committee), Murray of Wisconsin and Lewis of Ohio, urge delay in trade agreement activity, an investigation of the administration of the programme, the assessment of pertinent information by Congress, etc. The bills in the House (to repeal the Trade Agreements Act) and in the Senate (to require Senate ratification of each agreement), perennially introduced by Congressman Read of New York and Senator McCarran of Nevada, probably stand little likelihood of passage. But on the record of a number of influential members of the House Ways and Means Committee, to which, as concerning a revenue measure, the recent resolutions will go, the chances of a favourable Committee report and hence reference to the Rules Committee—the next stage on the road to the floor of the House itself—appear favourable, although Mr Clayton, the Under-Secretary of State, may request a hearing before the vote is taken in an attempt to kill the resolution at the source. If they get to the Rules Committee, that may be a rather easier nut to crack and another round of personal appearances might suffice.

The action that the House itself would take, if the resolutions got as far as that, is difficult to prophesy. There are many new members whose attitude is unknown. Many Democrats are in favour of protective tariffs.

Moreover, the official Republican attitude on this aspect of foreign policy has been a question mark since Senator Vandenberg's broadcast on January 19th in which, after saying that "there is no longer any partisan politics in the fixed and united American foreign policy" he added that "probably we shall ask more questions" in the realm of economic co-operation.

We are bound to inquire of the world to what extent we are to be required to face State monopolies abroad in trade.

ment avoided the publication of any more detailed biography. It has done so now, but the extensive biography published in the *Rzeczpospolita*, quoted above, unfortunately differs strikingly from another biography published at the same time by the State Publishing Co-operative "Czvtelnik" in the *Polish Diary* for 1947. Would these contradictions arise if it were not for the anxiety to hide certain things in M. Bierur's past—things that could deeply hurt the feelings of the Polish Nation?—Yours faithfully,
8 Motcomb Street, S.W.1

JAN KOWALSKI

Government and Industry

SIR,—In the article on February 1st the writer makes the statement that "design is a matter which largely concerns—though it does not exclusively concern—the consumers' goods industries." And he adds that "it is more efficient capital equipment rather than beautifully designed consumers' goods which the British economy requires."

This point of view presupposes that certain things need to be beautified, whereas others just work. It was as deeply rooted in the Victorian mind as religion for Sundays, or that a large house was a piece of architecture, whereas a factory, a worker's house or a railway station was not.

But one cannot treat design in this watertight-compartment way. Fitness for purpose in its proper sense means that an object is not only mechanically efficient, but gives visual pleasure. And the way that say Swiss machine makers have realised this over a wide range is worth very careful study. The most ad-

vanced factories show a tendency towards order, seemliness, decency, design which will be usual practice in another generation or so. Already it is difficult to attract workers to the jail-like mills.

The writer of the article infers that good design is to some extent a luxury. I maintain that there is no side of British industry which can afford any longer the luxury of doing without so fundamental a part of its sales drive. It would be unfortunate indeed if the Council's first exhibition "Britain can make it," which was necessarily limited to consumer goods should, for this reason, be taken as evidence that the Council is unaware of heavy industry's design problems. I feel sure the Council realises that a society which pays insufficient attention to the design of its capital equipment will never attain a really first-rate standard in its consumer goods. Design, like peace, is indivisible.—Yours faithfully,
GORDON RUSSELL.

Kingcombe, Campden, Gloucestershire

Smuts Puts the Clock Back

SIR,—Criticism of General Smuts's policy towards Indians in South Africa as in your issue of January 25th should surely take notice of the difference in birth rates between the Indian and white races. If we here were faced with the prospect of being swamped by the reproductive rate of a race different from us in tradition and culture, we also would, I imagine, fall to drastic measures. It is always surprising to me how rarely our statesmen mention the danger to world stability from the fecundity of the Asiatic.—Yours faithfully,
HENRY MEULEN

31 Parkside Gardens, S.W.19

Books and Publications

Where do We Stand?

"Britain and Her Export Trade." Edited by Mark Abrams. Pilot Press. 329 pages. 15s.

THE contributors to *Britain and her Export Trade*, the editor and the publishers, all deserve congratulations on a first rate job, and a vote of thanks because that job was one which badly needed doing. It is all very well to talk in general terms about Britain's load of foreign debts, her need for essential imports, about an export target of 175 per cent of the 1938 values, and about the desirability of expanding the world total of international trade. But the persuasive power of such generalities and apparently arbitrarily selected targets is as nothing to that of a detailed, brass-tacks examination of all the facets of the problem, with their interrelations, past history and future prospects. That is what Mr Abrams and his contributors have provided.

The book is constructed with a sense of logical development and a determination to take first things first—rare in works of collaboration; the contributors have worked as a well-balanced team. The first four chapters deal respectively with the *raison d'être* of international trade, with the balance of payments, with the relations between domestic economic policy and international trade, and with the Bretton Woods organisations. The next considers the matter region by region—the USA, the Empire, Continental Europe, the USSR, Latin America and the Middle East. The next, after summing up the calculations which justify the 175 per cent export target, discusses the specific problems and prospects of shipping, coal, cotton and the tourist trade. This is followed by a chapter of miscellany, dealing with design in export goods, with market research and with advertising; and Mr Abrams sums up, in the final chapter, with a general impression of the outlook.

This general impression can be described neither as optimistic nor as pessimistic. The solution of Britain's export problem depends only partly on Britain's own actions; world prosperity and a high total volume of world trade are essential to her success, and both depend overwhelmingly on the policy of America, first in maintaining her own activity and buying power and secondly in making dollars available to the rest of the world. Britain's own task, of modernising backward industry, attaining higher managerial standards and a new attitude of mind among wage earners, emerges as formidable but not impossible. America's success is also problematic; Mr Abrams shows in a telling series of quotations how well the administrators understand the situation and how far-sighted are the measures which they have planned, but he is under no illusions as to the backing which they may expect to get from public opinion.

Not all the contributors, as one might expect, are of equal excellence. Mr Oleg Hoeffding stands out among the regional

analysts, Miss Jean Bird, for different reasons, among those treating specific industries. Both Mr F. Clark, dealing with market research, and Dr Friedlander, discussing advertising, make one wish that they could have brought a touch of imagination as well as competence and clarity to the job; the subject of which they each study one aspect is, after all, that of public relations in economic matters, and neither in quantity nor in quality does it get the treatment that it deserves. There are gaps elsewhere, too. The Far East is left entirely untouched; the section on the Empire is overwhelmingly devoted to the Dominions, paying no attention to the prospects, which bulk large and hopefully in many people's minds, of the large-scale development of backward areas. There is, perhaps in a spirit of resignation, no discussion, by any of the contributors, of any alternative or complementary structure to the open multilateral system, whether consisting of a network of bulk-purchase agreements or of the deliberate harmonising and compensating, during reconstruction, of the capital equipment of various countries. Indeed, the reconstruction needs of Britain herself are rather taken for granted than evaluated and analysed.

Possibly some of these shortcomings may be remedied in a later edition. For this is a book which, topical as it may be, should see many editions. No other gives, or is likely to give, a view at once so full, so precise, so clear and so stimulating, of Britain's No. 1 problem. No journalist, Member of Parliament, industrialist or business man in any way concerned with foreign trade should miss it; while the ordinary intelligent citizen may be grateful to Mr Abrams and his team for giving him the essential facts in so attractive and easily assimilable a form.

Americans in Persia

"Americans in Persia." By Arthur C. Millspaugh. Faber and Faber. 293 pages. 18s.

DR MILLSPAUGH's position as Administrator-General of the Finances of Persia in 1922-27 and 1943-45 makes him eminently well qualified to discuss the Persian problem. The main interest of this book lies in Dr Millspaugh's account of the policies of the three Great Powers in Persia during the war years and the methods by which they pursued their policies. He was an eye-witness of the events he describes, and gives a clear account of the various trends of policy. He shows how Soviet policy throughout the war years was designed to obtain "a preferred and privileged position, political and economic," for the USSR. "Until that end is attained," he writes, "the Soviet Government will not be interested in stability or good government in Persia. Chaos serves their purpose better than order. They want the kind of government that can be purchased, hoodwinked or intimi-

dated" (p. 193). He attributes Soviet opposition to the Financial Mission to the fact that the Mission gave strength to the Persian Government and won friends for it among the people, and aimed at treating foreign traders impartially. In so far as American policy in Persia is concerned, Dr Millspaugh accuses the State Department of failure to co-ordinate American policy in Persia and of refusing to accept the implications of the international responsibilities accepted by the USA.

The earlier part of the book is devoted to a short description of the internal Persian background, the Shuster Mission of 1911 and the first Millspaugh Mission. Then follows a relatively detailed account of the activities of the Second Mission, the difficulties which it met in its relations with the Persians and with the representatives of the three Great Powers and the various factors which contributed to its failure. In dealing with the internal, i.e., Persian, aspect of the problem, Dr Millspaugh tends to over-emphasise the defects of Persian administration and society in general, and perhaps fails to give due weight to Persian criticisms of the Mission and its methods. The final chapter discusses possible future developments and Russian co-operation, which the writer considers a pre-requisite to the solution of the Persian problem. Internally, he sees representative government and financial reform as the keynote to reconstruction. He doubts the ability of Persia to save herself, and proposes therefore that the task of internal guidance be entrusted to the three Great Powers. Unless these Powers can find a way to co-operate effectively in such an enterprise, he considers it unlikely that anything constructive can be achieved.

Russian Population

"The Population of the Soviet Union: History and Prospects." By Frank Lorimer. League of Nations, Geneva. 289 pages. 15s.

DR FRANK LORIMER, of Princeton University, has made a very thorough and extensive study of Soviet population. As his publishers rightly say: "He is concerned at once with the dynamics of population growth and with the ethnic and economic background and economic evolution of the vast area with which he deals." Partly, perhaps, because of its scope, Dr Lorimer's work sometimes makes the impression of a vast and elaborate structure built on statistical sand. For Russian population statistics are incomplete, vague and unreliable; it is sufficient to recall that the Government's displeasure with the results of the population census of 1937 was enough for that census to be entirely suppressed and for the very able and conscientious statisticians who were in charge of it to be engulfed by the great purge that was then in progress. The census of 1937 revealed an alarming deficit in population. It showed the total Soviet population at 165 million or so compared with an expected total of roughly 180 million—the total shown in the officially approved census of 1939 was 170 million. The informed reader takes, therefore, somewhat sceptically Dr Lorimer's view that "the 1939 data are presumably more accurate as regards all purely objective inquiries."

However, "the broad outlines of the account—says the author—have greater validity than many of its constituent parts." And some of the author's broad guesses and estimates have the quality of revealing approximations to admittedly inaccessible truth. The projections of Soviet population trends into the future are of special interest. Projections previously made have now been reviewed by the author in the new light of Russia's estimated war losses, actual and potential. Thus the population of the Soviet Union is expected to amount to 222 million in 1970, whereas a projection not adjusted to losses caused by the war showed a population of 251 million in that same year. Twenty-five years after the war Russia's losses through increased mortality and reduced fertility will amount to nearly 30 million souls! This may still be a rather conservative estimate, since the official Russian figures may well have understated the actual losses of the war and since the author makes no allowance for such post-war disturbances as famines. Even so, the growth of Soviet population will still be rapid, and the Soviet Union will still be much "younger" than the rest of Europe. By 1970, 35 per cent of its people will be under 20 years of age—only 21 per cent of the Western European population will belong to that age group. Fifteen per cent of Western European society will then consist of men and women older than 65 years—in Russia the same age group will form only 8 per cent of the population. But Soviet Russia, too, will be approaching "maturity." Its people will be much "older" in 1970 than they were in 1940, when 45 per cent of the whole Soviet population were reported as younger than 20 years.

Shorter Notices

Select Reading Lists for Colonial Studies. Nuffield College. II: Colonial Economics. Institute of Colonial Studies. Oxford Press. 1s.

The bibliography on colonial affairs, which is being compiled under the auspices of Nuffield College, is designed primarily for the benefit of members of the Colonial Service. Judged by this number, on colonial economics, the bibliography should be of great value to all who are interested in the colonies. Its great length shows that there is no justification for pleading ignorance as an excuse for indifference on the part of the British people towards their colonial empire.

"The Colonial Office from Within." By Sir Cosmo Parkinson. Faber and Faber. 157 pages. 8s. 6d.

Sir Cosmo Parkinson was permanent head of the Colonial Office from 1937 to 1942. His book is a short, engaging review of the changes in that department over the years from 1909, when Sir Cosmo was first connected with it. This is no critical survey of Colonial Office organisation. The author, who gives one-and-a-half out of about 150 by no means closely printed pages, to the idiosyncrasies of the Colonial Office Lift, does not intend that it should be. The book's chief appeal will be to those who already have connections with the Colonial Office and Colonial Service. But for others who wish to know how this rather complicated department works, the book also has virtues; it is short, readable, and informative.

"Industrial Peace and the Wagner Act." By Theodore R. Tserman. McCraw-Hill. 91 pages. 7s. 6d.

This booklet, written by an expert, will be of value to anybody interested in the history and future of American labour relations.

"Labour Party Year Book, 1946-47." Edited by the Research Department of the Labour Party. 567 pages. Paper 6s. 8d. Cloth 8s. 2d.

This is the first issue of the Year Book since 1932. It contains, among other facts, information about the development of the Labour Movement since the General Election, about the work of the Government Departments, and a number of statistical tables and directories. This comprehensive survey should be of value to the general public.

"The City's Finances." Manchester City Treasurer's Department. 48 pages.

Manchester Corporation have produced an excellent and attractive booklet showing, in coloured pictorial statistics, the main features of the City's finances. The excellent diagrams cover not only strictly financial matters, but also details about infant mortality, school population, and housing and other social problems.

"A Guide to Official Publications on Building." By Colin Penn. Published for the Royal Institute of British Architects by the Architectural Press. 6s.

A useful guide to the voluminous literature on building and building materials, with some valuable background information, by the author, under the subject headings.

From The Economist of 1847

March 6, 1847

[From an article on the Ten Hours' Factory Bill]

No persons are more acutely convinced than we are that more leisure and less toil are desirable for the working classes, no persons more ardently wish than we do that our females and our children were spared, by the amply-remunerated toils of their fathers and brothers, the necessity for undergoing irksome labour; but we are thoroughly convinced that this can only be brought about, or approximated to, by perfect freedom, giving the utmost possible abundance. There must be an abstinence from that interference, on the part of the Government, which is always costly and never productive, and only imposes an extra degree of toil to pay its cost, after the wants of the labourer are supplied. The enormous expenses of the Government, increased unhappily year after year, and more this year than any one, with one exception, since the peace, is amongst the causes of the severe toil and little leisure of the productive classes, and not the least advantage of perfect freedom will be to diminish its expense and lessen its demands on the sinews of labour. While the Government is making almost unheard of demands on the capital and labour of Great Britain, while their produce is exposed in the foreign markets to keen competition, it seems to us one of the least wise things that ever was sanctioned, for the Prime Minister and some of the Cabinet to give their countenance to a measure for imposing restrictions on the hours of toil and the running of machinery, by which alone that vast expense can be supplied.

We are bound to inquire to what extent other countries are going to continue to make bilateral trade agreements for political purposes instead of multilateral agreements such as we are committed to.

A Resolution of the House, of course, does not bind the Executive in the same way that a Bill passed by both Houses does unless it is successfully vetoed. But suppose a resolution demanding delay of the reciprocal negotiations scheduled for April 8th were passed. And suppose, at the cross-country public hearings on the ITO charter which are to be held across the country starting on February 25th, testimony should come predominantly from opponents of the plan. The bargaining position of the American representatives at Geneva could then hardly be more than negligible

California is not Depressed

(From a Correspondent in San Francisco)

DURING the war, while California's industry poured out unprecedented quantities of ships and aircraft and weapons, it was freely predicted that the State would face a severe industrial adjustment when the shooting stopped. Now, more than a year after the Japanese capitulation, it is apparent that the prophets were wrong. Far from collapse, the flamboyant State seems headed for greater-than-ever prosperity. The doleful prophets based their predictions of disaster on their belief that, at the end of the war, California's expanded industries, the "war babies," would be abandoned, and widespread unemployment would result. The good workers, skilled and dependable, would return to their peace-time homes, while the bad, the casual and unskilled, would stay behind to bask in the widely-advertised sunshine and be supported by unemployment relief and pensions.

But California did not collapse, even though the Army and Navy cancelled many contracts within hours of the Japanese surrender. Many adjustments were necessary, but they have been made without a major dislocation. Shipbuilding has disappeared as an industry in the State. But aircraft manufacturers are doing better than anyone had hoped. The aviation industry is still the biggest employer in Southern California—employment has stabilised at about 75,000 workers. And the aircraft plants are turning out airplanes. They did not turn to fabrication of refrigerators and stoves and novelty items made of light metals to survive, as it was forecast that they would have to.

Despite the readjustment in aircraft and shipbuilding, among the hundreds of sub-contractors, employment has held to high levels. Employment in September, 1946, according to the State Reconstruction and Re-employment Commission, was approximately 3,550,000—below but close to the wartime peak of September, 1943. Many workers drawn to California by wartime jobs have been absorbed in industries and trades which lacked workers during the war—the construction industry, the laundries, hotels, restaurants, retail stores, and many other service trades. No skilled man is without a job if he wants to work. Unskilled labour is having a harder time. Even California's highly-mechanised agriculture has little use for an unskilled hand. Actual figures on California's employment and unemployment are impossible to find. The Reconstruction and Re-employment Commission estimated September unemployment at 260,000. The job situation is extremely fluid, however. One official said that "workers are playing musical chairs, going from job to job. Between times, they are listed as unemployed." Reports from State employment offices show little demand for unskilled labourers while listing demands for skilled workers. In one office, the report showed 4,000 labourers out of work and a demand for 1,300 skilled construction workers. Negroes, largely untrained, are finding jobs harder and harder to get. Some employment experts believe that unemployment cannot be reduced below 2 per cent of the population. On this basis, minimum unemployment would be a constant 185,000.*

The big fact about California after a year of peace is that its wartime population has not left the State. Figures compiled by the Department of Motor Vehicles, which checks arriving motorists at state border stations, indicate that California gained 2,320,000 residents during the war years. The same agency, which makes some effort to check arrivals by train and plane, has

*Applied to the United Kingdom this proportion would give a figure of 960,000 for minimum unemployment. The circumstances may not, of course, be exactly similar; but the comparison suggests that the proportion is high.—EDITOR.

—the other delegations might relevantly inquire just what they could accurately claim to represent. The effect of such a situation, nullifying two years of American initiative, would be felt not only by the ITO, which has not yet come into being, but by the International Bank and the Monetary Fund.

Mr. Clayton and the staff at work on the RTA programme, whose concern at the present trend of events is clear, may remember the Presidential torpedoing of an International Economic Conference once before, just after the political balance of the country had changed. But the memory can hardly make them more eager to go to Geneva, nine weeks from now, subject to a Congressional April fool.

found that people are still coming into California; instead of losing residents California is gaining permanent settlers. It is estimated that California now has a population of 9,225,000, second only to New York. (On this computation, it is contended that Pennsylvania, formerly second, has lost population directly to California.)

This increased population means a wider market for the nation's products. Eastern manufacturers with 15 per cent of their domestic market now in the eleven western states, of which California is by far the largest, are finding it economical to establish branch plant operations in the west, particularly in California. New western industries are being established to meet the market's demand. In common with other states, California, before the war, had a great backlog of unfilled needs, the result of lowered production during the depression. The shortage was intensified by the war period, when civilian goods were produced sparingly. With the tremendous increase in population—which is up by one-third since 1940—these demands are greater than anticipated and cannot be satisfied for many years. The great influx of new residents has aggravated the needs—for more homes, churches, schools, roads, transportation facilities, sewers, more school teachers, policemen, firemen, more workers of almost every type.

Actually, the war years merely accelerated an already rapid growth. In 1900 California was twenty-first in the population ranks of the States. With a population of 9,225,000 in 1946, the population had increased almost 500 per cent in 46 years. Before the war California was well on its way toward industrialisation. Between 1904 and 1939 industrial production increased eight times. In 1939 California produced 4.9 per cent of the manufactured goods produced in the United States. During the war the State produced 9.2 per cent of all war supplies. The pre-war trend and the post-war outlook are for development of an integrated agricultural-industrial economy. Thus Los Angeles county, the country's leading agricultural county, also leads the country in production of aircraft, motion pictures, sports wear apparel and oil well equipment. It is near the national top in production of furniture, rubber tyres, automobile assembly and refined petroleum products. The State's steel-fabricating capacity is being enlarged—Columbia Steel alone has a \$25 million expansion programme under way. Mr Henry Kaiser's Fontana steel operation promises California an integrated steel capacity and the United States Steel plant at Provo, Utah, will soon be producing sheet for western needs.

It is difficult to find a pessimistic man in California. Chambers of Commerce, deluged by inquiries for plant space from industrialists, see nothing but prosperity ahead. Los Angeles leaders predict that their community will be the world's largest city within 15 or 20 years. The San Francisco Bay Area envisages a population of 2,500,000 by 1965 on a "conservative" basis.

There are, however, some limiting factors. One is the lack of water. Already a few thoughtful people are concerning themselves with the coming struggle between urban-industrial users of water and the agriculturists who depend on the available water for irrigation. Los Angeles will not become the world's largest city unless it gets more water. Already it brings water for urban use 300 miles in a great aqueduct and its engineers are ranging ever farther. It is altogether probable that water from the Columbia River in the States of Oregon and Washington will be carried south to serve San Francisco and Los Angeles within the not too distant future.

The State recently lost 15,500,000 acre-feet of water from the

Colorado River, which normally helps meet the needs of Southern California. This water was allocated to Mexico in perpetuity. The water lost by California will be returned to Texas by the agreement, Texas receiving the water from Mexico out of the flow of the Rio Grande. The average run-off of the Colorado is 15,000,000 acre-feet. Half of this is allocated to the "Upper Basin" states along the river; the remaining 7,500,000 acre-feet was allocated to Southern California, but the water granted to Mexico comes first. Thus, in dry years, when the flow of the stream is diminished, Mexico is guaranteed its 1,500,000 acre-feet; Southern California takes what is left of its allocation. The water treaty was a Texas idea. It was engineered, with overtones of the Good Neighbour policy, by the State Department, and a great deal of help from Senator Tom Connally, of Texas, Chairman of the Senate Foreign Relations Committee.

But California is still a part of the United States and the world. It is not isolated and it cannot control its destiny. National labour policies, national policies affecting production and employment will all have a direct bearing on California. So will world economic conditions affect the State. California cannot remain prosperous without "good growing weather" throughout the world.

American Notes

Killing the Goose?

THE US Treasury has now made a decisive bid to relieve industry from the burden of "portal-to-portal" wage claims, extending back to passage of the Wage-Hours Act in 1938, and embracing, with claims for damages, an estimated total of at least \$5 billion. The claims of the unions are based on a recent Supreme Court decision that wages that are based upon "time spent in productive labour," should be read as covering all the time spent on company premises, from entering the "portal" to leaving it. In the flood of suits which followed from this ruling, overtime payments have been sought not only for unproductive time spent within factory premises, but also for time spent in parking automobiles on company grounds, time "lost" in using company canteens, and in making use of all amenities provided by the more considerate type of employer.

The Treasury ruling does not challenge the legal basis of these union claims. But it provides that employers may re-assess the basis of tax returns for the fiscal years against which such claims would be chargeable, and thus become eligible for EPT refunds. There will be endless complications in this method of procedure, including war contract re-negotiations. But in six of the nine years covered by portal-to-portal claims, EPT was chargeable at varying rates, and over three years a very large number of undertakings were paying taxes at the top rate of 85 per cent. The effect of the decision will thus be to transfer a very large share of any future burden from industry to the Treasury which, if the unions succeed in their suits, may easily provide 50 per cent of the total now involved.

It does not, of course, follow, that the unions' claims will be readily allowed. For bargaining purposes, they have clearly been assessed at the highest possible levels, and some of them are little short of fantastic. In making its decision, the Treasury has intimated to industry that the concession has not been made "as a premium for admitting union claims," and in another direction, the Department of Justice is seeking reconsideration of the case against the Mount Clemens Pottery Company of Michigan and thus of the Supreme Court award which first began the snow-ball process of portal-to-portal suits. Without seeking a direct rejection of the Supreme Court decision, the Justice Department has asked the Michigan Court to re-examine the claims, and to decide whether they may stand "against the realities of industrial life," or may be waived as altogether too trifling for Court concern.

The knowledge that the government has made such a forcible intervention has given a great deal of encouragement to industry, which is altogether aware of the manoeuvring space permissible for court interpretations, and is also aware that where courts may hesitate, Congress is now only too willing to take up the challenge and has, indeed, prepared several measures—some of doubtful constitutionality—ranging from direct outlawry of portal-to-portal claims, to a "windfall tax" which would eliminate any benefits attaching to future awards. The portal-to-portal claims have been described with some justice as the "greatest legal-economic controversy of American history" and it is certain that any full impact upon industry would be extremely damaging. It does not seem at all likely, however, that final awards will be more than relatively modest, though retrospective payments may well bring some addi-

tional worries to Republican Party Budget-shapers. Throughout the weeks in which accumulating claims have reached such vast totals, it is significant that Wall Street has obviously refused to share alarmist suggestions that the unions now hold the power to kill the goose with the golden eggs.

Peace in Industry

There have been welcome signs this week of a more conciliatory approach to the collective bargaining negotiations now proceeding in the steel, rubber, and automobile industries. In Detroit the Automobile Workers' Union has agreed to an extension of its contract with the Chrysler Corporation from January 26th to February 26th, thus ruling out the possibility of an immediate strike in the automobile industry. The United Rubber Workers, who also belong to the Congress of Industrial Organisations, have signed their first company-wide agreement with the US Rubber Company, covering improvements to working conditions such as paid holidays and "severance pay." Discussions of the union's claim for an increase of 20 cents an hour in wages paid by US Rubber and three other large companies will follow.

A similar atmosphere of accommodation pervades the early stages of negotiation between the Steelworkers' Union and the US Steel Corporation. The present contract, which was due to expire on February 15th, has been extended to April 30th, to allow more time for the wage negotiations which will have an important bearing on the national wage-price structure and may, if the past is any guide, once more set the wage pattern for the mass-production industries. Last Saturday a long-standing grievance was disposed of when the union and the company signed an agreement on job reclassifications. Nearly 50,000 different job titles now give way to a standard hourly wage scale. Wage increases totalling \$17 million a year will end wage inequalities inside and between plants of the company, and workers will receive \$32 million of back-pay.

It may be a trifle early to rejoice. As yet there is no sign of any agreement on the basic question of wages. And though falling prices, mainly of food, may lessen the pressure for significant wage increases, industry may well be prepared to demand a substantial *quid pro quo* for any rises it grants. US Steel has undertaken a counter-offensive by insisting that the new contracts provided for an open shop, that productivity be raised, and that the union bind itself to a no-strike, no-lock-out pledge, with agreed penalties for breaking the pledge on either side. There has been a perceptible shift in the relative strength of the two parties at the conference table.

Congress Settles In

Despite a general lack of surface excitement the Republican majority in the new Congress has achieved its first victory on the floor of the Senate, with a 47-to-45 vote for continuing the work of the special War Investigating Committee that was for long headed by President Truman (as a Senator) and is now under the chairmanship of Senator Owen Brewster of Maine.

Nominally, of course, the current Republican voting margin of 51 to 45 should be more than sufficient to ensure supremacy in major contests. The vote on the Investigating Committee, however, raised some particularly controversial issues. In the first place, many Republicans who greeted with jubilation the theory of "one more probe" were none the less unwilling to press investigations to a point which might embarrass the service chiefs and the State Department through an investigation of German occupation policies. Secondly, the Congressional Reorganisation Act was expressly designed to curb the growth of special committees, and that policy is not opposed to general Republican theories on the need for economy. Thirdly, the Democrats, by pressing for an investigation through the relatively friendly hands of Senator Aiken (as chairman of the regular Committee on Executive Expenditures) could then allege that Republican leadership was unwilling to entrust the work to its own established body. So far from expressing concern at their narrow victory, Republican leaders forecast that on very few future occasions would there be so close a division, and that the majority party had safely overcome a situation which might have provided a revival of the two-party "coalition" that so often plagued the Administration in the days of Democratic majorities.

From this early test, the Democrats can draw modest consolation. They have won a declaration from Senator Taft that the establishment of special committees will be frowned upon in

AMERICAN SURVEY

The Third Arm

(From Our U.S. Editorial Staff)

ACCORDING to the little descriptive booklet that awaits visitors to the huge white marble building where, since 1935, the justices of the Supreme Court of the United States have had their official being, "Our government is divided into three separate and equal branches, so constituted that each functions freely within the limits of its constitutional authority, though open to check by one or both of the others if attempt be made to exercise powers not granted by the Constitution."

For almost a decade, the third arm of government has rarely been in the news. The restlessness of men like Mr. Byrnes, in the judicial interval between his legislative and his executive phase, has been matched by more than one of his former colleagues. With the exception of Mr. Rutledge, who came to the Supreme Court from the post of Dean of a Law School, followed by that of Judge of the Court of Appeals, and the questionable exception of Mr. Frankfurter, whose law courses were, after all, a recognised nursery for New Deal administrators, the entire Court is now composed of men with recent service in major executive or legislative posts. Perhaps that is why the Court is not too composed—the echo of each other's footsteps in the unaccustomed quiet might easily get on the nerves of men, not past their prime, suddenly removed from the bustle and strain and spotlight of the—till now—more vivid arms of government.

But an inverted parallel with the years 1933-37 is now bringing the Court into the centre of attention. The decision in the case of *Anderson versus Mount Clemens Pottery Co.*, which touched off the "portal-to-portal pay" suits, now amounting to several billions*, and the pending decision on Mr. John L. Lewis, are matters which concern far wider groups of people than the immediate litigants. And beyond these specific cases, is the Court's position as a political institution.

In 1933 and 1934, despairing Republicans could offer each other the partial comfort of saying, "Anyhow, we still have the Court." And the decisions of 1934 and 1935 indicated that they did. Today, Democrats are trying to look from the White House over the dome of the Capitol to the peaked roof beyond. In their eyes, now is the time for the good men of the Court—seven Roosevelt and two Truman appointees, all except Mr. Burton of indubitably Democratic origin—to come to the aid of the Party.

But in today's American context the matter is not so simple. When the New Deal's record legislative output reached a Supreme Court composed of Chief Justice Hughes and Justices Van Devanter, McReynolds, Brandeis, Sutherland, Butler, Stone, Roberts and Cardozo, a group whose advancing years raised the Court's average age to 70 in 1935 for the first time in American history, the question repeatedly presented was whether Acts of Congress were constitutional. One by one, the Court knocked out the major New Deal measures. The negative unanimity it achieved over Mr. Schechter's sick chicken—whose death was generalised into the death of the National Recovery Act—was not always maintained, but in less than two years it effectively upset eight major pieces of legislation. The Roosevelt counter-attack followed.

But the last Federal law upset by the Court was in May,

* The Supreme Court first ruled that wages based on hours of work should cover all time spent by workers on company premises, from entering the "portal" to leaving it. This decision brought a wave of union claims (recently totalling \$5.8 billion) and the Court ordered a review of the case by a Federal District Court which dismissed the claims. Congress is now seeking a ban on all "portal" wage claims.

1936; in a manner reminiscent of the House of Lords at the time of Britain's liberal revolution, the Court defeated a proposed change in structure by itself behaving in the manner which the structural change would have induced. With the substitution of only one Justice—Black for Van Devanter—in 1937 it upheld the National Labour Relations Act, the Social Security Act, the Regulation of Public Utility Holding Companies, the Home Owners Loan Corporation Act, and slightly changed versions of some of the Acts—farm mortgage moratorium, railway labour—that it had thrown out before. Perhaps the most telling evidence of the majority's altered view is the fact that in the 1937-38 term of Court, Justice Brandeis dissented only twice. So even before Mr. Roosevelt got the Court, through continued tenure on his part and death and retirement on the part of the Justices, the Republicans had lost it. In reversed circumstances, what are the Democrats' prospects?

Now, most of the questions likely to come before the Court are not likely to be questions of constitutionality. The Republicans are not coming in with a sheaf of innovations ready to offer as law. Their major legislative proposals, to the state legislatures as well as to Congress, largely concern the single subject of labour. Fewer Court rulings on the constitutionality of statutes can therefore be expected, and the great majority of cases reaching the Courts will be brought under statutes that are themselves not in doubt or under the familiar guarantees of the Constitution itself.

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In these circumstances, the major issue before the Supreme Court may be that of its own function. The Court of 1933 appeared to have a large measure of unanimity with regard to the subject matter of New Deal legislation, and to act on that basis. Today's Court may have a comparable predilection for a roughly definable political position, but it appears to be divided on the appropriateness of acting on that basis.

The issue goes deep into political theory. During the New Deal years, a philosophy of law developed which might claim ancestry by the Yale Law School out of the Department of Justice. Its main thesis was that the law is what the judges say it is; their reference to precedent and the like is sanctimonious hokum which puts a dignified cover over what the judges think is appropriate substance. If this is true, then any judge consciously or subconsciously starts with what he regards as a good decision, and works up reasons to back that decision. By adherents of this philosophy, the majority judges of the Supreme Court in the early New Deal years are taken as examples of subconscious judges, and the stigma of reactionary is likely also to be applied to contemporaries who do not believe that a justice's own opinion on the rights of a given case ought to enter into the opinion that is handed down in some Monday morning's batch of decisions. Ironically, the logic of this philosophy leads the New Dealers to approve of judicial decisions which represent the minority position in the country—which is exactly what the New Dealers accused the "Nine Old Men" of doing a decade ago.

The alternative view is less an argument regarding the likelihood of judges' views on the substance of statutes playing a part in their decisions as an argument in favour of courts recognising the maximum breadth of legislative initiative. According to this view, whether or not a law is a good law is not the Court's function to say; rather, it is whether or not the legislature making the law stayed within reasonable constitutional limits when passing it. Much of the personal feeling on the Court, as evidenced in the Jackson-Black outburst of

last year, in the Frankfurter-Douglas difficulties, and in the appointment of Mr. Vinson, veteran composer of many executive agency feuds, as Chief Justice, stems from this divergence of philosophy.

The Democrats may therefore find that some appointees who were staunch supporters of New Deal substance before they became justices, now regard the subject matter of statutes as no longer their speciality. And some of those whose decisions have followed New Deal tendencies most regularly may

be susceptible to the effects of the new climate in the country. This is a Court of relatively young men, most of whom have had legislative and executive experience. Even more than the Courts in the days when Mr. Dooley wrote about them, they may have a predilection for the election returns.

But with labour now turning to its old enemy, the Courts, in an effort to redress a legislative balance shifting against it, the third arm of government will over the next months be exercising its full share of power.

America's External Budget

(By an Economic Correspondent)

THAT the evolution of America's future commercial and financial transactions with the rest of the world will be of hardly less importance than that of Britain in the nineteenth century is a commonplace. The unknown factor is what form this evolution will take or, more precisely, what will be the size, ingredients, and degree of stability of the American balance of payments.

One of the most interesting features in America's current transactions with other countries is the change between their pre-war and post-war size and composition. This change is shown in the following table, which shows the figures for the average of the three years, 1937-39, and for 1946, the first post-war year.

BALANCE OF PAYMENTS OF THE UNITED STATES
(Millions of Dollars)

	Receipts		Expenditure	
	1937-39	1946*	1937-39	1946*
Goods.....	3,200	12,000	2,454	5,000
Other receipts (or expenditure)...	1,138	3,100	1,336	1,950
Including:—				
Shipping and freight	269	..	345	..
Tourists	133	..	314	..
Interest and dividends	587	600	243	160
Miscellaneous	109	..	435	..
Total	4,338	15,100	3,790	6,950
Difference financed by:—				
Unilateral transfers (net)			548	3,400
Capital and gold (net)				4,750
Total	4,338	15,100	4,338	15,100

* Estimates.

The size of America's external budget has risen greatly, especially on the export side. Total receipts in 1946 were three and a half times as high as during 1937-39, while expenditure and less than doubled. The gap between current receipts and expenditure rose from an average of \$548 million in 1937-39 to no less than \$8,150 million in 1946. More than half the exports of goods and services had to be financed by unilateral transfers (that is, grants and relief payments), by lending and, to a small extent, by drafts of importing countries upon their dollar and gold resources.

The ingredients of the balance have changed significantly. Imports of merchandise barely doubled and other income rose by less than fifty per cent. On the other hand, exports of merchandise in 1946 were nearly four times as high as in the pre-war years; other receipts more than doubled, partly as a result of the growth in income from shipping services.

The first question, obviously, is whether the balance of payments will continue on its present scale. Although it has grown enormously during the war, the gross total is still appreciably smaller, relatively to the population, than that of Great Britain. But this is no criterion, for America's economic make-up differs from Britain's; for example, America needs nothing like Britain's food imports. Nevertheless, if America is to play a role in international trade in the twentieth century comparable to that of Britain in the nineteenth, the size of its current exports of goods and services would not seem to be unusually high.

The major problem (which is strikingly brought home by the figures of the first full peace-time year) is how the present

rate of exports of goods and services is to be financed in the future. The authors of an article in the December issue of the *Federal Reserve Bulletin* took an optimistic view of 1947. They assumed a reduction in the exports of merchandise to \$11 billion. If "Other Receipts" amounted to some \$3 billion, the dollar bill for the rest of the world would be about \$14 billion. They assumed, further, that imports would rise to \$6 billion, or \$6½ billion if newly-mined gold were included. If "Other Expenditure" was the same as in 1946, that is some \$2 billion, total current expenditure would be \$8½ billion, leaving a gap of \$5½ billion to be financed from other sources. They recognised that unilateral transfers (exclusive of supplies sent to occupied areas) would drop to about \$1 billion and, on a number of assumptions, reached the conclusion that only \$3½ billion remained to be financed, a task that could be accomplished without undue strain by drafts upon the British line of credit, by the Export-Import Bank, and by the two Bretton Woods institutions, the International Bank and the Monetary Fund. They also drew attention to another source of finance, that is the dollar and gold resources of foreign countries; towards the end of 1946, the gold and dollar resources in the hands of foreign monetary authorities alone amounted to more than \$19 billion, against \$11½ billion at the end of 1945.

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The estimates for 1947 (even these are based on some optimistic assumptions) do not answer the question about the future size of America's transactions with the rest of the world. If these are to be maintained at anything approaching present levels (\$14-15 billions a year), a gap of \$7-8 billion remains to be filled in the future when no more unilateral transfers can be expected, and when foreign countries will have reduced their gold and dollar holdings to the size of working balances. The question therefore resolves itself into whether or no the United States will provide dollars, by purchasing foreign goods and services and by lending to the tune of \$7-8 billion a year. Stated in this form, there is a strong presumption that the answer will be no, that the size of America's transactions with the rest of the world will not be maintained indefinitely at the present level, even if allowance is made for any possible fall in prices. Nevertheless, there is equally no justification for the belief that the scale of transactions will decline to the pre-war level, or that ultimately it will not reach and even exceed present levels. The prospect is for a marked dip in the curve, beginning this year, followed by a long-term rise. But the dip may be quite substantial.

At first sight the prospect for higher imports of goods and services does not seem bright. The temper of the present Congress suggests that too much should not be expected from the forthcoming Conference of the International Trade Organisation in April. Yet, the underlying trends are not gloomy. America can reasonably be expected to have a growing bill for raw materials, both through an expansion in imports and a reduction in exports. Tourist expenditure abroad may be expected to increase substantially. But it will take years before these trends will add many billions to present imports. Again, America can reasonably be expected to continue foreign lending, in the near future mainly through Government agencies and later also by a resumption of private lending. But the

general by majority leaders, and they have secured a guarantee that future work of the War Committee will not cover the conduct of US forces and of military governments overseas. But clearly, there will be no ban on special committees, and Democrats, surveying past "probes," and not forgetting Mr Pecora's denunciations of Wall Street, realise that war expenditures on so vast a scale as those incurred between 1941 and 1945 can probably provide a great deal of campaign material for 1948.

In other directions, the organisation of committees both in House and Senate is now complete, with the Taft-Vandenberg leadership supreme in the Senate, and with the House forces in the safely conservative hands of Mr Joseph Martin, the Speaker, and Mr Charles Halleck, the majority leader. For floor work, the necessity of presenting a complete legislative Budget by mid-February means that fiscal policies must command priority over labour legislation.

Presidential Timber

In the absence of a Vice-President, as now, the Secretary of State stands next in succession to the Presidency, and so speculation about General Marshall's political future was inevitable. The columnists could hardly be expected to overlook the possibility that General Marshall was being groomed for the Democratic nomination in 1948. These speculations have now been dispelled by the new Secretary of State with a thoroughness unusual in American politics and reminiscent of General Sherman's famous, "If nominated, I will not run. If elected, I will not serve." A convincing disclaimer was essential if the new Secretary of State is to succeed in the difficult months ahead. A man suspected of political aspirations would risk forfeiting from the start the co-operation from a Republican Congress which is central to the peace-making. General Marshall has made his own contribution to a bi-partisan, or rather non-partisan, foreign policy.

There is, in fact, a surprising degree of unanimity that Mr Truman will take the field again in 1948—perhaps because the President's prestige has rallied somewhat from its pre-Christmas low, partly because there is little enthusiasm elsewhere to undertake so long a shot. The case is very different with the Republicans. The prize is so glittering that they suffer from an embarrassment of riches.

From Ohio comes the news that Senator Bricker has decided to relinquish any Presidential aspirations he may have in favour of the state's favourite son, Senator Taft, now at the very peak of Congressional authority and power. The major challenge to Senator Taft resides in Governor Dewey of New York. Indeed, it is not impossible that in 1948 a Republican convention might find it impossible to decide between these two powerful contenders. In that event the nomination might go to a dark horse, someone like Governor Warren of California (though he is somewhat out of favour because of his refusal to accept the Vice-Presidential nomination in 1944) or to Senator Vandenberg, who despite his protestations that he has no Presidential aspirations, might well allow himself to be drafted.

Another Mission for Mr Hoover

Mr Herbert Hoover has been asked by President Truman to undertake a fact-finding survey of food needs and related economic problems in the British and American zones of Germany and Austria. The facts can hardly be unknown to the Administration, and in Washington it is deduced that what is hoped from this mission is a report which will convince Congress that the \$300 million deficiency appropriation (the English translation would be Supplementary Estimate) for the occupied countries is justified.

From this it has not been difficult for some commentators to read into the appointment the first move toward a bi-partisanship in foreign economic affairs paralleling the existing co-operation in the political aspects of foreign policy. The need for such an extension of the bi-partisan technique is painfully evident. Early reactions toward the expansion of the reciprocal trade agreements programme are not promising. Foreign lending is attacked by even so internationally-minded a Republican as Mr Harold Stassen. In economic affairs there is a widening gulf between the Administration and the triumphant Republicans.

If it is indeed the hope of the Administration that Mr Hoover's mission may help to bridge this gulf, the risk that Mr Hoover's report may not be to its liking may be worth taking, though there are already some misgivings at the "free hand" which Mr Hoover has demanded to explore the general economic dislocations. But even if Mr Hoover returns convinced, can he exert an influence on

his party remotely comparable to that of Senator Vandenberg in political affairs? Mr Hoover has never recovered either with his own party or with the country the position which he lost in 1932.

Credits for Industry

Unless Congress is willing to give a broad renewal of powers by June 30th next, the Reconstruction Finance Corporation, which began its career under President Hoover in 1932, will then finish its corporate life. The part played by the Corporation through the depression years, and again during the war, when Federal finance of new plant and equipment gave it a new lease of activity, may be judged by the fact that, at the close of the war, loans and other authorisations totalled more than \$39 billion, while the outstanding balance at that time was still in excess of \$10 billion.

Under President Hoover, the RFC was first called upon to buttress the banking structure, and advances to banks and trust companies, including those for reorganisation and liquidation of closed banks, amounted to more than \$2 billion, with another \$1.5 billion granted for purchases of preferred stock where capital had been impaired. The original restrictions on the class of borrowers eligible for loans (banks, insurance companies and railroads) were later relaxed, and the RFC was given the power to extend credits over general manufacturing, trade and service industries, so long as the credits would relieve unemployment, and so long as private finance was not in sight. Credit standards were also liberalised, until the business improvement of 1937 brought Mr Roosevelt's direction that further loans should not be made. Later, under the National Defence Act of 1940, disbursements totalled no less than \$21.3 billion.

The RFC has now petitioned a suspicious Congress for renewal. As an agency which played a major part in the New Deal era, it was marked down for expiry by all Congressmen pledged "to get the Government out of business," and it is more than possible that the Republicans will decide to liquidate the only existing Federal agency with powers to finance private industry. There is, however, as in so many other cases, a disposition to retreat on earlier pledges and to examine the position anew in the light of the depression which may develop some years ahead.

No one believes that the RFC should retain its multi-unit war powers, and Mr. George Allen, who became the virtual administrator, following his appointment as director last year, completed his short term of office with a recommendation for eventual liquidation. But there can be little doubt that, at some time in the future, the loan powers, administrative capacity, and experience of the RFC will again prove to be useful assets. It would certainly be going a long way for even the Republican Party to say that never again will Federal funds be needed for the stimulation of private industry.

Shorter Notes

Business circles have welcomed, as an offset to President Truman's warning of the increasing concentration of economic power, a Federal Reserve report indicating that small businesses which survived fared better than big companies during the war. The key phrase unquestionably is "who survived." The report shows that small and middle-sized firms showed a "relatively larger increase in sales, profits, and assets" than the larger firms, but it does not attempt to calculate the number of small businesses which succumbed to industrial Darwinism.

The Edison Electric Institute, representing about three-quarters of the electric power industry, has revived charges that TVA rates are heavily subsidised and that real power costs are hidden, by expenses charged to reforestation, soil and mineral development, etc. The Institute estimates a loss on power charges of "almost \$100 million since 1934" whereas the TVA Controller, Mr Arnold Sunstrom, declares that the Authority is now earning more than 4 per cent on the "net average investment in power facilities." The Institute's move is no doubt directed particularly against the TVA statement that charges to consumers are being made at the rate of 1.80 cents per kilowatt hour, against a national average above 3 cents. The industry believes that power rates generally, which have fallen for many years in contrast to other living costs, are now due for an upward revision.

THE WORLD OVERSEAS

Problems of Italian Reconstruction

Italian Economy in the Balance

(By Our Special Correspondent recently in Italy)

The first two articles in this series appeared in the issues of THE ECONOMIST dated November 30th and December 21st. The series was then interrupted to enable the two concluding articles on the Italian economy to take account of (i) the results of the Reconstruction Loan, (ii) the Italian Government's latest estimate of its foreign trade balance in 1947, and (iii) the outcome of Signor de Gasperi's visit to Washington.

THE root of Italy's economic difficulties lies in the problem of scarcity. After seven years of war expenditure, of fighting and destruction and of prolonged and costly liberation, the Italian economy has not recovered its pre-war productive level, quite apart from the extra output necessary to make good the waste and damage of war. By the end of 1946 agricultural productivity was improving, but remained at a level well below the pre-war average. Industrial activity climbed steadily during 1946 and reached an average of about 65 per cent of 1938 by October. But in general terms it is estimated that Italy's national income has diminished by 40 per cent and this missing 40 per cent, coupled with war devastation, has for the time being placed the Italian economy under considerable strain.

The scarcity of goods would in any case have had an inflationary effect. But between 1943 and 1945 Italy's two governments—Badoglio's in Rome and Mussolini's in the north—had recourse to the printing press and between 1942 and March, 1945, a very great expansion of the currency took place. In 1942 the total circulation stood at 79,165 million lire. Then came the period when the two régimes maintained themselves by issuing fresh money and, in addition, Allied amlire were brought into use. By 1944 the total circulation had jumped to 319,397 million lire (plus 63,841 million amlire). But since March, 1945, the printing of extra money has been checked and since 1945 the circulation has only risen from 389,809 million lire to 417,711 million (the August, 1945, figure, excluding 92,885 million amlire). Nevertheless, inflationary pressure is constant and has tended to increase this winter.

This disproportion between an inflated circulation and a general scarcity of goods has reduced the pre-war value of the lira about 30 times. This fall is reflected in the price level. The cost of living in October, 1946, was about 29 times higher than in 1938. It is difficult to speak of a general level of prices, for one of the marked features of Italy's economic disorganisation is the existence of a great variety of price levels reflecting all manner of special conditions and varying very much from region to region. But it is probably true to say that wholesale prices have increased by over 30 times. And since in the last six weeks the government has taken measures to suppress the "black market" in Rome and other cities and many goods have become even more unobtainable, there is reason to suppose that the present level of prices may now be higher still.

It is misleading to speak of a black market. Only in rationed goods—flour, pasta, oil, fat—is the market black. For the rest it is simply a "free" and exceedingly expensive market. The ration is small—the basis is 250 grammes of bread a day and (since December) only one kilogramme of macaroni a month with a tiny addition of oil and fat. There are frequent local famines and when recently in Naples the macaroni deliveries broke down the result was unrest and a hurriedly called general strike. The unrest is, however, understandable, for if the customer cannot buy his daily bread ration (just under half a pound) at the controlled price of 6.50 lire he may have to buy flour in the black market at about 130 lire the kilo (the price in Rome in early December). Olive oil at 650 lire a litre and sugar at 700 a kilo would probably be beyond his means.

It has proved impossible to keep much proportion between rates of pay and the vastly increased cost of living. On an average wages have risen about 18 times, salaries only seven. The

"salarial"—the clerks, the government officials, university lecturers, small professional people—are the most hardly hit, for they cannot easily supplement totally inadequate earnings. Some workmen can hire out their skills, especially when they are working only part-time in the factories. The landowners and the peasants, on the whole, live well. The industrialists can maintain their position. The new "commercial" classes (in other words, the free marketeers) live as they have never lived before. At the other end of the scale, over two million unemployed, unabsorbed returned prisoners of war, disabled men, widows with young children, live in great misery. Unrra, for instance, puts the figure of those below subsistence level at above six million.

The implications of such a situation are obvious. The lira is under constant inflationary pressure. The disproportion between earnings and prices has an unstabilising effect economically and politically, and the need to raise earnings only threatens to increase costs and establish the familiar vicious spiral. The degree of devastation in the country and the substratum of profound misery compel the Government to spend large sums on reconstruction and relief. But this governmental expenditure only increases the risk of inflation. The Government is, moreover, divided within itself on the question of doing less or doing more to remedy a grave economic situation. The left-wing parties urge more control and more government direction in order to remedy the glaring injustices of the present position. The men of the Right argue that more control will simply put a further brake on the initiative needed to get industry to work. Between the two the Government's approach has tended to be hesitant. It has taken a variety of measures and discussed as many more, but the fact of coalition at the political level is reflected in compromise in economic affairs.

One urgent aspect of the inflationary problem is presented by the coming budget. When the figures were first forecast in the summer of 1946 it was thought that Government expenditure would amount to 341 milliard lire, revenue to 148 milliard, and the gap to be closed to 193 milliard. During the autumn, however, it became clear that the Government's expenditure, particularly in the sphere of relief work, would have to be much heavier. Early in the autumn the then Minister of the Treasury, Signor Bertone, estimated that expenditure was more likely to be in the neighbourhood of 700 milliard. Revenue, especially from taxation, was, however, showing some improvement and might bring in about 280 milliard. The gap would thus rise to about 400 milliard. It is probable that when the final estimates are made the gap may be even larger. The Government's immediate problem is to find some way of bridging it. Not much can be hoped for from extra taxation. It is true that taxation has increased much less in proportion to other factors (it is only about five times as heavy as in 1938), but the complication of the Italian tax system, in which there are at least 14 direct and 30 indirect types of tax, the difficulty of tracking and assessing the new wealth and, above all, the traditional Italian habit of avoiding taxation, make it unlikely that taxes will make the contribution they should to bridging the inflationary gap. The last Government did, therefore, discuss and agree in general terms to a programme whose four parts were held to be interdependent. It was decided to introduce a capital levy, to convert the lira possibly into a new depreciated currency, to peg wages and salaries for six months and to issue a reconstruction loan. The success or failure of the loan would be the key to the scale of the levy and the value of the new currency.

Of this programme, two parts have been carried through. Since October last, wages have been officially stable. The loan issued in November remained open to the public until January 4th, and a week later it was announced that 231 milliard lire had been invested. One hundred milliard of this was promised before the loan

prospective increase in overseas expenditure and lending cannot be expected to reach anything like \$7-8 billion a year in the near future—and lending leads to a contra entry for interest. Any detailed assessment of prospects reinforces the conclusion that the size of America's external budget will fall—probably markedly—before it will rise again.

The second question, whether the country's external budget is likely to remain reasonably stable from year to year has already been partly answered by the conclusion drawn from the present gap between imports and exports of goods and services. It will also depend, in no small measure, on the prospects of the American economy as a whole. Obviously, the size of imports and exports of goods and services is closely related to the level of internal economic activity. And there are few in this country optimistic enough to say that the trade cycle has been eliminated. There is still much talk of a backlog of unsatisfied demand; but no one knows how much of it will become effective; there is an enormous unsatisfied demand in China. The disturbing element is (apart from the running down of accumulated savings) the unfavourable income-price ratio that has developed, especially in the lower income categories.

In a booklet issued by the Department of Commerce in 1943 (entitled "The United States in the World Economy") Mr. Hal B. Lary wrote:

It would be tragic indeed if the United States, after a period of renewed full participation in the world economy, were to permit another abrupt fall in the supply of dollars to disturb the recreated international trading and financial mechanism, whether wilfully through increased trade restrictions, carelessly through the misbehaviour of foreign investment, or involuntarily through the improper functioning of the domestic economy. Commercial and investment policies, however, are susceptible of intelligent determination and should no longer constitute such disturbing elements as in the past. The functioning of the American economy as a whole beyond question presents the most baffling problems. On the solution of these problems through the maintenance of a high and reasonably stable level of economic activity in the United States the interests of this country and other countries are most clearly and indisputably united.

Mr. Lary's warning has become urgent, for present indications point unmistakably to a fall in the supply of dollars.

American Notes

The Price of Greatness

A Republican Congress which found economy in government to be one of its most effective campaign slogans is rapidly being presented with a bill of international costs with which it had not reckoned. It is discovering, almost overnight, that it is not cheap to be a Great Power. The British fuel crisis aroused the Cassandras to cries that Britain would be forced to abdicate and that the United States must be prepared to step into her part at short notice. Mr. Walter Lippmann wrote, more moderately, of the forced and disorderly liquidation of so many British external commitments that the whole situation in Europe, Africa, and Asia will become inordinately more difficult to manage peaceably.

In the most exaggerated comment there was a trace of a desire to wear the lion's skin before the lion is really dead. But even the friends of Britain were beginning to admit publicly that the loan granted in 1945 was likely to prove insufficient. In Greece and Palestine Britain prepared to shed some of the load.

The Administration is preparing to request Congress for a loan of \$400 million for relief and military assistance to Greece, basing its plea on a frank recognition of the dangers of Soviet expansion in the Eastern Mediterranean. Mr. Hoover has returned from his mission to Germany and Austria with some suggestions for making relief more efficient, more economical and more likely to be repaid, but the immediate burden of his report is the urgent need for more food for the children, the aged and the "normal consumer." Mr. Truman has transmitted to Congress his request for funds for the International Refugee Organisation. The Secretary of State has protested against the cuts in Army expenditure as they affect relief for the occupied countries; the fate of Mr. Truman's estimate of \$350 million for relief for the liberated countries still hangs in the balance. General MacArthur has made it clear that he must have either more food or more soldiers in Japan. And there were many doubts whether the threatened cuts in the appropriations for the Armed Forces did not deprive General Marshall of his trump card at Moscow.

It is at last becoming crystal clear that there can be no bi-partisan foreign policy conveniently insulated from domestic affairs; that to play the part of the greatest Power takes thought, and money, and men. There has not been much time to study the rôle, and it is thrust upon the United States at a moment when the party in power is pledged to cut down the functions and the cost of government both at home and abroad. Mr. Truman's speech in Texas this week will almost certainly put the alternatives of this historic choice before the country. But an even heavier responsibility lies upon the internationalists of the Republican Party, who will have to persuade their economy bent colleagues that peace is a good investment.

"Republican" Trade Agreements

The Executive Order covering the future pattern of trade agreements was published last week by President Truman. Government officials in Washington maintain that this Bipartisan Agreement secures the Cordell Hull tariff policy from any major reversal, and Republican Party spokesmen are eloquent on the concessions made to the Minority Party in Congress.

Overseas observers, however, will be rather more suspicious. The United States now reserves to itself the right to withdraw all concessions wherever imports "threaten" domestic producers, and the Tariff Commission is empowered to exercise a constant patrol against imports, and to recommend modification, or withdrawal, of tariff concessions whenever such "injuries" are in sight. The Commission will operate to some degree in public, and it must publish the results of individual analyses. The Commerce Department will exercise a similar control over export prospects, and all trade pacts must contain most-favoured-nation provisions securing the United States fully against any possible discrimination.

This "compromise" may be better for Mr. Truman than a trial of strength in the 1947 Congress. But while it does not restore the tariff autonomy of Congress—powers which wrecked every major move for tariff reductions before 1934—it is a very sad relapse from recent practice. The Tariff Commission is certainly more than a partisan body, and has produced some excellent and detached surveys of tariff possibilities. But it must now operate against a background of continual clamour from every type of industrial interest, and that clamour will become almost irresistible as business activity falls away. If all nations take this pattern at the Geneva Conference next month (and the United States has less justification than any other nation) the world trade climate is likely to continue bleak and unpromising.

"Magnificent Prosperity"

Life is flowing strongly along the Pacific coast, where Californians wait no longer for Townsend pensioners from the Middle West, but watch the surge of industrial activity released by war contracts, and speculate on the possibility of vast new markets in the Far East for US manufactures. Hot-Gospellers and ecclasiasts still flourish, but for 1947 a more suitable example of Californian vigour would be Mr. Amadeo Giannini, head of the Bank of America with its 500 branches and its record of expansion which is still regarded with something like suspicion by the more conservative financiers of the eastern States.

Moved by this mellow climate, the Secretary of the Treasury, Mr. John W. Snyder, quite recently delivered a speech in San Francisco on the "magnificently prosperous condition" of the nation. Certainly Mr. Snyder was not talking against the book, as can be seen from the preliminary figures for 1946 now issued by the Commerce Department:—

	1939	1945 (billion dollars)	1946
Govt. expenditures	16.0	83.6	35.0
Private capital formation	10.9	9.1	32.0
Consumer expenditures :—			
durable goods	6.4	7.7	14.0
non-durable	32.6	65.6	77.0
services	22.7	33.2	36.0
Gross national product	88.6	199.2	194.0

A substantial part of this expansion in dollar incomes follows, of course, from rising price-levels. In 1946, farm prices soared above all former peaks, and while wholesale commodity prices altogether remain below 1920 tops, the uptrend following the

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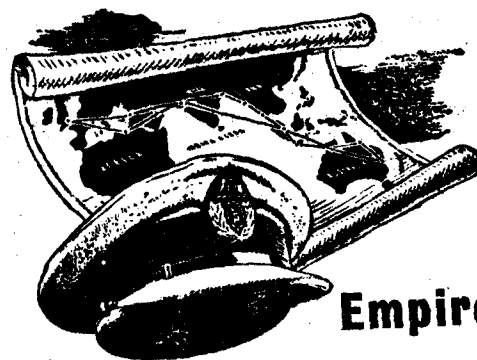
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opened to the public by the banks and credit houses, and their contribution appears in the event to have been in the neighbourhood of 119 milliard lire. Thus 112 milliard represents genuine cash saving. This figure, which is equivalent to just over 10 per cent of the present bank notes in circulation (450 milliard lire) and bank deposits (650 milliard lire), is probably as high as could be expected. The loan remained open only six weeks. It paid only 3.5 per cent interest. Prices have increased in the last year more than the amount of money available, and people have not the reserves of spare cash they disposed of during the first inflationary period. Previous loans (including the Nitti loan after the last war) gave much the same result. Nevertheless, the sum achieved is not sufficient to bridge the gap in state expenditure, and the Government must now decide whether to continue with the capital levy and the conversion of the currency.

On these two points, both the last Cabinet and its advisers were divided. The Left, led by the Communist Finance Minister, Signor Scoccinarro, were in favour of a very stiff levy on a sliding scale amounting to confiscation of the higher incomes. The Right wing of the Christian Democrats and the very Conservative Signor Corbino, who preceded Signor Bertone at the Treasury, opposed it. The result was that the country got the worst of both worlds. The levy and the conversion were discussed sufficiently to frighten people and undermine their confidence in the lire. But no steps were taken to mop up the excessive purchasing power pressing on the price level.

The fate of the levy and the conversion scheme in 1947 will depend upon the political complexion of the new Italian Government, but it is at least possible that neither scheme will be carried through. The Government will, however, be left with the problem of providing work and relief at great cost to the poorest classes in such a way that the inflationary situation is not aggravated. But without any effective measures for drawing away the new milliards pumped into public works, some further rise in prices seems inevitable, and with it an even greater pressure on the most poorly paid members of the community.

It is a truism to say that the only way out of the Government's dilemma is a great increase in production. It is the missing 40 per cent of the national income that has created the present largely uncontrollable situation. A strong politically united Government with an effective civil service, or alternatively a revolutionary dictatorship, could no doubt so divide Italy's straitened resources that they were more evenly distributed. But the Italian Government is neither. Moreover, one vital factor in the economic picture is to some extent outside its control. The condition of Italian economic recovery is the import of raw materials. The reason why Italian industry is running at about 65 per cent of its pre-war average is simply because it is receiving rather under 60 per cent of its pre-war imports of coal. Thus the position of Italy's foreign trade is a vital factor in determining the degree of economic stability that can be achieved, and to a large extent the Government's efforts to avoid inflation and prevent destitution turn on its ability to balance not so much its internal accounts as its external trade.

Finland's Ordeal

[BY A CORRESPONDENT]

THE long-awaited peace treaty is not likely to make life any easier for the Finns. It will bring no alleviation of the armistice terms under which they have been existing with such difficulty for the last twenty-eight months. The territorial clauses are unchanged: Russia retains Petsamo, the Porkkala area and the province of Karelia, which includes Viipuri, Finland's second city, part of the Saima Canal, her main industrial artery, and land which produced 12 per cent of her cereals and meat and 10 per cent of her industrial output. The military clauses are made more severe: Finland must surrender all armaments in excess of those needed by a standing army of 34,000 men. The reparations bill is not reduced: it remains at 300 million dollars' worth of goods to be delivered by September, 1952.

This reparations burden, which Finland has been shouldering since the armistice of September, 1944, is a great deal heavier than may appear at first glance. The Russians insist that reparations-goods be valued at the price level of 1938 (with additions of 10 per cent or 15 per cent in some cases), which means that the cost to Finland is greatly in excess of \$300,000,000. The nature of the goods required and the dates for their delivery are specified in the closest detail. Only one third of them are

forestry products, although these formed 80 per cent of Finland's pre-war exports. The rest is to be paid in ships, cables and machinery, which before the war made up only four per cent of Finland's exports. Nearly one third of the bill is to be paid in machinery, which Finland has never manufactured before and for which she must import the raw material. To pay for these imports Finland has little surplus available for export: she must have credits from the West. Meanwhile, if the Western Powers fall behind schedule in their deliveries to Finland, the Finns must be late in their deliveries to Russia. Finland is not allowed to make up for a deficit in deliveries of machinery by sending a surplus of wood-products; each category of reparations-goods must be sent in full, and delay involves a fine of 60 per cent per annum. Apparently Finland is now late in deliveries of machinery and ships to the value of \$4,000,000; for this she incurs a fine of \$200,000 a month.

Thus saddled with reparations, the Finns have been able to do little for their own economic rehabilitation during these last years. They have been shockingly short of food, especially of meat, sugar and fats, and the position is getting no better; indeed, this month when the bread ration is to be reduced, it will get worse. Transport, deprived of coal, coke and petrol, and with no renewal and little repair of rolling stock, is in a critical position. The housing shortage is appalling: the Finns are now short of 140,000 dwellings. Finland exported nearly 60,000 tons of prefabricated houses in the last quarter of 1946, but so little can be spared for domestic building at home that a maximum allowance of one room per person is imposed in the Finnish towns.

The Finns are united in the effort to pay reparations, and all are agreed that good relations must be maintained with Russia. Except for the Communists, they are as suspicious and distrustful of Moscow as ever they were; all they have learned is that they cannot afford to pursue a policy of isolation from Russia. The Finnish Communists are not in a strong position: they know that they cannot do without Russia, and that Russia has so far been able to do without them. They have made themselves useful to Moscow in small ways—a demonstration here, a procession there, a press agitation on this point, a trade union concession on that—but Russia has had her way with Finland without their help.

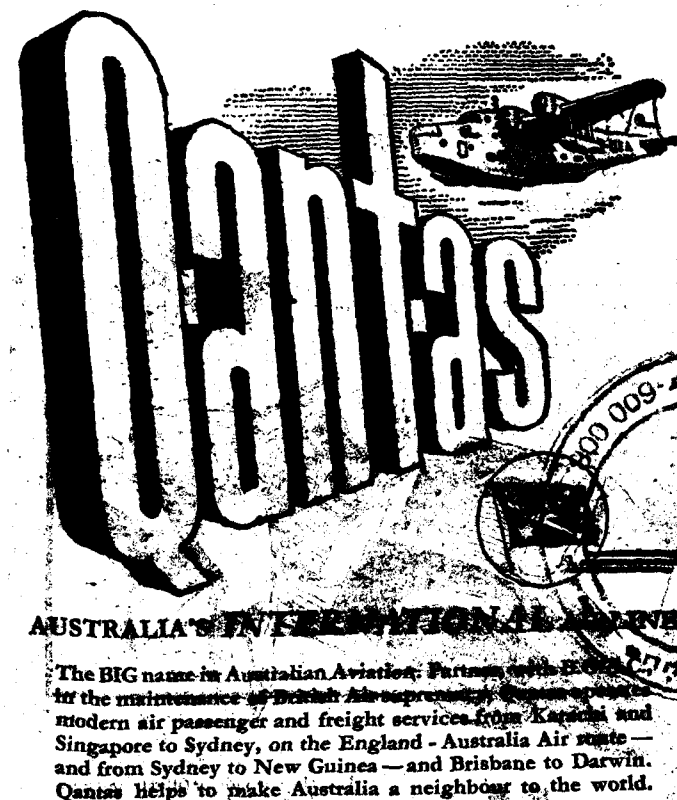
Russian Adroitness

In her policy towards Finland, the only really democratic country which she has ever defeated, Russia has behaved with remarkable subtlety. There has been no military occupation, no NKVD penetration, no planting of ex-Comintern agents in key positions, no deluge of propaganda. The Finnish press has been left free, provided that it does not criticise the Soviets. The Finnish general election of March, 1945, was the freest as well as the first to be held in any defeated country. The Finnish Government, though prodded behind the scenes by the Control Commission and by the Soviet Foreign Ministry, has ostensibly been left alone to carry out the armistice terms.

The result is a strange mixture of freedom and fear in the country. It is still democratic, Scandinavian in character and outlook, and western in all its aspirations. Culturally and politically the Finns speak the same language as the Swedes and the English. All their reforms of the post-war years—in education, in land settlement, in labour conditions—have been on western rather than on eastern lines. They know that they are at the mercy of Russia, and that the quality of Russian mercy is strained; but while there is life there is hope. The Finns' hope is based on the fact that their peace treaty must be signed and guaranteed by Great Britain as well as by Russia.

Just recently there have been signs that the Russians may use a lighter hand in Finland. They have released the Malm airfield for Finnish use, on condition that the Finns do not arrange any air service to foreign countries. They have agreed "in principle" to Finnish requests to use the Saima Canal for timber transport and to reopen the direct Helsinki-Abo railway, which runs through the Russian area of Porkkala. But at any moment these concessions may be withdrawn and new conditions imposed. The Control Commission is to remain in Finland for eighteen months, after the ratification of the treaty.

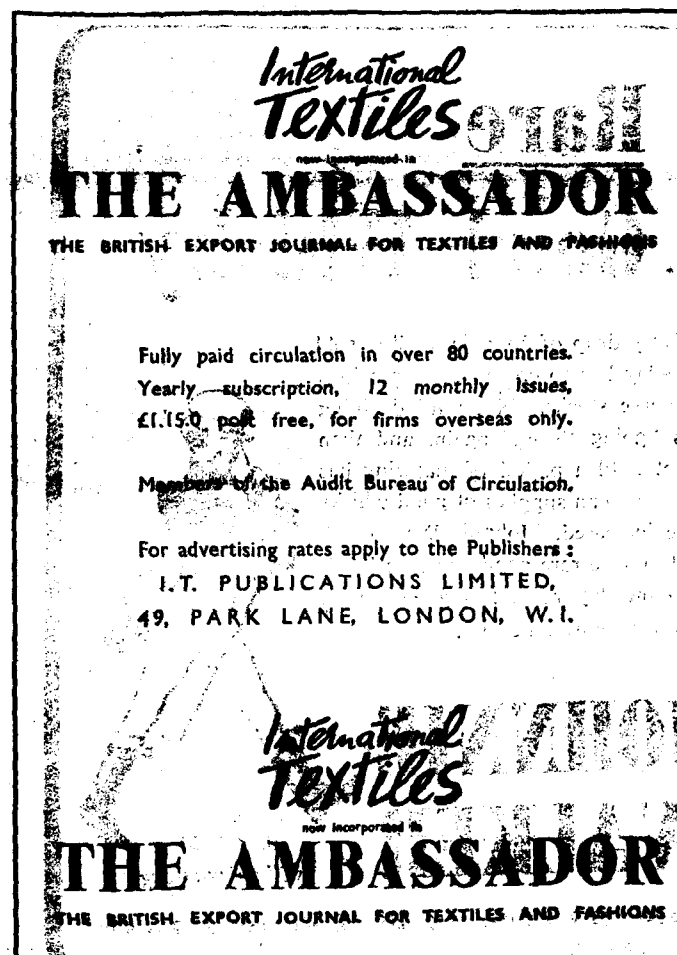
Whether Finland can survive as a free democracy in the post-war world seems to depend on Russo-British relations, on the readiness of western Governments and banking houses to grant credits and loans, and on the continued steadiness of the Finns themselves. On this last point there need be least doubt; the privations the Finns have endured and the efforts they have made during these last few years have proved their capacity.



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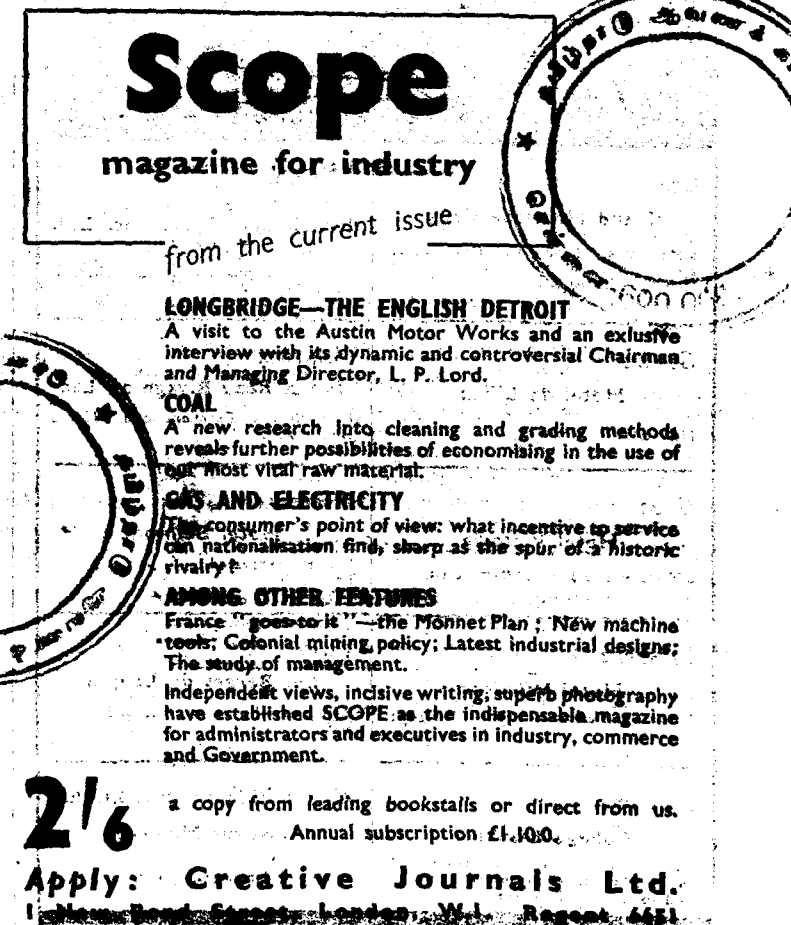
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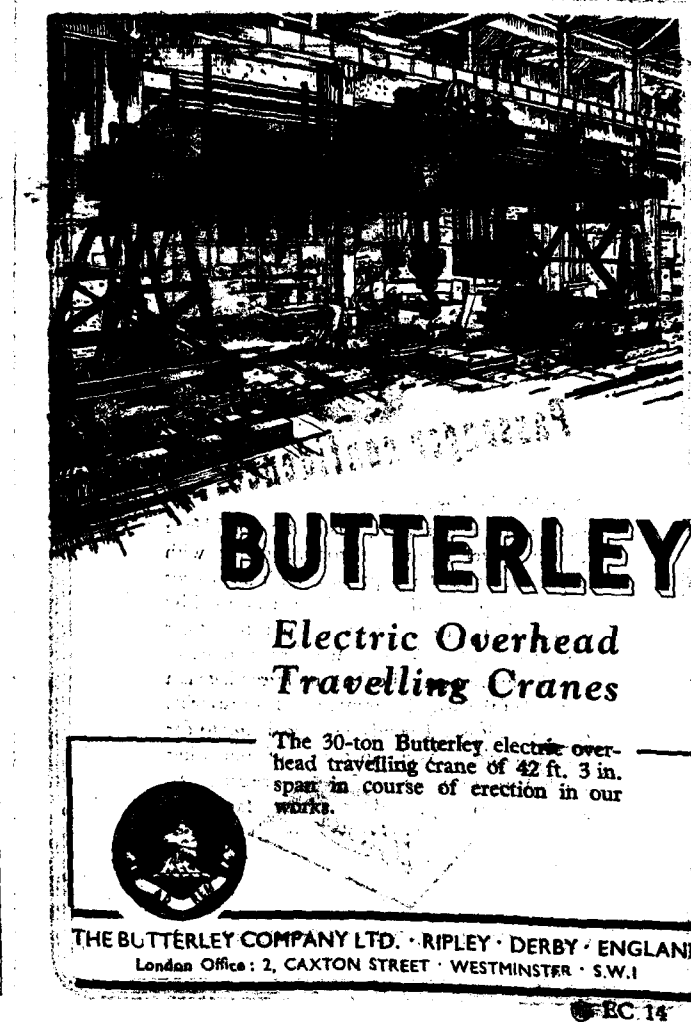
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collapse of the Price Control Act last summer was certainly the sharpest movement on record. The Labour Bureau index of living costs (1935-39=100) was 99.4 in 1939, 128.4 in 1945, and above 153 in December last.

The dollar figures thus require a substantial deflation before the physical volume of activity can be measured. But a more faithful indicator of progress is the Federal Reserve Board's index of industrial production (1935-39=100) which held steadily on a new plateau above 180 through the autumn months, after dipping below 150 in the reconversion period. The 1939 average for this index was 109 and the present level far surpasses any previous peace-time peak.

The employment record moreover, is one of equal encouragement. Apart from the boom in farm employment, the Reserve Board records the following changes since 1939:—

	1939	1943	1945	1946
	(non-farm employment in millions)			
Manufacturing	10.1	17.4	15.0	15.0
Transport	2.9	3.6	3.8	4.0
Trade	6.6	7.0	7.2	8.2
Finance, etc.	4.1	4.1	4.6	5.3
Total	30.3	40.2	38.1	40.6

The surge of productive power from V-J Day onwards is certainly worth stressing when it is recalled that the problem of adapting resources brought fears of serious unemployment and deflation late in 1945, and that industry through that winter and spring was at times nearly paralysed by strikes in key industries.

For How Long?

For Mr Snyder, apparently, the path is clear. In San Francisco, at least, he declared himself to be free from fears of depression, and maintained that inflationary price movements and possible labour disturbances were the only "national liabilities" in sight. Industry, however, still bemused by the depression years, is more than a little suspicious of present good fortune, and almost every forecast indicates that most executives are looking for some recession in the not far distant future.

There is now a solid basis for estimating the gross level of national expenditures that will be necessary to sustain full employment, assuming a fair stability of price levels from this point onwards, and assuming the present labour force of about 60 millions. Over the latter half of 1946, the unemployment figures were fairly constant at an average monthly level of 2 millions. And industry was by itself sustaining that level of employment, for, although government expenditures on goods and services were excessive by any pre-war standard, the net cash outlay of State and Federal governments over 1946 altogether can have made no more than a relatively modest contribution to the national product. The slack, of course, was taken up by the formidable expansion in gross private capital formation from a 1939 figure of \$10.9 billion to \$32 billion.

In this total, constructional work of all types showed an appreciable advance, the dollar total advancing from \$3.6 to \$8 billion, while industrial expenditures for durable equipment were up from the \$5.5 billion of 1939 to \$13 billion. Net exports of goods and services at \$5 billion, and inventory accumulation to the tune of \$6 billion also accounted for a substantial part of 1946 activity.

Residential construction could expand very considerably from its 1946 level of \$3 billion—given the necessary stimulus from State and Federal agencies—but the gross figure of \$13 billion for equipment is almost double that of the 1930-39 yearly average, and clearly reflects a great deal of rehabilitation work. Similarly, the stimulus from inventory accumulation in 1946—even when allowance is made for the fact that much of it merely reflects rising prices—may not be easily repeated, while the export volume clearly hinges on the ability of the World Bank to develop channels for international lending on a scale never before attained.

These activities, with consumption, will determine the future national product. In such a year as 1946, with a distorted flow of consumer products as between durable and non-durable goods, and with a very considerable backlog to overcome, it is clearly of little use to make elaborate calculations on the long-term propensity to consume. For what it is worth, however, it may be noted that personal savings accounted for about 12 per cent of income payments after taxes, against 9 per cent in 1939 and 24 per cent in 1945, when the dearth of outlets for personal income was still exercising its effect on consumption levels. Durable goods expenditures in 1946 were double those of 1945 at \$14 billion, despite the continuing and acute scarcity in many lines.

So much capital equipment is still needed that the United States—relatively modest recessions apart—may be able to go on for quite a long time before any deflationary abyss yawns ahead. But population is still expanding, and the latest Labour Bureau survey predicts a total civilian work-force of 62.5 millions in 1950. To sustain full employment then will demand an even higher level of physical output than in 1946. In such a volatile economy as that of the United States even modest changes in capital expenditures act as a powerful lever in either direction. If pressed for a fuller definition, Mr Snyder would, no doubt, bring in some reservations on the longer view.

Budget Revision

Congress seems to have fallen badly into arrears with its fiscal procedure, for the Legislative Reorganisation Act last year provided that a Joint Committee should by mid-February in each year submit a full legislative Budget for the ensuing fiscal year, complete with overall estimates of receipts and expenditures, and coupled with a concurrent Congressional resolution fixing a definite ceiling on actual appropriations.

The Committee has not yet finished its full task. In mid-February, however, without any particularly detailed analysis of White House estimates, it did decide upon heroic action and voted for a full \$6 billion reduction in the Presidential expenditure estimate of \$37.5 billion. Approval was general in the House, where the Republican leadership took stern action against their more faint-hearted party members. In the Senate, however, more cautious views prevailed. Senator Taft declared that \$6 billion was a great deal of money to dispense with at one sweep and Senator Vandenberg, with an eye on foreign commitments, found himself unable to support the figures approved by the Joint Committee and sternly denounced by the heads of the Service departments as crippling, both in terms of occupation forces, and of development and training.

The revised figures must now be accepted by both Houses. At least \$4.5 billion will be taken from the Presidential figures, however, for that figure has been agreed by the Senate, subject to the proviso that no major reduction will be made in the service estimates; detailed figures have not been given, but the Committee's earlier figures were believed to include a reduction of about \$2 billion in the service vote of \$11.5 billion.

There is, no doubt, a great deal to be said for drastic action, and the Republican Party has been bemused by its election pledges offering a simultaneous cut of 20 per cent in personal tax rates and a substantial reduction in public debt. But it seems altogether unlikely that the majority party has gone the best way about the task. Provision of a ceiling, without very careful analysis, can only mean that all sorts of useful expenditures will be abandoned in order to make way for other appropriations, having a more direct connection with electoral prospects in 1948. And there is force in the President's contention that just at this time Congress should be prepared to walk slowly where international issues are involved.

There is, too, an element of unreality about present predictions concerning the possible surplus and the probable amount of debt reduction in 1947-48. The Budget Committee boosted the estimates of the yield of present taxes by \$1.4 billion from the Presidential figure of \$37.7 billion, and calculated that on reduced expenditure levels a tax cut of \$3.5 billion would leave room for \$3.5 billion of debt redemption. The Committee may be right, but the President's figures were based on the assumption that 1946 activity and incomes would continue without major interruption. On present tax schedules, Treasury experts hold that receipts may decline by as much as one-third of any fall in the national income level. Meanwhile, so long as current activity lasts, and so long as present Budgetary plans are in force, the national income for the first time in nearly a decade will be receiving no material support from Federal deficits.

Shorter Notes

The latest *Fortune* survey finds that any one of five possible Republican contenders for the Presidency could, if the election were held now, defeat Mr Truman as the Democratic candidate. According to the poll, Governor Dewey would receive 50 per cent of the vote, to Mr Truman's 28 per cent, Senator Vandenberg 42 per cent to Mr Truman's 27 per cent, Mr Stassen 40 per cent to Mr Truman's 25 per cent, Senator Taft 35 per cent to Mr Truman's 31 per cent, and Senator Bricker 39 per cent to Mr Truman's 28 per cent. What is surprising is to find Senator Taft, who wields so much power on Capitol Hill, lagging so signally.

THE WORLD OVERSEAS

France and the Alliance

(From Our Paris Correspondent)

It goes without saying that a military pact with Britain should be popular in France. To most Frenchmen the alliance seems so obviously necessary and desirable for both countries that failure to conclude it would have been thought a singular lapse of statesmanship. The unanimity of 608 votes marked the Assembly's approval of the treaty.

Yet it would not do to ignore the sense of disappointment with which opinion on the French side of the Channel has greeted what seems to it to be a document of very limited significance. After the unexampled upheaval of the last ten years, an alliance, many had thought, should be more than a bare promise of mutual military aid. There has been an element of wishful thinking on both sides at the root of this disappointment. If the British negotiators had hoped to include provisions for the progressive harmonisation of the two economies—in fact, a widening of the productive resources of the sterling area—the French had hoped to see British policy towards Germany emerge from its present obscurity into the light—sharp enough, if not always entirely clear—of French thought on the subject. Both have been disappointed.

It would be none the less wrong to see in this disappointment any French reluctance to enter the alliance. Everything which may commit Britain to what the French are accustomed to regard as a realistic policy towards European problems will be welcomed by them. The French Communists, for example, have gone out of their way to emphasise that no permanent alliance can be satisfactory to the French unless it rests upon an effective settlement of the German problem; but, having made this reservation and given themselves the ground for later protest, the Communists have supported the alliance even in its present form.

Most Frenchmen see the real danger for Europe not in actual German aggression, against which British aid can be expected to be automatic, however inconveniently late, but in the threat of aggression. This, indeed, was one of the knotiest problems of the negotiations; the point to which the French held on through thick and thin was inclusion of "the threat of aggression." But the threat of aggression—occupation of the Rhineland, tearing up of disarmament clauses, a growth of militant nationalism—can be met only by a satisfactory Allied settlement with Germany. Therefore the German treaty is to be regarded as the logical forerunner of a real Franco-British alliance—not as its successor.

In emphasising this, the Communists have doubtless had in mind the possibility that the British Government would not support the French position at Moscow, and would oppose that outright and international control of the Ruhr industrial area in which the French see their best hope of future security. All parties here, indeed, understand by "security" a good deal more than merely military desiderata: it implies a settlement in which France can acquire something like economic equality with Germany. To the

French, this westward shift of the industrial centre of gravity in Europe would seem obviously to be also in the British interest. Hence the confusion of mind which arises from what seems often a British intention "to rebuild Germany even at the cost of France."

There is a feeling in France that the signature of a Franco-British alliance as the mere completion of the existing system of Franco-British-Soviet defence against Germany is only a phase, and a rather brief one, in the development of post-war power relationships. Unless the Big Four are substantially agreed on the broad lines of their German policies, this triangular system can have little real content. As they stand to-day, the treaties are provisional acts of goodwill which must be revised after the German settlement, or else written off as decisive international engagements.

Nationalism in South America

[FROM A CORRESPONDENT]

In a century and a-half Latin American nationalism has passed through three phases. The first was the movement for independence from Spain and Portugal. It was not supposed at that time that regional and particular interests would be so powerful as to lead to the creation of a number of independent states. Cultural background and political ideals showed no very great variations. It was geography that prevented the emergence of a Latin American federation comparable to the United States; and Nature was assisted by the self-interest of the small ruling cliques, as well as by the absence of any serious menace from outside, for which the protection offered by Great Britain and the United States was largely responsible.

The second phase was much less recognised abroad as it was mainly one of literary expression. Once political independence had been secured and consolidated, even if political life was tumultuous and disturbed, thinking men in the later nineteenth and early twentieth centuries began to ask "independent for what?" This was the burden of the great patriotic writers, particularly in Argentina; Manuel Galvez and Ricardo Rojas are good examples. They were concerned with a critique of the cosmopolitan culture of cities, and sought to uncover and give form to the genuine historical and cultural tradition.

The third phase is economic nationalism of the type which has become familiar. Most of the Latin American Republics have shown the symptoms in varying degrees. It is not exclusively economic in character. Development of national resources by national brains and brawn is usually only one aspect of a programme which may include almost anything, from the revision of school text-books to the selective control of immigration.

Most developments of Latin American nationalism since the phase of independence have stumbled over certain obstacles. Chief among them is the diversity of peoples. In English and French America the indigenous tribes were largely exterminated, or at least did not survive in numbers sufficient to affect the growth of those regions as areas of a European type. But in many parts of Latin America, particularly those where developed civilisations flourished before the conquest, the Indians have survived in millions. The racial problem is traditionally regarded with tolerance, if that is the right way to describe a wide process of actual miscegenation; but the necessity of some degree of cultural assimilation, if a worthy and reasonable nationalism is really going to benefit the masses, has only recently been faced, and that mainly in Mexico.

In certain Republics it is difficult to see how the pressure for national growth and enrichment can benefit the people at large unless the cultural problem is solved by a social transformation. Whatever one may think of the present mood of Argentina, at least most of the people have been ready to believe that they will reap the benefits of a nationalistic policy. But in such countries as Peru or Bolivia increased national strength and prestige or

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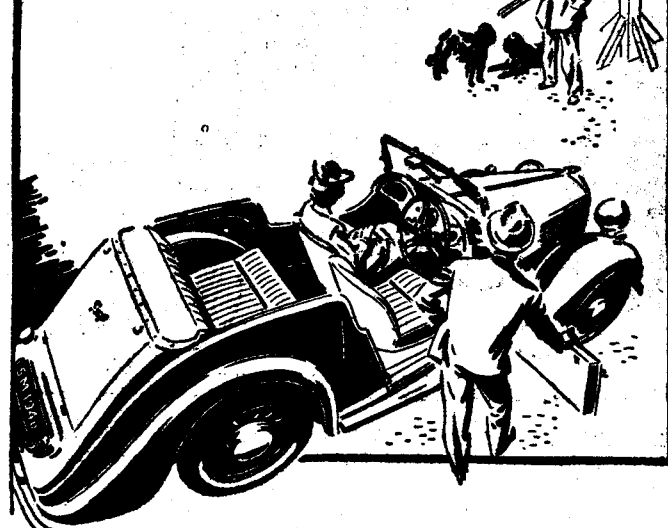
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French Manpower Problems

[BY A CORRESPONDENT]

THE British Government's White Paper on manpower and production should be of considerable interest to the French, who are faced at present with the parallel problem of an "almost universal shortage of manpower." Indeed manpower shortage, which seems to be the price of an economy of full employment, is even more critical in France than in Britain.

It is therefore a matter of life or death for France both to tap new sources of labour and to raise the output of the individual worker to offset the shortage of workers. This was recognised in the Monnet Plan. It aims at raising 1,200,000 workers by 1950. Of this total 480,000 must be found by the end of 1947, 220,000 between 1948 and 1950 and a further 500,000 workers, mainly unskilled, will be needed to replace the prisoners of war, when they have been withdrawn. The problem is most acute in the mining industry, which now employs 55,000 Germans.

The chief source from which this additional labour is to be drawn consists of organised immigration of Algerian and foreign workers, but the extended employment of women, the reduction in the strength of the Army, and a switch from non-productive to directly productive work are also planned. There is obviously scope for a considerable reduction in the large army of *fonctionnaires*, and those engaged in distribution and non-essential services.

Of the sources of immigration, the main reliance is placed upon Italians, and it is eventually hoped to place about 200,000 in industry and agriculture. The unions' chief concern has been lest unskilled Italian labour should undercut French labour at a time when they are desperately trying to maintain and raise their own standards. Therefore the acceptance of immigrants will be conditional upon their health, political views and degree of skill.

The difficulties that have arisen in Britain in connection with the employment of foreign labour are not likely to be repeated in France, where there is a long tradition of industrial immigration. The Ministry of Labour's *Revue du Travail* recently showed that about 1½ million foreigners worked in France in 1945, the great majority being Italians, Poles, Belgians and Spaniards.

Unlike Britain, the French labour force was not augmented to any extent by female labour during the war. The numbers of women employed increased from 1,875,000 in 1936 to 1,886,000 in 1946, and during the same period the proportion of women to the total labour force increased by only 2 per cent, from 30 per cent to 32 per cent. The Government's intention is to encourage women to enter industry and to transfer them from the less essential occupations to manufacturing industry. Improved family allowances, the extension of welfare facilities and the provision of crèches and nurseries aim at achieving this. A decree in July, 1946, established the principle of equal pay for equal work; before that date a difference in remuneration of 10 per cent was allowed, though in April, 1946, the average female wage was lower by about 15 per cent than that of men.

Even if the French Government is successful in its attempts to bring in foreign labour and to recruit more women to productive industry, the problem still remains of raising the level of skill, for at present only about one-quarter of the labour force consists of skilled workers. Training schemes, on the lines of the British Government Training Centres, are being extended. They apply not only to women, but also to young and unskilled workers, and to men who have been physically or mentally disabled by the war or by industrial accidents. In November, 1945, there were 43 such centres; by October, 1946, the number had been trebled; the target for the end of the year was 250 and the ultimate target 750, with the object of obtaining 300,000 skilled workers.

The Role of the Unions

The French trade unions, like the British, are co-operating fully in all the schemes for increasing production. Much emphasis is placed on the *Comités d'entreprise*, of which there are now about 5,000 and which have very much stronger legal backing and wider powers than the British Joint Production Committees. They have, for example, powers to inspect the books of their firm. Their effectiveness varies considerably. In the nationalised firms and industries the *Comité d'entreprise* is a very live force. In some firms, it is still largely window-dressing.

Like the British TUC, the French *Confédération Générale du Travail* officially condemns strike action. In fact, there has been remarkably little labour trouble in France since the liberation, and most of the strikes that have taken place have been short-lived and more in the nature of political than industrial demonstrations. In the first half of 1946 the average number of working days lost was only 50,000 a month. The freedom from serious strikes is

mainly attributable to the influence in the CGT of the Communists, who are all out for production. A Communist speaker, urging the postal workers to return to work in the recent dispute, told his audience, "The strike is the weapon of the trusts." The trusts have succeeded the "two hundred families" as the chief bogey of the French workers.

Unlike the TUC, the French trade unions are accepting the necessity for increasing working hours over and above the legally-established 40-hour week. The principle of the 48-hour week laid down in the Monnet plan has been accepted, although the unions hold that the excess should be regarded as overtime. Working hours have been increasing, and last year the length of the working week averaged 43 hours.

Collective bargaining was suspended in 1939 and replaced by the State fixing of wages and salaries. Now the wheel has come full circle, and collective bargaining was restored on January 1st. Under the wartime system, the state fixed minimum and maximum time rates for each industry, graded according to the skill or qualifications of the worker and also the region he lived in.

The return to free wage negotiation, strongly advocated by the trade unions, was opposed by the employers, who argued that so long as prices continued to be rigorously controlled, wage control should remain. The position is now somewhat uneven, as about 40 per cent of the working population will continue to have their wages fixed directly by the State because their industries have been nationalised.

It is too early yet to judge the effects of the change in wage-fixing methods on the French economy, or whether the fears that it will lead to inflation will prove justified. Hitherto, the wage increases that have been secured have been more than absorbed by prices, and it is likely that the trade unions, freed from the checks of state wage fixing, may seek to remedy this state of affairs. The CGT's main emphasis at the moment, however, is on a minimum subsistence level and on measures to secure stabilised prices at a lower level. It is also too early to see whether the projected modernisation of French industry will have favourable effects on productivity, so that higher wages can be related to higher output. But it certainly seems that in the present crisis stage of French production there is some illogicality in the unions' demand for a planned economy in which wages alone are unplanned.

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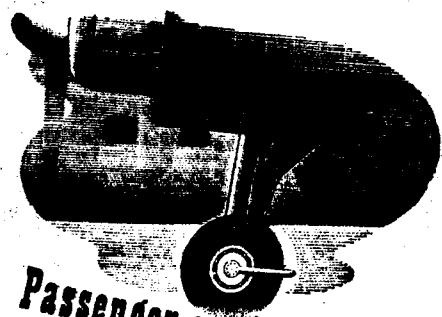
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an augmented national income, mean nothing to three-quarters of the population. What is needed in the Andes is an intensified struggle against poverty, ignorance and disease. Otherwise, the creation of a strong national economy and freedom from the influence of foreign capital become little more than the slogans of a sensitive political dignity. Latin American governments have been too ready to assume that social progress must be promoted through a national consciousness artificially stimulated by heady draughts of anti-foreign propaganda.

It is in Mexico that a strongly nationalistic policy has been pursued longest. That country began the belligerent phase of its great social and political evolution in 1910, and in 1917 a constitution was promulgated which proclaimed in principle the "nationalisation of the sub-soil." For some years the government was pre-occupied with more urgent functions, but an attempt was made to enforce the new laws in 1927. It led to much controversy with the United States. The six-year plan adopted by Cardenas in 1933 contained a new set of provisions, and expropriation of the oil companies was announced in 1938. This provoked emphatic protests, and diplomatic relations between Great Britain



and Mexico were interrupted in the same year, not to be resumed until 1941. To-day the wells and properties are entirely worked and managed by Mexican direction and labour. It is difficult to know what the true financial position is, and whether the deal has been as profitable to the Mexican Government as it expected. Most of the production is consumed locally. Meanwhile negotiations for final settlement of compensation due to British and Dutch interests have proceeded slowly and with many interruptions, being at present temporarily suspended. The points at issue concern firstly the outstanding claims of either side against the other, and, secondly, the different and more important question of valuation of the expropriated assets.

In certain other respects the Mexican revolution has positive achievements to its credit. In its early years it was very strongly nationalistic, and relations with the United States were considerably embittered. All this has now changed to an attitude of cordial friendship. Similarly the exclusion of foreigners and the ministers of religion from the teaching profession led to violent conflicts with the Church which have given way to counsels of moderation. Much of the enthusiasm for popular education and certain aspects of the land reforms and of labour and social legislation have brought positive gains.

More recently it has been the nationalistic developments at the other end of the continent that have attracted attention. In the last two decades Argentina has passed through a period of national change and development; partly as a result of preserving her neutrality in two wars she has become conspicuously rich. Fortunes can be made in Argentina with very little effort. She has made an active start with her own industrialisation, and in the Italian community of immigrants and immigrant-origin some six million strong she possesses a labour force which makes a lot of noise but also works hard. She suffers from certain handicaps and from a shortage of technical leadership, but these very limitations arouse the spirit of emulation. The discovery that her position in the world is generally a strong one creates a tendency to attribute any temporary difficulties to "foreign economic bondage."

It is unnecessary here to recapitulate the steps which led to the recent agreement for the disposal of the Argentine sterling balances and for the purchase of the British-owned railways. It seems probable that every effort will be made by President Perón and his government to maintain the nationalist spirit close to boiling point. A recent distinguished visitor to Buenos Aires relates how on all sorts of occasions, when international affairs were being discussed, he heard the phrase "We and the United States." Perhaps in Buenos Aires this was a passing phase, but it is a dangerous path and is apt to terminate suddenly in the dark. It does not mean that there is going to be no opportunity for British exports, British enterprise, or British technicians; it does mean that Britain will have to study Argentine susceptibilities much more closely than in the past. British traders will, at some points, have to identify themselves much more intimately with the country.

Economic Aspects

The campaign is already in full swing. All the protective devices of full economic nationalism are in force. The differential exchange rates favour the import of capital goods at the expense of foreign competition with locally produced consumer goods. The new insurance tax imposed in 1946 is twice as high for foreign firms as for Argentine ones. Under the new five-year plan (that blessed solace for national ills) state activity has been vastly extended, and almost every aspect of the national life, from education to commerce, comes under direct control exercised under the immense powers possessed by the President.

In Brazil the nationalist programme has been developed in more reasonable measure and temper, and has found expression in three main directions. The development of national resources has been actively pursued, particularly since the five-year plan of January, 1938, and under the stimulus of war. The great steel plant of Volta Redonda was erected with United States credit and technical assistance. The extraction of new and rare minerals essential to industry and the manufacture of finished products have been accelerated enormously. At the same time the progress of cultural and racial assimilation has received attention. As elsewhere in Latin America, the activities of certain sections of the German communities supplied an undeniable justification for special measures. All schools must be directed by Brazilians; conscripts must speak Portuguese only; no foreigners may be employed by public authorities; special conditions govern the publication of reading matter in any language other than Portuguese. Finally, special regulations have been directed at foreign corporations. They can no longer acquire large tracts of land. The progressive nationalisation of insurance companies was begun in 1940, and in 1940 and 1941 conditions were laid down to limit the acceptance of deposits of foreign banks. In all Latin American countries particular provisions govern the extent of foreign participation in national air-lines, but in Brazil and Mexico 100 per cent of all employees in all categories must be nationals.

It is difficult to generalise about the ultimate direction of such tendencies, as conditions vary so very greatly from one Republic to another. The character of British participation in the life of Latin America will undoubtedly change in the future. It is no longer a region, if it ever was, where a young man with no resources can back his luck and stumble on wealth. Immigration and occupations will be closely controlled. For a long time to come, however, there will be an opportunity for Britain to sell heavy plant and machinery and certain, but not all, lines of "consumer goods." A vast country like Brazil, on the eve of a great national development, is sensible enough to see that the exploitation of its own soil requires resources it cannot itself provide. Even Argentina, which tends to regard itself as in a somewhat isolated position in the American continent, will stretch many points in order to retain the friendship of Britain and the goodwill of almost a century of active connection.

Industrialisation in Turkey

[FROM A CORRESPONDENT IN ISTANBUL]

A BEGINNING is now being made with the new Turkish five-year plan of industrialisation, roughly formulated last summer. To see it in perspective, it is necessary to retrace the outlines of the Republic's past efforts at industrial planning.

When the Government's preoccupation with political security, educational and religious reform, and reduction of foreign economic influence lessened in the early nineteen-thirties, the need for a thorough reorganisation of the economic structure moved into the foreground. Characteristically, both of the time and the scene, the brief discussion of the alternatives, private initiative versus state planning, ended in a complete victory of the latter. Industrialisation through a five-year state investment plan was made the official goal in 1933, though it was planned ultimately to hand the new industries over to private enterprise.

Such Government action actually was the only way then, and still remains so now. While the Government at first was by no means averse to co-operation between private and public investment under state guidance, private capital and initiative were practically non-existent except in the purely commercial field, where, furthermore, Greeks and Jews held a monopoly position. In 1934 altogether 550 joint stock companies existed in Turkey, of which the largest had a capital of £13,000,000. At the same time, there existed in the United States about 27 corporations per 16 million inhabitants—the Turkish population figure of 1934—having more than \$10 million share capital. In 1934 only 15 big companies were privately owned in Turkey. In 1936 the 60,000-odd industrial establishments employed on the average four persons per enterprise. The idea of joint stock investment had not taken root in Turkey at that time, and little progress has been made since. Existing stock is mostly held by a relatively few bankers and businessmen, and companies having several hundred thousand stockholders, common in advanced capitalist countries, are completely absent.

Industrialisation was advocated with three main ideas in mind. Firstly, that Turkey should be independent of foreign supplies of the most important industrial staple products, such as cement, iron, glass, steel, paper, textiles, etc., at least to such an extent as to tide her over periods of interrupted trade, such as that of 1940-5. The first World War showed clearly, and the second reinforced the conclusion, that even allied to a major belligerent Turkey would not be immune against catastrophic shortages until her industries were built up sufficiently to manufacture the indispensable minimum of both capital replacements and consumption goods. Secondly, that the export value of domestic raw materials and crops would be raised, and imports be reduced, by the creation of food industries and home manufacture of finished and half-finished goods from Turkish raw materials. Thirdly, that political independence must be safeguarded, even in peacetime, by economic independence or, in the words of a slogan popular at the time: "Political revolution must be implemented by industrial revolution." This motive, of course, is to some extent ideological rather than economic.

The first five-year plan, inaugurated in 1934, aimed at establishing the following groups of industries:

- Textiles—chiefly cotton, hemp, wool; silk excluded.
- Metals and minerals—iron, copper, coal and coal derivatives, sulphur.
- Cellulose—paper, cardboard, rayon.
- Glass and ceramics; cement.
- Chemicals—sulphuric acid, superphosphate; sugar.

The investment envisaged in this plan was realised, by and large, though somewhat belatedly. A separate plan, relating chiefly to mines, mining industries, electrification, domestic fuels, shipyards and machine industries, was outlined in February, 1936, for completion by 1941; but progress on this was slow, and the war arrested it entirely. Just before the outbreak of war, the first blast furnace was lit at the iron and steel plant of Karabük, near the Black Sea coast, and in the course of the war the number of blast furnaces was increased to three and the capacity of the steel furnaces stepped up accordingly.

The latest five-year plan, announced last summer, is apparently designed partly to implement and partly to supersede the uncompleted programme of 1936. Information is still fragmentary on the plan as a whole, and somewhat vague regarding specific purpose and technical detail of each proposed project. The general framework will emerge, however, from the following tabulation of available information:

Product	Location	Projected Capacity (metric tons p.a. unless otherwise stated) incl. pres. capacity	Expansion or New Construction
Chemical Industry:			
Nitric acid	Kütahya	6,000	New
Nitrates	Istanbul or near Izmit	30,000	New
Caustic Soda	Istanbul or near Izmit	6,000	New
Sodium Carbonate	Izmit	20,000	New
Copper sulphate	Izmit		New
Carbon Sulphide	Gemlik		New
Textile Industry:			
Linen	Bakirköy	25 million m ²	Expansion
Cotton fabrics	Halkınar	25 million m ²	New
Printed cotton goods	"	6,000	Expansion
Pack thread	"	2,000	New
Hemp thread	"	600,000 m ²	New
Wool cloth	Hereke		Expansion
Wool cloth	Defterdar		Retooling
Mohair yarns and fabrics	Bursa		New
Cellulose Industry:			
Packing paper	Izmit	3,000	New
Paper and cardboard	"	16,500	New
Electric power for Cellulose Industry	"		Expansion
Bonding material for paper manufacture	Borçka, vil. of Artvin	13,000	New
Synthetic fibre wool	Gemlik	600	New
Cellophane	Gemlik	600	New
Cement Industry:			
Cement	Sivas	90,000	Expansion
Black cement slabs	"	6 million m ²	New
Cement slag	Karabük	200 tons/day	New
Karabük Iron and Steel Works:			
Roller steel	Karabük	200,000	Expansion
Finest gauge wire	"		New
Steel plates and sheets	"	30,000-45,000	Expansion
Steel pipes	"	30,000	New
Steel	"	30,000	New

In June, 1946, the National Assembly decided to raise £150 million by a "National Construction Loan" to carry the new plan into effect.

Though no details are available on the financial and administrative mechanism to be employed in the execution of the plan, it is safe to assume that the present system of investment through the privileged State banks under the control of the Ministry of Economics will be maintained. Under this system the Ministry of Economics is the central planning authority responsible for the execution of the plan to the Cabinet and the Assembly, while the Sümer Bank, which owns or controls a large section of Turkish industry, including the Karabük Works, will be charged with finance and organisation. In varying degrees, other State banks and agencies like Eti Bank (mines and minerals) and MTA (prospecting and development of minerals) may be employed.

Critical comment on the plan evidently may refer either to its substance or to the proposed executive mechanism. On the latter information is scanty. On the substance of the plan, criticism in Turkey is levelled chiefly at the plans for a chemical industry, which apparently call for new construction considerably in excess of what has hitherto been published. If, it is argued, Turkey was to develop industries producing mass consumption goods for the domestic market from domestic raw materials, the Turkish chemical industry should be of the modest size imposed by the strictly limited domestic market, as the high cost of production would preclude successful competition on export markets.

A weightier objection is that Turkey is a typical agricultural country, with 65 per cent of its population working on the land, yet neither agricultural implements and machinery nor food-processing industries figure among the productive capacity to be installed. It is known that the Zirai Donatım Kurumu (Office of Agricultural Produce) has been authorised to make large and costly purchases of such equipment as tractors and ploughs abroad. Should not the modernisation of agriculture have first priority in Turkish economic reorganisation? Ship-building, machine tools and road-building machinery are further conspicuous omissions. The failure to co-ordinate the construction and import planning now left in the charge of the Ministry of Communications with the five-year plan is justly criticised.

Generally speaking, it is evident that insufficient attention and publicity is being given to the paramount question of cost of production. Owing to inefficient management, unskilled labour and the monopolised "etatistic" structure of Turkish industry, the prices of consumption goods of domestic manufacture are mostly disproportionately high, even in comparison with the abnormal present levels abroad. As long as there is no certainty, proved by meticulous expert calculation, that the new plant will produce at economic prices, the high cost of living and all hardship and injustice that necessarily attends it in a country with only rudimentary social legislation may only be perpetuated and the main purpose of the costly national investment contemplated will be defeated.

Boom in Switzerland

[FROM OUR SPECIAL CORRESPONDENT]

SWITZERLAND is in the throes of a boom which fills its people with anxiety rather than satisfaction. The foreign trade figures for 1946 have just been published. They show that although the 1938 figures of quantity have not yet been reached, those of value have been left far behind. And whereas in 1945 the unique situation arose, thanks to the destruction of productive capacity elsewhere, that Swiss exports exceeded imports by over 248 million francs, in 1946 imports exceeded exports by 747 million francs, a higher figure than any reached since 1933 by the country's habitual excess of imports over exports.

	Imports		Exports		Balance in Millions of Francs	Export to Percentage of Imports
	in Units of 10 Tons	in Millions of Francs	in Units of 10 Tons	in Millions of Francs		
1938 ..	737,920	1606.9	61,105	1316.6	-290.3	81.9
1945 ..	146,052	1225.4	17,612	1473.7	+248.3	120.5
1946 ..	544,040	3422.5	49,648	2675.5	-747.0	78.2

Swiss imports in 1946 naturally consisted almost entirely of foodstuffs and of raw materials, especially for the metal and mechanical industries. Watches headed the exports (in terms of value), with machines, silk goods and chemical products following not far behind. Whereas in 1938 Germany came an easy first on the list of Switzerland's customers and of its suppliers, in 1946 the United States had taken Germany's place both for Swiss exports and imports, while France has remained second-best supplier, and is now second-best buyer.

All this looks splendidly satisfactory on paper: profits are tremendous, labour extremely scarce and skilled workers' wages almost proportionately high. And yet a boom in a vacuum is an uncomfortable thing; a boom, that is to say, in a small country surrounded by a devastated continent, which cannot really afford to buy highly finished Swiss products, still less to provide Switzerland with the material resources which—apart from inadequate water-power and attraction for tourists—it entirely lacks. And to be as much involved economically with the United States as it was formerly with Germany is a change of dubious advantage for Switzerland.

Already there are signs that the zenith has been passed, particularly for the watchmakers. At all events, anxiety lest the bubble should suddenly burst is sufficiently great for the Swiss authorities to be at one and the same time exerting themselves to organise an influx of foreign labour (nearly 50,000 workers were brought in from neighbouring Italy during 1946) and preparing to be able to withdraw foreign workers' permits at the moment when the demand for labour may cease and Swiss workers themselves again be faced with unemployment.

It is not only a matter of anxiety for the future; the boom has already created a number of immediate problems. There is an inflationary tendency, not in the sense that the Swiss franc is weak, for there is twice as much gold in the National Bank as in 1938, and, whereas at the end of January, 1946, the note circulation (*Notenumlauf*) had gone up by 56 million francs, at the end of January, 1947, it was up by 81.6 million, thus reaching the figure of 3,883 million.

Prices are high. But life is easy enough for industrialists and skilled workers, though both complain that they are forced to spend all they gain. But it is really difficult for officials and clerks and all those whose incomes are more or less fixed; while there is an additional payment to officials and many other white-collared workers in proportion to the cost of living, it varies from canton to canton and from town to town, and is mostly inadequate. It should be noted that, outside the traditionally privileged hotels and restaurants, ordinary life is in many ways not very much easier than in England; household rations are not quantitatively much more generous, and they are relatively far more expensive. Clothes are unrationed but dear, and coal is fantastically expensive. The housing shortage in this neutral country seems to be as great as in a country like our own, which endured air-raids and flying bombs. There are various explanations of this housing difficulty, such as an increase of population of over 7 per cent during the war and the influx into the towns caused by the present industrial boom. But considering the activity of the building industry now that cement is unrationed, the shortage remains astonishing. The building boom, when it has at last borne fruit, is, of course, particularly likely to be transformed very suddenly into a slump, since it can but depend upon internal demand.

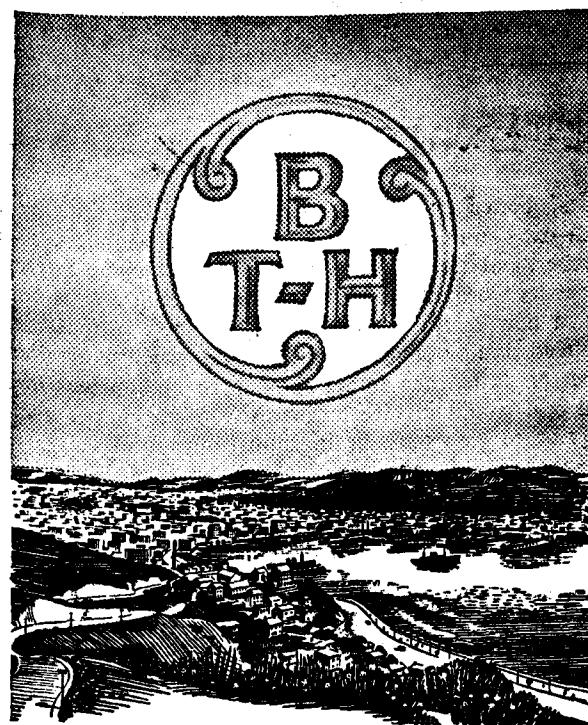
The situation creates discontent as well as anxiety. The industrialists and many other Swiss citizens, who have now experienced two world wars as spectators and easily think in terms of 1913, are eager to return to the full freedom of *laissez-faire*. It is not quite clear how this could be done in the Europe of 1947, but Switzerland is loud with demands for the abolition of rationing and other controls, and with protests against the bureaucracy of the Federation, i.e., of the central authority. The technical developments of the century have inevitably increased Federal authority at the expense of the cantons, causing what may be regarded as a very gradual evolution of the constitution. The necessities of the last war greatly stimulated this tendency, to the chagrin of conservative, that is to say cantonal and anti-centralist, opinion, which expresses itself in violent abuse of the now greatly extended Federal apparatus of officials. More moderate opinion joins in in favour of a rapid return to constitutionalism in place of war-time decrees and the alleged extravagance of the Federal credits granted at home and abroad during and after the war.

There are, however, anti-traditional voices, backed by the large but very cautious Social-Democrat Party, which deplore that Switzerland has not advanced beyond nineteenth century standards in social legislation, and who claim that the prosperity of the moment should make it possible for the profits of industry to flow into a system of what are elsewhere regarded as normal social insurances. Further, progressive opinion believes that the Federal authorities, far from abdicating at this moment in favour of the once sovereign cantons, should insist upon the powers with which economic history has inevitably invested them in order to plan insurance against the dangers of a slump. The issue of the moment is that of National Old-Age Insurance, which has not hitherto existed in Switzerland—there has only been cantonal and municipal organisation of relief for the needy. During the war a temporary system was inaugurated by which employers, employed and Federal authorities contributed to a fund to ensure payment to men who were forced to leave their work for military service at the frontiers. A considerable amount of the sum collected in this way remains over, and in December, 1946, Parliament voted that this should be converted into the basis of an old-age insurance fund.

But in Switzerland when a law has gone through Parliament that is not the end of the matter; its citizens still have the right to demand that a referendum be held in order to make sure that the electors, and not only the elected, still favour the measure. Accordingly the opponents of socialising and centralising tendencies have begun to collect the signatures necessary for a referendum to be held on this issue, and it is thought that in the three months which the constitution allows them they will certainly succeed in gaining the number of supporters they require. There is, of course, a strong case for leaving as much social organisation as possible to small local authorities who can familiarise themselves with particular circumstances, and there is no doubt that the conservative peasants of the Catholic cantons of the interior take this view. On the other hand, the big Liberal Party (*Freisinnig-demokratische Partei*), with which big industry is associated, has officially declared in favour of a national centrally organised old-age insurance system. The issue is further complicated by the fact that a referendum upon certain economic decrees, which ensures Federal credits to the peasants, has in any case to be held, and is likely to split from conservative but interested peasant opinion those conservatives who wish for a contraction of the Federal finances.

A great deal of opposition to the old-age insurance law is expected from Geneva and the west of Switzerland, partly for anti-Socialist reasons, but mainly because the French-Swiss, and especially the Genevese, are feeling aggrieved. The war has certainly reinforced the self-confidence of the German-Swiss, who feel themselves almost surprisingly well able to get on in the world without the background of Germany; while the French-Swiss are uneasy about their background of a strongly Leftist France. Since the war, in spite of the boom in watches, which are a mainly French-Swiss product, prosperity has seemed to work out to the advantage of the German-Swiss, who can afford to do things on a larger scale. Meanwhile the watch industry now expects to decline. Geneva is particularly jealous of Zürich, believing among other things that Zürich has been unduly favoured in the matter of air traffic. The French-Swiss are a minority, and the birthrate does not operate in their favour; it is inevitable that they should resist centralising tendencies with something like fanaticism.

While Switzerland is thus faced with difficult political and economic problems, it would be foolish to exaggerate their gravity. No outsider who has observed the country during the last ten years could doubt that its national unity has been strengthened.



Wellington*

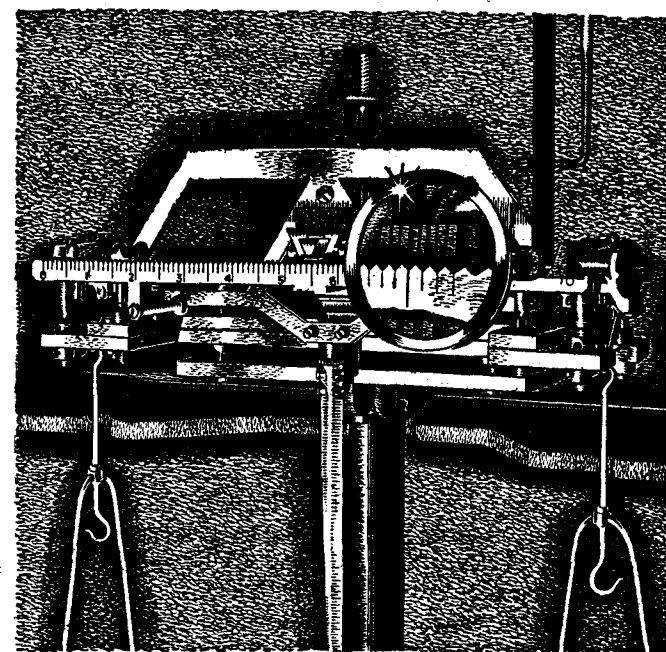
— the capital of New Zealand, with its magnificent deep water harbour, is situated in the south western corner of the North Island. Not only politically, but also geographically and commercially, it is the hub of New Zealand. Electric trains and trams ply between the city and its extending suburbs. Electric supply comes from the Government system of interconnected hydro-electric stations, while the city's own quick steaming plant acts as a standby.

*The famous BTH name is much in evidence in Industrial and Municipal undertakings in Wellington. Equipment for the entire electric tramway system is, for example, predominantly BTH. Mazda Lamps, too, make a great contribution to the city's lighting. (The main electricity supply to the city passes through two 30,000 kVA transformer banks and 11 kV switchgear — all BTH.)

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Weighing Words

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The British delegation's task in India has been described as "mainly exploratory." It is perhaps too early to undertake a definitive settlement of the debt. A short-term, interim agreement, comparable with that recently negotiated in Argentina and based on the same principle of the maintenance of minimum balances is probably the best that can be expected of the present discussions. It should be added that if these discussions are wholly abortive the sole alternative for Britain would probably have to be some form of blocking. Such a decision, though

fraught with serious consequences for all concerned, would in the circumstances be an unavoidable measure of self-defence and of protection for Britain's other creditors. The debts to India, Egypt, Palestine and Iraq (as the table and chart show) are the crux of the sterling balances problem. Two, at least, of the other capitals concerned, Cairo and Bagdad, will be visited by the British delegates on their return from India. Reasonable success in New Delhi would give negotiations with the other creditors an excellent send off.

Government and Industry

THE Industrial Organisation Bill, which has been presented to Parliament this week, turns out on examination to be a milder measure than had been freely forecast. It is, first and foremost, an enabling Bill, and not an executive Bill. Secondly, it is inspired primarily by the need to increase the efficiency and productivity of industry and to enable it to render more economical service to the community. Its critics will, no doubt, insist that each of its seventeen clauses resounds with the overtones of Socialist economic policy. But they will not be able to assert—as they feared—that it is an instrument for super-streamlined nationalisation of industry by Ministerial Order.

The Bill's main purpose is to enable any one of eight Departments (the Board of Trade, Agriculture and Fisheries, Supply, Food, Works, the Admiralty, Fuel and Power, and the Scottish Office) to establish bodies known as Development Councils, after consulting with "any organisation appearing . . . to be representative of substantial numbers of persons carrying on business in the industry and such organisations representative of workers in the industry as appear to the Board or Minister concerned to be appropriate." "Any industry" may be endowed with such a Development Council after consultation, provided that the necessary Order is approved by an affirmative resolution of each House of Parliament. Each Development Council will include members representing the industry, others representing "the interests of workers" and thirdly, independent members—one of the latter being chairman. Their numbers will be specified in the Order; in other words the Bill itself does not stipulate that they must reproduce the exact counter-balance of employer and union members which has been a feature of the Working Parties.

Although the new Development Councils are in line of descent from the Working Parties, they are not necessarily to be confined to those industries which have already had the benefit of working party investigation. They perpetuate, in a sense, the working party principle of tripartite investigation, but at the same time they are limited in two ways—first, as to time, and secondly, as to scope. On the first point the Bill provides that within three years of the appointment of a Development Council, and thereafter at five-yearly intervals, its work and functions are to be reviewed by the Minister concerned in consultation with the Council, and arrangements for the termination of a Development Council may be made with the affirmative consent of each House of Parliament. The second limitation upon the Development Councils is that their functions are much less universal than those of the Working Parties. The first Schedule to the Bill, setting out the functions which may be assigned to Development Councils, includes a large number of what might almost be called the automatic recommendations of almost every working party. They include such entirely praiseworthy objectives as collective scientific research; enquiries about materials and capacity; methods of production and new technical equipment—even including the equipment and operation of model factories. Improvement in design and training appear high in the list, but there is a somewhat more equivocal function of promoting "production and marketing of standard products." Labour questions include

the improvement of working conditions and prevention of industrial diseases, and on the selling side the Councils may concern themselves with the development of exports and with publicity in the home market. All these recommendations have appeared in one Working Party Report or another, and some of them appear in all the Reports. The improvement of accounting and costing information, including the development of standard costings and the calculation of statistics are equally useful functions which Development Councils may be assigned. Development Councils will not automatically pursue all of these functions, but only those placed upon them by the Minister in the Development Council Order, and any extension of them will require an Amendment Order.

Thus, the first task of a Minister is to decide that a given industry would benefit from the introduction of a Development Council. He must then allot precise functions to the Council. Most of these functions are in the direction of promoting action which is clearly advantageous in principle, though some, like standardising of products and arrangements for co-ordinating production and marketing may not fall quite so clearly within that category. But the general tenor of the first Schedule of the Bill is at any rate not restrictionist; it does not pursue some of the narrow aspects of cartelism and economic nationalism which have occasionally appeared in certain Working Party Reports. The Development Councils will have no power to promote the division of markets or to develop schemes for fixing of prices. They may undertake enquiries about methods of production and new equipment, but they have no functions in the field of industrial finance. Their enquiries are to be made only with the consent of the Minister, and the information which they obtain will be published in the form of a summary and disclosed in detail only to the independent members of the Council or to Government servants.

There is, of course, a real danger that much of the work of the Development Councils in obtaining information about their industries may duplicate the statistical enquiries of the Board of Trade in connection with the censuses of production and distribution. A Development Council may call for such information as it thinks it requires for the exercise of its functions, including particulars of productive capacity, capital assets, staff, output, orders, sales, deliveries, stocks and costs. These are, of course, the ingredients of the future annual census of production, and the most specific assurance will be required in the Second Reading Debate that the fact-gathering apparatus of the Development Councils will not seriously overlap with that of the Board of Trade in its census of production questionnaires.

Development Councils will be financed by means of levies (limited either in total amount or by specified maximum rates out of which they will be able to meet their costs and administrative expenses. A Development Council which undertook all the nineteen functions laid down in the First Schedule—and these may be increased if necessary—could become a research organisation of a very formidable character, with an annual budget of many hundreds of thousands of pounds. It must also be recognised that some Development Councils will either

have to accommodate their work to that of research organisations already established in particular industries, or will duplicate some work which is now being done. Admirable though the aims of the Development Councils may be, it must be admitted that they will make further inroads on scarce administrative and technical manpower and will involve a further increase in the overhead costs of British industry. It may be that, in certain cases, the Development Council will be the best employer of technical research staff, if only because the products of their research can be disseminated among all members of an industry instead of being confined to the larger and more prosperous concerns which are in a position to undertake independent research. But equal emphasis ought at least to be laid on the comparatively simple things which are already known and could, with energy and the necessary capital, be introduced here and now in British industry. Fundamental research is admirable as a long-term commitment and British industry has suffered from its lack in the past. But many British industries, particularly those which have had the advantage of investigation by Working Parties, have been shown to suffer, not so much from lack of technical knowledge, but from lack of well-designed factory layouts, modern buildings, and such equipment as simple conveyors—in other words from lack of the elementary framework for increasing efficiency, and for improving the morale of workers and their output.

Clause 11 of the Bill enables the Board of Trade, with the approval of the Treasury, to make grants from public funds to the Council of Industrial Design, or to any other non-profit-making body whose objects include the improvement of design in industry. It is estimated that some £234,000 will be required by the Council in 1947-8 and that grants to other bodies during that period may amount to £50,000. No estimate for expenditure for the encouragement of improved design in subsequent years is offered in the Bill, though it is expected that expenditure in this comparatively new field may well increase. Here again, the intention of the Bill is exemplary and the recent "Britain Can Make It" exhibition showed,

within limits, what could be done by the successful combination of industrial design with good industrial technique. But design is a question which largely concerns—though it does not exclusively concern—the consumers' goods industries. There is every reason why, say, a machine tool should be well designed in the sense that it observes the principle of fitness for purpose. But the design of the great bulk of capital goods output is limited by technical characteristics; it is pressure per square inch or revolutions per minute which govern the design of much capital equipment and in the larger order of things it is more efficient capital equipment rather than beautifully designed consumers' goods which the British economy requires.

This distinction introduces the larger questions of industrial policy which the Industrial Organisation Bill, despite its title, leaves rather on one side. The Bill takes up the lowest common denominators of the Working Party Reports which have so far appeared. It enables eight Ministers to introduce a comparatively simple collective organisation for the performance of necessary and desirable collective functions. But it leaves aside the major questions of industrial policy. It is concerned with things which wideawake industries and firms have already been doing and which the more backward industries should undoubtedly be encouraged to do. Yet, just as the Bill could not possibly be represented as "nationalisation on the side" nor can it be claimed as a new blue-print for British industrial development in the round. The fundamental problems of the best use of limited available resources of capital and manpower, the timing of re-equipment, the extent to which re-grouping should be pursued—all these questions have still to be faced. Development Councils may be able to throw some useful additional light on their particular industries, which in due time may enable the Government or industry to dispose more effectively of the nation's available resources. But it would be optimistic to suppose that the effectiveness of the Development Councils will be equal in every industry to which they are appointed or that their annual reports will provide a collective plan for the entire range of British industry.

Business Notes

Stability and Cheap Money

Some measure of stability has been restored in the security markets this week despite the further accentuation of the coal crisis by extreme weather, which curtailed even the hand-to-mouth supplies of fuel to industry and has caused further short time working. Nevertheless, on Monday and Tuesday this week the *Financial Times* industrial ordinary share index grounded at 133.8 and on Wednesday there was a minor recovery to 134.2. Some limited upturn in prices was perhaps to be expected, if only because last week's tendency for turnover to increase as prices declined had already shown signs of abating. Certain groups in the equity share market have still pursued a somewhat erratic course, and the best that can be said for the market as a whole is that it has managed to become mainly firmer though it still remains quiet.

An improved tendency is also evident in the gilt edged market, though here the volume of professional dealings is responsible rather than public support. The common factor which, more than any other, is likely to determine the course of prices in gilt-edged and ordinary stocks is still the cheap money programme, though it is now engaged in a tug of war with falling output and employment. This week the Chancellor of the Exchequer has staged another of his departmental seshows, presumably with the intention of providing at least inferential evidence about his cheap money intentions. On this occasion it is the issue of £10 million of 2½ per cent Airways stock by the British Overseas Airways Corporation to the National Debt Commissioners. The stock is optionally redeemable in 1977 and finally in 1982, and it has been issued at 101½. This piece of internal financing follows within a month of the replacement of the £69½ million 3 per cent Coal Commission stock 1980-2016, by a new 2½ per cent stock

at 100½ redeemable 1986-2016. From these manoeuvres, it may be permissible to draw up a scale of long-term interest rates, as Mr Dalton sees them. A rate of 2½ per cent, it would appear, is appropriate to a direct Government obligation optionally redeemable after 30 years. But for a fixed date even beyond the century a half point premium is exacted, and for a fixed date 35 years ahead as much as 1½ points premium. On this basis, the redemption yield on a 35-year dated stock must now be accepted at £2 8s. 9d. per cent.

These considerations have clear relevance for the terms of the transport and other compensation stocks. Mr. Glenvil Hall, the Financial Secretary to the Treasury, took matters very little further in last week's debate on this question. The Chancellor had promised during the Second Reading of the Transport Bill, that transport compensation stock will be redeemable "within this century." Mr. Glenvil Hall repeated the assurances that the stock would be redeemable; it will not, he said, be an irredeemable stock. But he was not prepared to give any commitment about the date on which the stock will be redeemed. In fact, it is by no means clear whether, in the minds of the Chancellor and the Financial Secretary, a "redeemable stock" means a stock with a definite and final date of redemption within this century, or whether they interpret it to mean a stock redeemable at the option of the borrower of the same one-way type as 2½ per cent Treasury stock. This important point should obviously be cleared up quite unequivocally in the Committee proceedings on the Transport Bill, for the general impression is that the Chancellor is committed to a stock with a fixed date, and he should obviously correct this idea if it is wrong. In any event, it is already clear that, if Mr. Dalton has his way, a dated stock redeemable within the century would carry appreciably less than 2½ per cent.

THE BUSINESS WORLD

Coal—The Target Examined

THE 1947 industrial problem is fundamentally a problem of coal. . . . We cannot afford to set a lower production target for 1947 than 200 million tons of coal, deep-mined and open-cast. . . . It will be a hard target for the miners to reach, but it will meet only our minimum requirements." It is on these texts that the "Economic Survey for 1947" is based. Two hundred million tons (incidentally, of undefined quality, which nowadays makes all tonnage statistics of dubious value) is integral in the plan, but to write a figure is not to achieve it, as the White Paper plainly recognises. More men are needed, first to make good inevitable wastage in 1947—last year over 76,000 left the industry—and secondly, to produce the required increase in the mining labour force from 695,000 to 730,000 by the end of this year. "Increased output per man-year," says the "Economic Survey," "is as important as the recruitment of more miners"—in fact, in the next crucial nine months, it is the only means of getting the increased production, since the new recruits will not be fully effective in production."

In short, the 1947 coal plan counts very largely on a further improvement in production, in line with the trend of recent months. It talks, in fashionable jargon, of the "re-deployment of labour in the mines" to assist increased output, without explaining whether this means moving labour from less to more efficient pits. It promises full assistance for the manufacture and import of coal-mining equipment; consumption will be reduced by conversion of coal-burning plant to oil-firing and by drastic reduction of non-industrial consumption of coal, gas and electricity. Coal is the basis of the whole programme; "there is bound to be continuous anxiety about supplies until the National Coal Board's long-term reorganisation plans begin to produce results"; in 1948 and 1949, more coal will be needed than in 1947; exports must be resumed as soon as possible; and stocks must be rebuilt meanwhile to the safety mark.

It is a formidable programme, and for this year at least it depends almost entirely on greater effort by the existing labour force. Is this remotely possible? The first major doubt arises from the introduction of the 5-day week in May, for the miners have made it quite clear that they do not intend to abandon this claim on account of the crisis. The five-day week may not mean much further reduction of output, but equally it does not promise any expansion. In 1946, the average number of shifts possible per wage-earner was 5.76 per week, but only 4.84 were actually worked; and the number of shifts worked at the face is a good deal lower—in January it was 4.51, against the overall average of 4.87. Since voluntary absenteeism among workers at the coal face has been obstinately running at 10 per cent or more for many months, the five-day week has for the most part been a matter of practical observance already. But if the 4½ shifts worked at the face each week could be consistently raised to 5, the difference would be represented by 20 million tons of coal—twice the increase for which the "Economic Survey" budgets.

That is a dramatic increase which the White Paper does not dare to suggest. The encouraging trend of production in recent months is still modest, relative to the national need. In 1939, output per man-shift was 1.14 tons overall; in 1944 and 1945, the figure was one ton, and last year's improvement, welcome though it was, only raised it to 1.03 tons. But since the summer

holidays, better outputs per man-shift have been regularly scored—1.05 tons in October, 1.06 in November, 1.04 in December, and 1.06 in January. If the "Economic Survey" is taken at its word; if no additional output this year is counted on from new recruits; and if it is assumed further, that an unchanged mining labour force of 695,000 will work the same number of shifts, then to get another 10 million tons of deep-mined coal would involve an increase in output per man-shift from 1.03 to 1.09 tons, or in annual output per wage earner from 259 tons to 273 tons. Such an achievement is not impossible, but it is far from probable.

On the assumption of a static production force—which the White Paper appears to contemplate for this year, since it discounts the contribution to output from new entrants—there seems little hope of reaching the target of approximately 190 million tons of deep-mined coal, unless there is a radical change in the working practices of miners. The assumption that the labour force can even be maintained without impairing output is, in itself, rather dubious. Last year, although men between 18 and 50 were not allowed to leave the industry without permission, the wastage from retirement, sickness and other causes amounted to 76,434. The intake of 73,337 included nearly 28,000 of ex-miners from the Forces, a mere 5,000 from Government training centres, over 12,500 juveniles and nearly 28,000 from other sources. All the signs suggest that the rate of re-employment of former miners demobilised from the Forces is well past its peak, and for skilled recruits, the industry will have to look for ex-miners from other industries—in January the number of these men re-attracted to the industry was as many as 2,590, compared with 1,140 for January, 1946, and out of the total recruitment of 7,500 in that month, just over half were drawn, either as ex-miners or new recruits, from other industries. January yielded a net intake of 2,900 for the mining labour force, a rate which would produce the "planned" increase of 35,000 recruits by the end of the year. But of the new recruits, 3,450 had received no training before entry. In other words, even to maintain the existing labour force will involve some dilution of its skill, for its ageing and skilled workers cannot be wholly replaced by fully experienced younger men. It is difficult to estimate the consequent effects on output; they should not produce any marked decline, but they cannot encourage a marked increase. Similarly, if the expected increase of 35,000 is achieved, the maximum contribution to output which it could make in this year would be of the order of 4½ million tons—in fact it will be less, even on these assumptions, because its productivity will be lower until it is fully trained.

This analysis of what can be got, on the best assumptions, from the present labour force shows that 200 million tons of coal will indeed be a hard target for the miners to reach by increased physical effort. Even if the campaign for incentives succeeds—it must be remembered, of course, that these can only be provided at the expense of the rest of the community—doubt must remain whether a few thousand aluminium houses and revised allocations of rationed foods for mining districts will evoke the required increase in output. The miners have also made much in their recent discussions with the Cabinet Coal Committee (taken, incidentally, over the heads of the National Coal Board on which the Unions are well represented) about delays in the installation of mining machinery and

mechanical equipment. Many of the critical shortages are of electrical equipment—which is common to industry generally—and of other general engineering supplies. But it is questionable, even when exports are so urgently needed, whether the nation can afford to export 13,354 tons of coal cutting, winding and other machinery valued at £2,332,567, as it did last year.

Mechanisation, however, means several different things. It may mean cutting coal by machinery; no less than 72 per cent of the total output in 1945 was so cut. It may mean tonnage of coal conveyed by machinery—71 per cent in 1945. But it is between the cutting and the conveying that mechanisation needs to be greatly developed; in 1945 the tonnage of coal power-loaded was a mere 1.3 per cent of the total, and 98.7 per cent of all coal cut by machine, pneumatic picks or by hand was loaded by hand into tubs or conveyors. There is no quick way of remedying this state of affairs, and the National Coal Board must be left to work out this technical revolution with the utmost speed and determination. But the Board has so far been very discreet about its shorter-term policy. Is the policy to wait until the mines are modernised and re-equipped? Is there nothing which can be done, as an interim measure, to increase the supply of coal? Perhaps the reference to "re-deployment of labour" in the White Paper suggests an answer. If so, it must be found in terms of the following table:—

COAL: EMPLOYMENT AND OUTPUT BY REGIONS, 1946

Regions	Average No. Wage Earners on Books	Per Cent.	Total Output ('000 tons)	Per Cent.	Output per Man-Year (tons)
Northern	150,300	22	34,022	19	226
N. Eastern	129,200	19	37,113	21	286
N. Midland	91,800	13	32,611	18	355
N. Western	58,100	8	12,655	7	218
Midland	58,900	8	16,310	9	277
Wales	114,900	17	21,887	12	191
Scotland	79,200	12	22,265	13	281
Kent	6,000	1	1,277	1	213
Totals	688,400	100	178,140	100	259

NOTE.—These figures are estimates derived from the monthly returns; annual returns of employment and outputs by regions are not available from the Ministry of Fuel and Power or the National Coal Board.

If there is any principle of re-deployment, it should surely be to transfer labour, as far as possible, from those pits and regions where it is less effective in terms of output to those where it would be more productive. That, however, is largely a paper solution; it could not be done without intolerable upheaval and dislocation, so long as the total labour force is static. But now that a 5 per cent increase in the labour force is "planned," should not the new entrants be guided, as

far as possible, into the more productive districts? Unfortunately, this principle has not been particularly evident in the recent trend of coal-mining employment. It could, however, be more deliberately adopted in the employment of foreign workers. Their numbers in the immediate future will, admittedly, be all too small, and the White Paper preserves a conspicuous reticence about their use in coal-mining this year. The projected intake of 300 Poles a week into the pits has yet to be matched by anything like that number receiving training, and the proposals to use Displaced Persons are at present in a very tentative stage. When foreign workers are available, however, they must be used in those areas where they will make the greatest contribution to output.

There can be little doubt that the Government have pitched this year's coal target uncomfortably high. Yet, even if it is achieved, it will meet only the bare minimum of requirements. The first task is to rebuild stocks before next winter to a reasonably "safe" level—sufficient to provide against repeated disaster, if not for comfort. Distributed stocks in October, 1944, were 18½ million tons; a year later they had fallen to 13½ million tons, and by last October to 10.9 million tons. The nation has lived on its working capital of coal until it is exhausted. Stocks on February 15th amounted to only 5½ million tons, compared with 8.6 million tons a year earlier. The first task in the summer months must be to build up stocks, not by a mere 4 million tons or so as in the two previous years, but by at least 12 million tons. Allowing for the bare minimum for exports and bunkers of 9 million tons, this means that inland consumption of coal between now and the beginning of October has to be kept to 100 million tons; approximately the same level of inland consumption for the same seven months last year. Since the target is only a target, some form of restriction of domestic gas and electricity and of industrial coal allocations is inescapable. There will be limited assistance from conversion to oil-firing, though on this, as in other matters, Mr Shinwell was altogether too optimistic about the consequent saving of coal; he had to admit a reduction in the original target of 3 million tons to be saved in the current coal year to one million tons, owing to lack of equipment for which priority was promised. The present shortages of coal for industry have been masked by the power cuts, and only now is the exhaustion of supplies, particularly in the North-West, becoming clear. The next hard fact which has to be swallowed is the severity of the necessary cuts in industrial coal supplies during the summer which will be needed if safe stocks are to be secured by next autumn, even on the best assumptions that the 200 million ton target will be reached.

Bretton Woods in Practice

THIS has been a momentous week for the two Bretton Woods institutions. The Bank has found a new president. The Fund has begun exchange operations. Though the news from the Bank is still far less definite than that from the Fund, it deserves precedence. For without a considerable loan programme by the Bank there can be little hope of the Fund fulfilling many of the hopes placed in it. The Fund is a stabilising mechanism which cannot be expected to function effectively if the prevailing conditions of many of its members are chaotic. Its intervention is intended to equalise balances of payments which are already within reasonable distance of equilibrium. In the world of to-day, with so many countries crying out for foreign capital, and especially for dollars, to help their struggle for economic survival, the Fund must find the scope for its activities seriously curtailed. The Bank must blaze the trail

of reconstruction and, by scattering dollars, recreate conditions in which the Bretton Woods philosophy of convertible currencies, non-discriminatory currency practices and reasonable stability of foreign exchange rates can become a reality.

The appointment of Mr. John McCloy as successor to Mr Eugene Meyer in the presidency of the Bank is, therefore, a very welcome development. Now that the Bank has an executive head again it is to be hoped that little more time will be wasted before beginning loan operations. There are plenty of claimants. The main obstacle to early action is the neglect to date of any real preparation of the American market for the bonds to be issued through the Bank. It should always have been evident that the main problem of the Bank would be to find, not borrowers, but lenders prepared to accept reasonable terms. One of the main strictures that can be made of Mr Meyer's

Spending the Dollars

The details given by Mr. Dalton in Parliament this week of Britain's payments for imports from the United States have been much publicised, but few people realise that they throw very little light upon the problem which really was in the minds of the Chancellor's questioners. Behind the questions which in fact were asked was the bigger question of what is the true state of Britain's dollar account and what are the reasons for the very rapid rate of drawings upon the American credits. The distribution of Britain's payments for visible purchases from the United States was already approximately known, and Mr Dalton's tabulation, reproduced below, does not differ very much from earlier estimates.

But there are important portions of the overall dollar account which have never been disclosed and defy estimate. Britain has to pay dollars not only for imports from the United States but also for a significant volume of purchases from other countries—notably sugar from San Domingo and oil from Venezuela. In addition to these payments for visible trade, there are onerous "invisible" payments, chiefly for Governmental expenditure arising from the war, such as the dollar portion of Britain's expenditure for the maintenance of the British zone in Germany.

Nor is this all. Britain's resources are still the central reserve for the whole sterling area, and it is virtually certain that some of its members are now taking more dollars out of the pool to pay for current imports than they are putting into it by current exports. Finally, Britain has already begun the process of making sterling convertible for new current transactions. Argentina now

EXPENDITURE IN USA ON UK CIVILIAN IMPORTS AND FILMS
July-December, 1946

	£ million	%
Food*	29.7	24
Raw materials	14.0	11
Oil	15.4	12
Tobacco†	39.2	32
Machinery	5.5	5
Other manufactured goods	7.9	6
Ships	3.5	3
Films	8.8	7
TOTAL ‡	124.0	100

* Cereals products £7.7 million; eggs £12 million; milk products £3.5 million; oils and fats £1.5 million; other, £5 million. All the cereals for human consumption.

† Highly seasonal payments, corresponding with crop.

‡ There were no imports of coal. Expenditure on coal bunkers, estimated at £400,000, excluded from table.

§ The table covers only supplies from U.S.A. There are substantial imports from other sources which are paid for in U.S. dollars.

has the right to turn the net sterling proceeds from her trade with the sterling area into any currency she pleases, and there is little doubt that already this right is adding its quota to the strain on Britain's reserves. On the other hand, as the Chancellor pointed out, Britain's reserve of dollars is not limited by the amount of the dollar credits, but is constantly fed from the dollar receipts from current business. There is no doubt that this current flow has been disappointingly meagre, but in the absence of detailed figures it is impossible to guess how far it has gone to meet the payments indicated above.

Mr Dalton's figures, however limited their application, are none the less disquieting. Too much attention ought not to be paid to the preponderance of tobacco, for the six months in question covered the main importing season, and tobacco's share for a full year would certainly be much less than the 32 per cent of the past six months. But it is very plain that a high proportion of British dollar purchases are required for current consumption. Imports of machinery and other manufactured goods absorbed only 11 per cent of the total, with a further 3 per cent for ships. Quite obviously, the dollar credit has so far made but a small direct contribution to the re-equipment of British industry.

Wanted—A Bank President

The task of finding a successor to Mr Eugene Meyer as president of the International Bank for Reconstruction and Development has so long defeated the efforts of the American Government (the post is understood to be an American preserve) that a temporary solution has had to be found by allowing the US executive director, Mr Emilio Collado, to act as temporary chairman of the board of directors. Mr Collado, as representative of the country which not only provides the largest quota to the Bank's capital but which will take up the bulk of any issues made under

the Bank's auspices, is the obvious person to fill the vacuum left by the departure of Mr Meyer. His assumption of those responsibilities in the circumstances that have arisen was, in fact, provided for by the articles of agreement. The wonder is that where nature's abhorrence has been reinforced by the offer of a remuneration of \$40,000 a year tax free, the vacuum should remain unfilled so long. Mr Collado's relations with the British and Canadian executive directors are said to be satisfactory, and on the basis of the collaboration between these three men the task of pushing on with the work of the Bank and, in particular, of preparing the all-important initial bond issue, should make some belated progress. Rumours that Mr McCloy has accepted the presidency should be treated with reserve.

Meanwhile, the *Washington Post*, Mr Eugene Meyer's own paper, has had the following interesting and presumably well-informed things to say about the position of the Bank's president:

Evidently the negativeness of the men who have been approached to take the presidency is due to their chariness over the lack of authority in the office commensurate with the responsibility put upon the president in the public mind. The lack can be filled not only by a decision on the part of the Administration to relieve the incumbent of fear of the veto power which is held over the president by the executive directors representing member nations, but also by the Administration of the predominant lending nation. Somehow the World Bank president's position must be buttressed, for the institution is an indispensable agent in the economic resurrection of a war-ravaged world, and its services are urgently in demand.

This cry from the heart, with its scarcely veiled reference to the intervention of the US administration (presumably through the National Advisory Council) in the affairs of the Bank, confirms most of the informed news which has been reaching London from Washington on this subject. The US executive director, with the Secretary of the Treasury and the other members of the National Advisory Council constantly at his elbow, is in effect the real power on the board. Provided he works in collaboration with two or three of his co-executive directors, his voice must prevail and the position and power of the president must be reduced to virtual nullity. Yet it is on the president that the main task of "selling" the Bank's bonds to the financial community falls. This form of government has been and will be found impracticable. The first few months of the Bank's existence have revealed not merely the weaknesses of the form of government given to the Bank by the Savannah interpretation of the Bretton Woods agreements; it has also revealed the seriousness of the second Savannah blunder, that of choosing Washington, the political capital *par excellence*, as the site for this institution. There will have to be a considerable retreat from Savannah if a worthy holder of the office is ever to be induced to accept the presidency.

Industry and Coal

The recent adjustment of coal allocations to tally with deliveries has brought realism with it. But it has also brought short-time working and positive unemployment in several of the important consuming industries. The rough and ready orders of priority which have been laid down have produced difficulties of their own, for it is frequently the small and apparently less important firm which produces the essential component or material on which a regular flow of industrial production depends. The process of industrial deceleration due to coal is thus almost co-extensive with the whole range of industry.

The latest coal figures for January show the persistence of the gap between coal production and consumption. Provisional average weekly consumption for January was 3,927,000 tons, against 3,843,000 tons a year ago, while production amounted to 3,711,000 tons, compared with 3,409,000 tons in January, 1946. The steady rise in production is welcome, but it is still quite insufficient to overtake the rise in consumption; thus coal stocks last month totalled only 8,418,000 tons, against 11,512,000 tons a year ago. There are encouraging signs that rising output per manshift has gone far to counteract the fall in manpower, but the need for a larger labour force is clearly reflected in the latest figures. Overall output per manshift was 1.07 tons in mid-January, compared with 0.95 tons at the end of December and 1.01 tons in January, 1945.

In Lancashire, industry is now operating on 50 per cent of the basic coal allocations, though the cotton industry receives a measure of priority with a further 15 per cent (making 65 per cent in all) which is to be drawn from the regional reserve pool. This rate of supplies should suffice for about a three-and-a-half-day week for cotton firms and the additional 15 per cent for cotton should give the industry a much-needed advantage in retaining its labour

force. Some interruption of clothing supplies to the consumer must be expected, particularly since there is no similar preferential treatment for the woollen and worsted industries across the Pennines. No news is yet available from Yorkshire of any supplementary allocations and wool textile employers, who are faced with the same acute labour shortage as the cotton firms, are apprehensive lest the inevitable short-time working should attract labour away to other industries which are less affected by the coal shortage. Yorkshire woolcombers, who occupy a key position in the worsted trade and suffer a 50 per cent cut in their coal allocation, may only be able to run three days a week for the next six weeks. The maintenance of the worsted manufacturers' output depends now on adequate stocks of tops, which are likely to vary considerably between firms. All sections of the industry are likely to have to adopt a shorter working week until increased supplies of coal are forthcoming. From Sheffield it is reported that a four-day week may have to be adopted in the steel industry. The same general picture could be painted for the Midlands, Tyneside and Scotland.

The revised allocations scheme, to bridge the estimated weekly gap of 300,000 tons of coal for the six critical weeks, makes no changes for domestic users, the electricity and gas utilities and the railways. Cuts for iron, steel and coke-oven firms were limited to 25 per cent. The 50 per cent cuts are therefore widely distributed over industry; the hesitancy in some regions to allocate supplies from the supplementary pools suggests that, in certain districts, even the new level of allocations may not be satisfied by actual deliveries.

Progress of French Deflation

The monetary experiment launched by M. Blum during his short period of office has been taken over with great assiduity by the government of M. Ramadier. The technique of the operation continues to show considerable skill. In particular, the French authorities have understood that in an experiment of this kind it is never sufficient to stand still. Each blow has to be succeeded by another. The hoarders have to be kept on the run. Confidence has to be maintained and strengthened by constantly dangling before the public the possibility of still more surprises. The Government must always appear to have several more tricks up its sleeve.

The main difficulty experienced so far in implementing the plan has been the resistance shown by French peasants to disgorging their grain. The French Government is meeting that problem by threatening the French farming industry with the prospects of substantial imports of wheat from the United States and Canada. For any French Government, to whom protection of domestic agriculture has always been an axiomatic basis of policy and not a question of opinion, this is very strong language. The Blum experiment has had perhaps its most spectacular success in the illicit gold market, where the price for French gold louis has dropped over 30 per cent since the Blum experiment was launched. A year ago the gold louis was quoted at about 7,000 francs. Three weeks ago the price stood at about 5,000 francs; this week it has fallen to 3,500 francs. There is some suggestion that the collapse in the price of gold coins has been helped by devious official selling of gold in the black market.

If this has, in fact, occurred, it is another indication that the technique of the French authorities has improved considerably in recent months. The illicit market in gold is one of the keys to the French economic position. The collapse in the price of gold and the uncertainty regarding the future of that price, which the experience of the last few weeks must have engendered, should induce hoarders to disgorge and holders of commodities, and especially of foodstuffs, to resume their sales against bank notes and through normal trade channels.

Deposit Accounts Rising

The habits of the public in the conduct of its banking accounts, and especially its choice between deposit and current accounts, normally show very little variation from year to year, but in recent months some interesting movements have been discernible. It is now more than twelve months since the reduction of the maximum interest allowance on deposit balances and the abolition of interest on current accounts became effective. At the time of the original announcement, in mid-October, 1945, it was a moot point whether the effect would be to enhance or reduce the importance of the deposit account. Some bankers held that, with the maximum interest allowance reduced to only ½ per cent,

many customers would either put their money into securities or would prefer to forgo interest and keep their liquid funds on the more flexible current accounts—for the minimum notice period for a deposit account had been extended from seven to fourteen days. Others thought that the abolition of current account interest, the payment of which was very widespread, would drive funds on to deposit accounts. Both influences have certainly been present, but, except at the outset, the second has predominated. It was not until last June that current balances surpassed the peak level touched in the previous September, but deposit balances had been virtually restored by last April.

CLEARING BANKS: DEPOSIT AND CURRENT ACCOUNTS
(Annual Averages)

	Total Deposits	Deposit Accounts	Current Accounts	% of New Deposits in C/As
	£ mn.	£ mn.	£ mn.	% of Total
1938.....	2,277	1,033	1,244	54.7
1939.....	2,248	996	1,252	55.7
1940.....	2,506	1,018	1,487	59.3
1941.....	2,970	1,085	1,885	63.5
1942.....	3,275	1,128	2,148	65.6
1943.....	3,677	1,222	2,455	66.7
1944.....	4,153	1,388	2,765	66.4
1945.....	4,692	1,566	3,127	66.2
1946*.....	5,044	1,706	3,338	66.2

* Eleven months.

The experience of the past year has, indeed, abruptly slowed down the tendency in 1945 for new money to concentrate upon current accounts. During the early years of the war, as the accompanying table shows, the ratio of current accounts to total deposits rose steeply from its pre-war norm of about 55 per cent to 67 per cent, and during this period a high though falling proportion of new money accumulated on these accounts. In 1945, however, the ratio of new money thus employed started to rise again. Of the average addition to total deposits during the year 67.2 per cent, against 65.2 per cent in 1945, was on the average held on current account. In 1946 the proportion dropped to 60 per cent. Evidently, even a rate so low as ½ per cent still has attractions, though it is perhaps questionable whether the increase in deposit accounts—now some £170 million higher than in September, 1945, when the rate was 1 per cent—comes mainly from former holders of such accounts. To a large extent it presumably reflects transfers by customers whose current accounts formerly carried interest.

"Outside" Competition

In this connection it is worth noting that the maximum rate paid by the clearing banks, and adopted by them in response to an official request, does not apply to non-clearing banks and merchant banks, some of which are believed to be offering appreciably higher rates in some instances, particularly for foreign balances. In view of the need both to minimise the direct strain upon sterling and to avoid creating awkward precedents for the official negotiations on the overseas sterling balances, this is particularly undesirable. Ought not the authorities, both in the national interest and in fairness to the clearing banks, to cast their net rather wider in this matter?

Of less consequence from the wider point of view, but even more glaring in its injustice to the clearing banks, is the anomalous position of the Co-operative Wholesale Society's Bank, to which attention was drawn in Parliament this week. In the past year this institution has secured the accounts of a number of local authorities which formerly banked with clearing banks, and one reason for its effectiveness in competition must be its continued payment of 1 per cent interest on current accounts and 2 per cent on seven-day deposits. The problem of unfair competition which thus arises merits investigation from more aspects than that put to Mr Dalton on Tuesday. Especially relevant is the consideration that the CWS Bank could scarcely function as such—and certainly could not continue thus blatantly to overbid the main deposit banks—if it did not rely upon them for essential central services, notably the service of the clearing house and the provision of cash.

Railway Earnings Deficit

No information is likely to be available for some time about the extent of the deficiency in the Government account of the controlled railways and London Transport for 1946 compared with the fixed annual sums payable by the Government to the

short tenure of office as president is that it saw no attempt made to co-operate with the New York bankers and issuing houses in preparing the market for the Bank's bond issues. That was a strange mistake to come from such an old Wall Street hand as Mr Meyer. Mr McCloy who also has considerable Wall Street experience will not repeat this error. It is fair to assume that before he took office he made preliminary soundings in the capital market which reassured him that the institution over which he was being asked to preside was not likely to prove stillborn.

Mr. McCloy's appointment coincides with the resignation of Mr. E. G. Collado as US executive director and his replacement by Mr Eugene Black, formerly of the Chase National Bank. It had long been known that Mr. McCloy's diffidence in accepting the presidency that had been offered to him many weeks ago was due to his distrust of the machinery of Government designed for the Bank (and this applies to the Fund, too) at the Savannah inaugural meeting of governors. It was decided at this meeting, against the vain protests of the British delegation, to vest the real power of determining policy and also of day to day administration, in the twelve executive directors working "in continuous session" at the offices of the Bank. This created almost insuperable administrative problems and made it difficult to find a president of the calibre required for this responsible post. The departure of Mr Collado probably represents a victory for a new and more sensible conception of the powers and duties of the executive directors, and the day may not be far distant when these directors will no longer be required to sit in continuous session or to devote their full time to the services of the Bank. It is perhaps unfair to associate Mr Collado's name with the dispute that has centred around this issue or with the resignation of Mr Eugene Meyer. Mr Collado merely obeyed the dictates of Savannah. He followed the by-laws and regulations as they had been drawn up and interpreted at that meeting, and those who know him will vouch that no one could have played his part with greater tact and discretion. But if the whole conception of the role of the executive directors had to be changed it was, perhaps, inevitable that the US director should go and be replaced by someone untainted by the previous unworkable arrangements and, at the same time, more acceptable to Wall Street, which holds the purse strings as far as the operations of the Bank are concerned.

The same problem of executive machinery faces the Fund, but in less urgent manner. In the first place, the Fund has found in M. Camille Gutt a managing director who by his combination of tact and character has hitherto succeeded in overcoming most of the problems inherent in the difficulties and weaknesses of his position in relation to the executive directors. The Fund, moreover, is a far more self-contained institution than the Bank. It works with its own resources and need not woo any external interests. Whereas the Bank presi-

dent's main task in the immediate future will be forging the relations between his institution and the American capital market, a task that could not be satisfactorily performed by him as long as everything had to be referred to the executive directors, no comparable complication arises in the work of his *vis-à-vis* on the Fund.

The Fund opened for exchange business on March 1st, and during the previous few days most member countries paid in the balance of their subscriptions—small payments having been made earlier to provide the Fund with resources to meet current expenses before it began to earn any income. The payments of the US and British quotas illustrate the two alternatives which were offered to members for calculating their gold subscriptions. The United States, with a quota of \$2,750 million paid \$687½ million, or one-quarter of its quota, in gold and the balance of \$2,062½ million in dollars. The United Kingdom quota is \$1,300 million, or £322,580,000. Of this, £1,032,000 had already been paid in sterling earlier, leaving £321,548,000, which was paid on February 27, 1947. Of this, £51,203,000 was paid in gold, which represented one-tenth of the net gold and dollar holdings of the UK on September 12, 1946, the day on which the Fund announced that it would shortly be in a position to begin exchange transactions. The balance of £270,345,000 was paid in sterling and of this, £238,075,000 was immediately reborrowed from the Fund against non-interest-bearing notes issued to the Fund and cashable on demand. The balance of £32,270,000 is being left as a balance in the Fund's account with the Bank of England. The only surprising feature of this payment is the magnitude of the amount of sterling which the Fund wishes to keep in cash. It is as much as 10 per cent of the British quota and represents a quite unnecessary immobilisation of sterling and a further burden on the British Exchequer which has to borrow the money. A much smaller working balance could have been maintained, given the fact that the rest of the sterling part of the subscription is available to the Fund in notes cashable on demand.

Now that the Fund has begun exchange operations a test will be provided of the principles under which access to the Fund's resources is permissible. The articles of agreement of the Fund are in this, as in other respects, liable to varying interpretations. In the normal course, a member will have the right to buy the currencies of other members in exchange for its own currency up to 25 per cent of the buyer's quota in any year and provided the Fund does not hold more than twice the buying member's quota in its own currency. Does this mean that all members will from now on have the automatic right to withdraw from the Fund in US dollars (for that will obviously be the most desired currency) one quarter of their quota in each of the next five years (five years, because the Fund will already hold at least 75 per cent of each member's quota in its own currency at the start of business)? Many countries



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in urgent need of dollars will plead strongly for this "automaticity" of access to the Fund's resources. But there is certain to be some opposition to this attitude and the articles of agreement will give this opposition some grounds on which to base their resistance. In particular, the articles state that the Fund in order to safeguard its interests may waive any of the conditions defining access to its resources and may limit any member's use of the Fund's resources if it is of opinion that the member in question is using those resources "in a manner contrary to the purposes of the Fund." In prevailing conditions, with the world running short of dollars at a frightening rate, and with many countries in desperate need of US and Canadian currency for their reconstruction needs as well as to bridge the gap of their current international accounts, it would be easy to plead that any large or continuous use of the Fund's resources (and particularly of its limited resources of dollars) would be "contrary to the purposes of the Fund" and should,

Business Notes

Industry in First Gear

Last Monday the switch-on was extended to the North-West and, after a week-end decision, to London and the South-Eastern areas. But industrial electricity has been restored with a narrow margin of safety—as Monday morning quickly showed. At an early hour there were widespread cuts even in the Midlands, where the switch-on took place nominally a week earlier. Clearly, a few days of bad weather and interrupted transport is capable of reviving the emergency situation of the last three weeks, and domestic consumption—now largely a matter of “honour”—is a critical factor.

honour"—is a critical factor.

These renewed cuts in power supplies in the main industrial areas are particularly serious, since many factories have not yet been able to start up, much less to achieve pre-crisis levels of output, owing to lack of coal and essential components. They have further concentrated attention on the need to spread the load over a longer working day. If meeting the preferences of labour and avoiding increased wage costs were the only considerations, there would be much to be said for staggering the working week over seven days and thus spreading part of the industrial load over the week-end. It has been estimated, however, that on Sunday about 7 million kilowatts of capacity is at present used by domestic and other consumers. Since there is now only about 9 million kilowatts of effective capacity available, there is no margin left for increasing the week-end load if at the same time urgent maintenance work is to be carried out as well. Nor is double shift working, even if it can be arranged between employers and workers, any solution of the power shortage unless it is arranged so that peak loads are smoothed out. It is the periods of maximum demand which lead to load shedding and involve waste of solid fuel at the generators. The pattern of industrial consumption must be accommodated, if it is possible with the minimum domestic load. That means either night shift working, or a very substantial transfer of power load to an afternoon shift. Such a transfer, together with a detailed scheme of industrial coal rations—not merely for industries but broken down for individual firms—promises the only basis for the resumption of balanced industrial production in the next few months. These are simple formulas on paper; but they involve immense social, administrative and economic difficulties.

Night Work

It was hardly to be expected that the proposal that firms should arrange to work night shifts, in order to relieve the electricity load, would be accepted with any alacrity. Nevertheless, the rejection of the night work scheme as impracticable by the TUC's special fuel committee, and its alternative suggestion that firms should work double day shifts instead, raises an awkward dilemma. But the TUC's attitude is understandable, in view of the many practical difficulties of organising night work. Without the trade unions' co-operation, it would obviously be impossible for the Government to carry through its proposals, and in mixed industry the night shift must now be regarded as a dead letter. But it ought to be applied, as far as possible, to those industries or processes which use more power and less labour than the average.

therefore, be disallowed. This brings one back to the importance and urgency of getting the Bank on its feet. The loans of the Bank are the only means of getting American capital flowing out again in substantial amounts into other countries and helping to create the general environment of stability in which alone the Fund itself can find the most congenial atmosphere for its own operations. But meanwhile the Fund should realise that it is dealing with some very sick members and that if it waits until each patient shows signs of reasonable health before offering its aid, it may soon find itself with several corpses on its hands. A little help now, when dollars are so desperately needed, would be worth a lot of help later. The executive directors should occasionally remind themselves of the excellent advice they gave to their Governors in their first annual report, namely that "in the early period of its operations the Fund may take risks that would not be justified under normal circumstances."

The TUC's recommendation for double day shift working does not in any way imply that this will be accepted by the unions as part of industrial policy, to enable the fullest utilisation of machinery and equipment. The TUC evidence before the Ministry of Labour's double shift committee did give a conditional acceptance of the principle as applied to manufacturing industry, but it is doubtful whether the rank and file trade unionists, on whose decision the working of double day shifts in any individual factory would depend, will be willing to accept it. If, however, the TUC's proposals, arising out of the present fuel emergency, should result in an extension of double day shifts, their rejection of night work may prove in the long run to be a blessing in disguise.

The difficulties over night work referred to by the TUC committee are concerned partly with pay and partly with factory organisation.

The engineering industry's talks on Monday failed because of differences about the question of payment. Normally, night work is paid at the rate of time and a fifth, but the employers, uncertain about the duration of the period for which they would be expected to operate night work, were unwilling to add so much to their costs. The Factory Acts preclude the employment of women and young persons on night work, but under wartime emergency powers the Ministry of Labour could grant dispensation to firms which showed that this was necessary in the interests of maximum production. The emergency powers still exist, and could—at least in law—be re-applied in the present circumstances. But the practical objections to employing women on night work are considerable. During the war factories were suitably organised, and generally provided canteens, transport facilities and arrangements for the care of children. But in peacetime it means, for the worker, an inevitable dislocation of domestic routine, and for the firm it means reorganisation and improvisation, with more absenteeism and a lower level of efficiency.

Equities versus Gilt-Edged

The industrial "switch-on" has brought the anticipated response in the industrial share markets. Indeed, it would be more accurate to say that, so far as ordinary shares are concerned, they accepted the resumption of power in the Midlands last week as a portent for the rest of the country. The result was that, after a further improvement on Monday, prices tended to react, apart from such features as store shares, which responded handsomely to recent dividends. By comparison with pre-crisis levels, the ordinary share markets now present an interesting picture. In the middle of January, the *Financial Times* industrial ordinary share index stood as high as 140.6; when the market closed on the Friday afternoon four weeks ago, when Mr Shinwell made his fateful announcement, it stood at 131.9—already difficulties over coal were making their influence felt. The crisis took the index down to 124.4 on February 12th, and last Wednesday it stood at 132.0.

In short, equity share investors refuse to recognise that the fuel crisis marks the end of a period of rising share values. Clearly,

undertakings, which amount to £43,469,000. All that is known is the total traffic receipts for the 52 weeks of the year, which amounted to £355,497,000, and showed a decrease of £22,913,000 compared with the corresponding 52 weeks of 1945. The net revenue of the railways' pool for 1945 was £62,547,000, from which the Exchequer derived the surplus of £19,078,000. But it was realised last May that, owing to falling traffics, there was no hope of a surplus for 1946; on the contrary, the Minister of Transport first estimated, on the basis of calculations supplied to him by the railways in March, that the pool would show a deficit of £40 million last year. This was later modified by closer estimates (which increased the main line receipts by £13 million) and the adjustment of charges from July 1st (from which a yield of £15 million was anticipated in the second half of the year). The deficiency for the year compared with the annual charge of £43,469,000 was thus put at £12 million.

This figure can be roughly reconciled with the estimated net revenue account for 1946 of the main line railways, excluding London Transport, given at the charges inquiry last September, which were based on the July 1st level of charges for the second half-year:

	£ million
Receipts—Passenger.....	151
Freight.....	155
Miscellaneous.....	3
Expenditure.....	309
Net receipts.....	273
Other receipts and expenditure (net).....	36
Net revenue.....	Dr. 8
Fixed annual sums.....	28
Deficiency.....	38
	—10

It is known that the net revenue of the pool for 1945 (of £62,547,000) was contributed by the main line railways to the extent of £59,985,000, while London Transport provided only £2,562,000. London traffic has been rising, though probably not to a sufficient extent to meet the £4,835,705 payable by the Government to the Board. Hence it is not unreasonable to estimate the total pool deficiency for 1946, based on the September figures, at £12 million, which will fall to be met by the Exchequer.

The final question remains about the behaviour of traffic receipts in comparison with the earlier estimates—it may be assumed that expenditure is likely to stand at the estimated level. The 52 weeks' receipts for the railways and London Transport totalled £355,497,000. If it is assumed that £45 million of this total represents London Transport takings, the main line receipts would be £310,497,000, which compared with the September estimate of £306 million (after deducting the miscellaneous item to make the two figures comparable) would give an increase in receipts of £44 million.

This is probably as far as it is safe to go. It leads to the conclusion that the net pool for 1946 will show a possible deficiency of somewhere in the region of £7½ million to be met by the Exchequer, which is less than was originally anticipated. But no provision has been made for contingent liabilities, which absorbed £30 million from the pool revenues in the years 1941 to 1945. If the Minister decides to make a reserve for 1946, the deficiency will be increased, but in view of the Transport Bill he may decide not to do so. He has also to reach his decision about the level of charges in 1947 on which the Charges Consultative Committee spent many days in the autumn.

Wool Prices and Subsidies

A fortnight ago, the Wool Control allocated between 11 and 12 million lbs. of wool matchings to the worsted topmakers. This exhausted the Wool Control's stocks of matchings which were left over after the free wool market began to function again last autumn. The matchings were originally allocated on condition that the topmakers accepted the obligation to turn out for the home market at least twice the approximate weight of tops produced from the matchings which they had been allocated. The prices for matchings were fixed by the Wool Control at a figure which was intended to enable the firms concerned to make them up within the fixed price officially allowed for tops in the home market.

This obligation was not acceptable to the topmakers, for they argued that many firms in the industry had refrained from building up their stocks by purchasing dear wool after the free market opened, and that it would be unreasonable to expect them to draw on their limited stocks to an amount equal to the matchings allocated to them, or to buy wool at current high prices to make tops for the home market at the controlled price. In the face of this criticism, the Wool Control has agreed to waive the conditions which were originally sought from individual topmakers, provided that the industry as a whole undertakes to produce for the home market a quantity of tops at least equal to that which would have been forthcoming under the first scheme. In other words, topmakers with low stocks of wool under the revised scheme will be able to pass their quota to other firms in the trade which are more fortunately placed.

The entire scheme can only be regarded as a short-term palliative to remedy the shortage of tops. It follows the now familiar pattern, by which a chain of subsidies links the final price of clothing to the raw material from which it is produced. But the quantities involved in this scheme illustrate the increasing difficulty of attempting to keep prices down by any system of variable subsidies. Matchings weighing 12 million lbs. would make about 6 million lbs. of tops and, including an equal amount made from firms' stocks, would provide about one month's production if topmakers were fortunate enough to get the necessary coal. The more significant factor is that rising wool prices are now exerting almost intolerable pressure on the fixed topmakers' margins for home production; the worsted utility scheme to provide clothing of reasonable quality at fixed prices for the domestic consumer is thus becoming increasingly dependent upon subsidies at each stage of production.

Relief for Trustees

The Chancellor of the Exchequer has on at least two occasions refused to contemplate any change in the Trustee Acts. The consequences of cheap money for trustees and beneficiaries have now become almost commonplace. The range of permitted investments under the Trustee Acts in these days is confined almost entirely to the "Dalton 2½ per cents" and the incomes of all forms of trusts, charities and settlements have been cut to the point at which serious hardship is resulting.

Mr Dalton was, however, persuaded in the House of Commons last week to expand his blank refusal to appoint a Committee to consider the amendment of the Trustee Acts. Yet his further explanation in support of his refusal contains one or two curious features. He stressed the "additional risks" that would be involved in any extension of the Trustee lists—presumably meaning by this phrase the industrial risks involved in an extension of the list to equity shares. These risks are, of course, real in normal times, but it would be difficult to measure them against the risk which at present pervades the whole process of Trustee investment—that one day money may be dearer than it is now, and that trustees who are at present forced into the 2½ per cent gilt-edged market may suffer capital losses. It is, nevertheless, welcome news that Mr Dalton, so far from excluding rational reconsideration of the matter, has it under consideration now. He is, of course, entitled to point out that there are "very great difficulties" in the way of any extension of the Trustee list—though to this safeguarding phrase he added another which suggested that there were also "very serious objections" to any extension. The difficulties can, of course, only be solved by expert examination of the problem, and this—as has been repeatedly suggested in these columns—might be a fitting duty for the National Investment Council. But it is more difficult to see where the "very serious objections" lie. Is the Chancellor here speaking *qua* Chancellor and expressing concern about the possible diversion of Trustee funds from the gilt-edged market? Or is he suggesting there is some fundamental weakness in any investment policy which is not confined to the narrow limits laid down by the Trustee Acts? The answer to this latter point of view—if indeed the Chancellor holds it—is that trustees, where they can and where they are well advised, are already operating under far wider powers than the Trustee Acts permit.

The 8 per cent Target

The mechanism of the short loan market has been creaking and groaning rather noticeably in this running-in phase of the banks' new cash ratio—and not all the groaning has come from the mechanism. The discount houses have been complaining

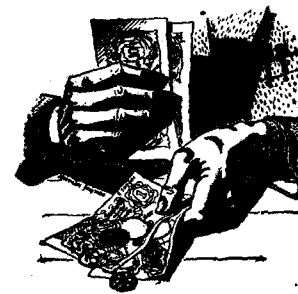
that the banks are following a too rigid policy in their lendings to the market which, in consequence, has been obliged since the turn of the year to seek accommodation through the "special buyer" more frequently than in the past. There is no doubt about this increased frequency: such assistance was needed on 11 out of the first 24 working days under the new system. But it cannot yet be regarded as proved that this derives from faulty technique on the part of the banks. On the contrary, some members of the market would also argue that repeated recourse to the special buyer—especially when it occurs on successive days—is evidence that the authorities must be holding the credit reins too tightly. Alternatively, the authorities in this period of heavy transfers of tax money to the Exchequer may have been repeatedly over-estimating their cash requirements.

The truth seems to be that all three factors have been present. Over-estimation of official needs is indicated both in the under-allotment of the Treasury bill issue a fortnight ago and in the considerable sums which have been temporarily immobilised in public accounts. As for the technique of the clearing banks, there is no doubt that most banks have been pursuing an extremely cautious policy and are particularly concerned to avoid showing in their monthly statement a cash ratio of less than 8 per cent. They are therefore apt to postpone part of their lendings until late in the day, and also to call in loans suddenly from the market. Such a technique may possibly compel the discount houses to seek official aid more frequently than they might otherwise need to do.

Given these conditions, if the authorities held the credit reins more loosely, there would be less recourse to the special buyer. But if they were to expand the credit base spontaneously, instead of leaving the market to seek whatever official aid is needed, they would simply be encouraging the banks to work persistently above the 8 per cent cash ratio. If, therefore, there has been any deliberate tightening of the rein, it is a fair presumption that its object is to force the cash ratio down.

January Ratios Lower

Already, the banks' technique is adapting itself to the needs of the situation. The ratio on December 31st, the first day of the new regime, was 8.78 per cent for the clearing banks as a whole,



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No great harm is done if a properly drawn cheque goes astray, but when cash is lost, the results may be serious. In these days, an account at the Westminster Bank is not simply a pleasant conceit—it is a very real necessity. To the man of moderate means it makes a special appeal, for not the least of its advantages is the peace of mind which comes from the certain knowledge that one's money is completely safe. The Manager of any local branch will gladly explain the many ways in which the Westminster Bank can be of service.

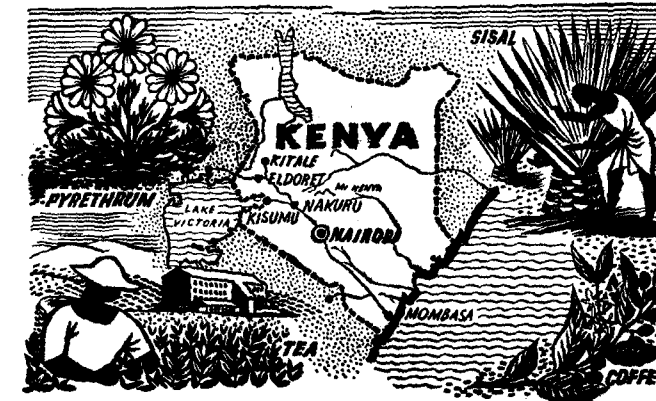
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while two banks showed well over 9 per cent. The first monthly "make-up"—that for January 15th—makes a much better showing. None of the nine banks whose statements have so far appeared showed a ratio as high as 9 per cent, though Martins (with 8.94 per cent) comes close to it. Three other banks show 8.5 per cent or more. Of the bigger banks, the Westminster has been most successful with a ratio of 8.1 per cent, while Lloyds, which in December showed 9.2 per cent, now shows 8.2 per cent. The best budgeting of all, however, has again been achieved by Coutts, which in December showed 7.85 and now shows 8.03 per cent.

It is perhaps questionable whether this general improvement would have occurred if the authorities had left much slack in the market. Indeed, it may yet be necessary temporarily to tighten credit to the point at which a number of banks are forced to show less than 8 per cent, in order to drive home the lesson that the target figure will never be satisfactorily established so long as there is more reluctance to work under it than over it. A better technique will reduce the jerkiness in the short loan market, but under the new regime the discount houses cannot expect that recourse to the special buyer will ever be as infrequent as it was before. The very essence of the change which is taking place is to ensure that day-to-day gaps in the credit supply are filled by official credit instead of by fluctuations in clearing bank cash ratios.

Associated British Picture and Warner Brothers

Warner Brothers, the American film-producing company, have held a 37½ per cent interest in Associated British Picture Corporation, Ltd. since 1940, and the association of the two undertakings has been taken a stage further by an agreement announced this week. The Associated British company's studios at Elstree, Herts, are being reconditioned and modernised at a cost of £1 million. When the operation is completed the company will produce there during the following two years six feature films, which are intended to be "similar in quality to those now produced by Warner Brothers at their California studios." Warner Brothers will supply stars, directors and equipment (will they also supply stories?) for these productions, and when the films are completed they will include them in their American and Canadian circuits on the same terms



Recent trade figures for Kenya show considerable changes in the relative importance of the Colony's exports.

In pre-war days Kenya coffee, together with gold and tea, headed the exports table. During the last few years, however, and as a result of war-time demands, exports of pyrethrum—the basis of many insecticides—and sisal greatly expanded. In 1944 the combined export of these two commodities exceeded in value the combined totals of coffee, tea and gold.

The gradual change-over to a peace-time economy with its varied demands may well bring about further changes in the commercial activities of Kenya. Modern commercial development calls for careful and continuous study of local market conditions. Full and up-to-date information, backed by an intimate knowledge of the Colony, is available to merchants and manufacturers interested in trade with Kenya.

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a net fall of 6 per cent from the peak levels of January which leaves share prices as a whole exactly where they were before three weeks of industrial closure does not represent any serious attempt to discount the consequences of the fuel crisis in terms of falling productivity and profits. It is, indeed, impossible to rationalise the behaviour of the equity markets, except on the assumption that the British economy is now faced with a more active phase of inflation than it has experienced hitherto. That there is some escapist element in the faithful support of industrial shares could hardly be denied, but it is doubtful if there is any widespread feeling, as yet, that a hedge against inflation is necessary at all costs—the "costs" in this case being the reduction in profits which many industrial concerns will face as a consequence of severe industrial disruption.

Of the behaviour of the gilt-edged market, there is rather less room for doubt. The market wears the signs of vulnerability, and prices have fallen significantly this week. On Wednesday the new 2½ per cent Treasury Stock was no better than 96½. The proximate cause of this week's falls can hardly have been the response to the Hull conversion, which leaves the faithful National Debt Commissioners to take up 46 per cent of the issue. For an offer which was open throughout the crisis period, no favourable result to match the 100 per cent public subscription of the Ayr conversion could have been anticipated. But the Hull result underlines the growing doubts about the feasibility of a renewed drive for cheaper money, and the inclination of the larger investors to hold back until the Chancellor has given some sign of his intentions.

* * *

"Expendability" of Sterling

By July 15, 1947, when under the Anglo-American financial agreement Britain is called upon to make all currently earned sterling in the hands of non-residents available for expenditure in any country in the world, little will have to be done to implement this commitment. The increasingly free use of current sterling was taken a long step further at the end of last week by the creation of "transferable accounts." These accounts represent current sterling held by residents in Argentina, Canada, Newfoundland and the Belgian, Dutch and Portuguese monetary areas. From now on transfer of sterling from one transferable account to another, irrespective of the country of residence of the account holder, may be made freely, subject only to subsequent reporting to the Bank of England. These facilities will be extended to residents of other currency areas in which the monetary authorities or the Exchange Control are prepared to supervise exchange transactions and apply a form of control broadly similar to that operating in this country. This reservation is obviously essential for the protection of the British control. By making current sterling freely expendable within the countries operating these transferable accounts the danger of leakage through capital export is increased, and it can only be kept within reasonable bounds if these facilities are restricted to countries which themselves control the export of capital, and do so in a manner which commands the confidence of the British authorities. Taking into account the arrangements already made with Belgium, Holland and Portugal, the use of sterling by Canada to finance trade with a large number of hard currency areas and the fact that current sterling held by US citizens has all along been convertible, it will be seen that the step to be taken next July will be little more than a formality.

* * *

The Transport Commission's Functions

At least four Bills of vital interest to the business community are now in the Committee Stage, and it is obviously impossible for *The Economist*, particularly after it has suffered from guillotine for a fortnight, to attempt to do justice by way of comment on the proceedings. This is particularly regrettable in the case of the Transport Bill, where the discussions on the early clauses have raised fundamental issues about the work of the Transport Commission, and its relations with the separate Executives and the Minister. Clause 2, which defines the powers of the Commission, was approved after a cautionary protest by Sir Arthur Salter about its monopoly position, and the admission by Mr Barnes that he did not in any way underestimate the far-reaching powers conferred on the five Commissioners. Prolonged debate took place on whether the Commission should have the duty of providing "safe" transport and upon the potential consequences of the absence of any form of internal competition between the different elements of the Commission's undertaking and its ap-

parent ability, since it controls the finances of the whole in a single fund, to subsidise one form of transport at the expense of another. On this Mr Barnes gave the general assurance that the accounts of the separate forms of transport would be presented in such a way as to enable the public to judge each section separately.

On Clause 4, which defines the powers of the Minister towards the Commission, Mr Barnes obtained his wishes, after a ranging debate, without serious opposition, and he was disposed to accept a few opposition amendments, including the not unimportant one that any direction from the Minister which is omitted from the Commission's annual report must be backed by his notification that it is against the interests of "national security" (instead of the vaguer phrase against the national interest). Perhaps the crux of the problem of organisation of the Commission and the Executives, and their joint relations with the Minister is the latter's power of appointment to both bodies. Mr Barnes denied any intention of desiring to keep any decision on these matters as a piece of departmental machinery within the Ministry. But he insisted that only the Minister could appoint—partly because only the Minister could answer Parliamentary questions about their salaries, and partly because the Commission could not be allowed to make the appointments themselves, for fear that their choice might be unacceptable to the Minister. But Mr Barnes did not answer the fundamental point that the Executives, being agents of the Commission, ought to be in direct line of descent and appointment from them, and should be subject to the clear authority of the Commission without any form of external pressure. The Opposition amendment to place the power of appointment with the Commission, subject naturally to the Minister's consent, is clearly preferable.

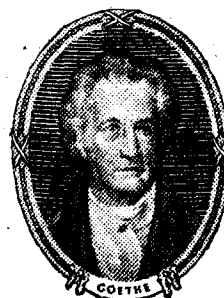
On the question of regional organisation Mr Barnes stated that "this was not the purpose of the Bill." But he did not explain by what means, other than eventual regional schemes, the integration of transport which he seeks can be secured. On Clause 6, which provides for the Consultative Committees, Mr Barnes was on more effective ground in rebutting Sir Arthur Salter's fears that they would be "hand-picked, rarely meeting, and remote." The Minister's hope is that they will work continuously, effectively and adequately. But they might equally degenerate into mere procedural machinery.

* * *

Disclosure of Nominee Holdings

The Committee proceedings on the Companies Bill in the House of Lords have a disarming air of suavity and calm. In fact, the proceedings in five Committee days have been expert and businesslike, with none of the political flourishes which have distinguished the Committee proceedings elsewhere. Close attention to detail has resulted in amendments to require 21 days' notice of any motion to remove directors—with the intention of avoiding a "snap vote" in general meeting, though not of abating the force of the Cohen Committee's recommendation that shareholders should have greater powers to remove unsatisfactory directors than at present. An interesting discussion on the proposed age-limit for directors (variable with the consent of the shareholders) produced the suggestion that ages should be stated in the annual report and a question whether the same limit should apply to members of national boards. Amendments to the provisions governing disclosure of directors' transactions in the securities of the company will exempt from disclosure transactions by directors made in a fiduciary capacity and will stiffen the penalties for non-disclosure in other cases.

On the disclosure of tax-free and other emoluments to directors the Lord Chancellor admitted that he would prefer to use the word "chargeable" rather than "charged" to British income-tax, except that the former would be quite impracticable. But the most important development in all the proceedings has been the Government's decision to drop the clauses requiring the disclosure of nominee holdings where these amounted to one per cent or more of issued capital. The Lord Chancellor made it quite clear on the Second Reading that he was not convinced of their practical effectiveness. At a later stage he admitted that his mind had fluctuated, and finally he disclosed that after half an hour's thought he had developed no fewer than five different ways of avoiding the clauses. This is a regrettable, if inevitable, decision. The Cohen Committee were insistent that disclosure should be required, but the necessary machinery has defeated the ingenuity of the legal draftsmen. Perhaps this is partly due to the consequence of insisting on disclosure of one per cent or more when the public interest in the majority of cases would have been satisfied by the disclosure of a much higher percentage—say, 5 per



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ment a relatively smaller share in lease profits (though this might be partially made good by taxation) if the mines are rich than is the case for No. 1 area. The Welkom Gold Mining Company is first to develop the No. 1 area with a working capital of £2,750,000. The other two areas will be developed by subsidiaries of Welkom with working capitals of £2,250,000; these will be formed one year and two years after Welkom and will each have £1,000,000 of share and £1,250,000 of loan capital.

The finance of the new Welkom company, with its £6,000,000 capital and the "rights" attributable to shareholders of interested companies, is necessarily complicated. The African and European Group, as owners of Block 7, have an 85 per cent participation in the purchase consideration (£750,000) and in the working capital of the Welkom company, Western Holdings 12½ per cent and Blinkpoort—whose shares are dealt in under rule 34E in London—2½ per cent. These participants will provide £1,000,000 for 4,000,000 ss. Welkom shares and will loan £4,000,000 of unsecured debentures initially interest-free but carrying interest at 5 per cent after the development period, and redeemable out of not less than half the profits available for dividends. A further 1,000,000 ss. shares at par will be subscribed by the debenture subscribers and by the Anglo American Corporation, who jointly with African and European are acting as guarantors of the debentures. The merit of the large loan capital is that this can be repaid during the early lives of the mines, when capital expenditure can be set off against profits according to the "new mine" tax regulations. Shareholders should thus be protected against mistaking initial high dividends for indications of the amounts likely to be distributable when the Government comes to take its full share of profits.

Existing shareholders in African and European Investment will be offered, in due course, Welkom shares at par on a share for share basis. The residual holding will amount to about 1,700,000 Welkom shares and £1,232,500 debentures. Shareholders in Lydenburg Estates will be offered 5 Welkom shares for each three Lydenburg held; the residual holding will be 100,000 shares and the Anglo American Corporation has offered to provide up to £500,000 at 5 per cent to enable Lydenburg to take up its proportion of guaranteed debentures. Western Holdings shareholders will be offered 3 Welkom for each 10 shares held. OFSITS and Middle Wits will receive participations. The Welkom share offers will be subject to permission by the Union and British Treasuries. The latter refused permission to WRITS to make an issue to shareholders and the Capital Issues Committee has turned down the South Witbank Coal Mines' application. It is to be hoped that there will be no unnecessary delays in opening up the area, for on the Orange Free State as well as the Far West Rand will rest the burden of replacing the declining production of the old Rand in the next decade. Already a market capitalisation of £25 million for the Welkom properties is being canvassed, or over 50s. per ss. share.

More Commercial Bills

In more ways than one, the London money market is recovering traditional functions which have long been in a state of atrophy. Even before the war the volume of commercial bills handled in the discount market was but a fraction of what the market had reckoned upon a decade earlier, and the further steep decline during the war led many people to assume that this variety of business would sooner or later virtually disappear. In the past year, however, as the bankers' speeches have pointed out, London's acceptance business has been rising fast. Some discount houses report that their turnover of commercial paper is now running at almost two and a half times the level of a year ago. That is perhaps a larger growth than is general in the market, but the year-end balance-sheets of the three largest companies made it clear that the expansion has been very marked. At December 31st these companies showed "re-discounts"—that is, commercial bills sold to the banks which had not then reached maturity—totalling over £18½ million, which is 120 per cent more than the end-1945 figure and 150 per cent more than that for 1944.

The clearing banks' total of acceptances, endorsements, etc., at the year-end was about £193 million, compared with £116 million in 1945, but most of this growth and most of these totals certainly reflect business other than acceptances. To judge from the figures of those banks which show acceptances separately, clearing bank acceptances, though rising, are still quite small. Acceptances by the London merchant banks, however, are now estimated at around £50 million, which is far above the wartime level and begins to compare with the figures customary before the war. This business finances a considerable range of trade, but without doubt the most important commodity at present is

wool—and that will increase further when drafts are made upon the French wool credit discussed in these columns last week. At the moment, tobacco financing is also important. Acceptances by the Indian and Eastern banks, which before the war formed a large part of the supply of commercial paper, are also rising, but the amount is still relatively small. Despite this growth in acceptances generally, commercial paper of course plays a very minor part in the business of the market, and in view of the large resources available, competition both for bills and for acceptance business is very keen—the latter, in particular, is being transacted at fine rates.

Malayan Tin Problems

The Malayan Government has now transferred to the tin mining companies some 70 per cent. of the loan funds which were set aside to compensate the mining concerns for war damage and to help them in their rehabilitation, particularly in the overhaul and repair of dredges. The total amounts which are to be made available are between £2½ and £2½ millions and the remaining 30 per cent. will be paid when legal formalities have been completed. Some 60 loans were applied for and all these have been granted except six, of which two are subject to reconsideration. When the companies' claims for war damage are finally settled, they will be offset against the loans, which are interest free until 1950 and bear 3 per cent. thereafter. Up to the present, tin mining companies have been financing the rehabilitation of their properties out of their own resources and in some cases these have run low.

A solution of the tin mining industry's post-war financial problems, however, does not mean that their physical difficulties will be quickly overcome. The shortage of mining machinery and component parts is world wide; production is not increasing as rapidly as was hoped; and delivery dates are remote. Near-starvation in Malaya during and after the war has debilitated the labour force, and there is widespread disorganisation in transport and coal mining, which is reacting on the recovery of the tin mining industry. Earlier forecasts about the time needed to restore dredges to normal production were based on preliminary surveys of damage. In some instances the damage was over-estimated; in others it could not be properly assessed until a good deal of work had been carried out at the mines. It would, therefore, be unfair to suggest that the programme of restoring Malayan tin dredges is months in arrears, without due acknowledgment of the local difficulties and shortages of new equipment and parts.

	Average 1935-38	1939	1940	1941	1947	1948
Malaya	58,388	56,001	86,384	78,000†	46,150†	72,800†
Netherlands E. Indies	29,313	31,410	44,563	51,090†	32,100†	47,500†

† Estimates.

It is, however, disappointing that more rapid progress has not been made, particularly since in the Netherlands East Indies—which have been affected by serious political trouble since their liberation—tin production is recovering more rapidly than in Malaya, and may indeed regain the pre-war annual rate of production of about 40,000 tons during the second half of this year. This recovery has been achieved despite the fact that newly-built dredges are not yet in operation in the Netherlands East Indies. Evidently the two large producers that are primarily responsible for the Netherlands East Indies output of tin have been able to restore a relatively efficient scale of operations quite quickly. They will soon have the benefit of new dredging capacity supplied by the United States. Indeed the Dutch appear to have taken a far-sighted view of their tin-mining policy by acquiring new equipment from America at the expense of dollars, in order to earn a satisfactory dollar income in future from tin production.

Shorter Notes

The report of the Burnley Building Society for 1946 is the first among the larger societies, and it reveals some highly significant movements. Mortgage business reached a record figure of £5,306,782 representing a rise of £2,606,864 over the previous year. The Society was accordingly able to absorb just over £1,000,000 of new share subscriptions—nearly twice the volume of the preceding year—and over £2,000,000 of deposits and loans,

(Continued on page 223)

National Provincial Bank Limited

ESTABLISHED 1833

Statement of Liabilities and Assets December 31st, 1946

LIABILITIES	
Capital paid up	£9,479,416
Reserve Fund	10,000,000
Current, Deposit and other Accounts	727,210,886
Liabilities for Acceptances, Endorsements, Engagements, etc.	19,803,064
	£766,493,366
ASSETS	
Coin, Bank Notes and Balances with the Bank of England	£67,527,070
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	31,502,122
Money at Call and Short Notice	62,265,000
Bills Discounted	55,587,379
Treasury Deposit Receipts	206,500,000
Investments	162,278,686
Advances to Customers and other Accounts	154,583,205
Bank Premises	6,446,840
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.	19,803,064
	£766,493,366

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OTHER OFFICES THROUGHOUT LONDON,
LANCASHIRE, YORKSHIRE, CHESHIRE, DERBY-
SHIRE, STAFFORDSHIRE AND NORTH WALES.

CAPITAL ISSUED	£8,125,000
CAPITAL PAID UP	1,875,000
RESERVE FUND	1,100,000
CURRENT & DEPOSIT ACCOUNTS	104,643,286
CASH IN HAND and at BANK OF ENGLAND	9,237,934
BALANCES WITH, and CHEQUES IN COURSE OF COLLECTION ON, OTHER BANKS IN GREAT BRITAIN & IRELAND	6,418,879
MONEY AT CALL and SHORT NOTICE	10,727,828
BILLS DISCOUNTED	6,131,400
TREASURY DEPOSIT RECEIPTS	27,500,000
INVESTMENTS	31,864,875
ADVANCES	14,925,537

31st December, 1946

NATIONAL DISCOUNT COMPANY, LIMITED.

(Incorporating the business of Messrs. Reeves Whitburn.)

Statement of Accounts, 31st December, 1946.

LIABILITIES		£	£
CAPITAL AUTHORISED—			
270,000 "A" Shares of £2 10s.	...	675,000	
270,000 "B" Shares of £7 10s.	...	2,025,000	2,700,000
CAPITAL ISSUED—			
169,333 "A" Shares of £2 10s.	...	423,332	
230,667 "B" Shares of £7 10s.	...	1,730,003	2,153,335
CAPITAL PAID-UP, viz:—			
"A" Shares—fully paid	...	423,332	
"B" Shares—£5 paid	...	1,153,335	1,576,667
RESERVE	...	1,576,667	
PROFIT AND LOSS ACCOUNT—			
Final Dividends	...	71,904	
Balance at Credit	...	250,034	321,938
			3,475,272
DEPOSITS, secured and unsecured, contingency and other accounts, and provision for accruing expenses (Including Liabilities of £114,341,237 secured on certain assets of the Company.)	...		116,139,402
CONTINGENT LIABILITY—Bills Re-Discounted (excluding Treasury Bills) £5,886,808.	...		£119,614,674
ASSETS		£	£
CASH AT BANKERS	...	1,307,891	
INVESTMENTS—			
British Government Securities	...	15,559,697	
BILLS DISCOUNTED, and Short-dated Securities, less provision for Rebate	...	102,111,280	
LOANS and SUNDRY AMOUNTS RECEIVABLE	...	535,806	
FREEDOM PREMISES at (approximate cost)	...	100,000	
SUBSIDIARY COMPANY—			
Shares	...	£100	
Less Loan	...	100	
			£119,614,674

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will provide an income for life of
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Founded 1762

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franc



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Founded 1727 Edinburgh, London & Branches
GLYN, MILLS & CO.
Founded 1753 London

WILLIAMS DEACON'S BANK LIMITED
Founded 1771 Manchester, London and Branches



THE STANDARD BANK OF SOUTH AFRICA LIMITED

Bankers to the Imperial Government in South Africa and to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika

Capital Authorised and Subscribed - - £10,000,000

Capital Paid-up - - - - £2,500,000

Reserve Fund - - - - £4,000,000

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77 KING WILLIAM STREET, LONDON, E.C.4

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WEST END Branch—9 Northumberland Avenue, W.C.2

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NYASALAND, KENYA, UGANDA, TANGANYIKA,
ZANZIBAR AND PORTUGUESE EAST AFRICA

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with consequent saving of administrative detail and manpower.

In part compensation for the sacrificed clauses, however, the Government have strengthened the Board of Trade's power of inspection so that they will be able to act "when there is good reason so to do." In the light of the admission by Lord Swinton that in his former office of President of the Board of Trade he had instituted enquiries into two companies which were subsequently discovered to lack authority, an extension of powers is plainly necessary. But if the Government cannot control the nominee problem, it would be optimistic to expect the City of London to be able to do so. The Lord Chancellor invited the City to "set its face" against abuse of nominee holdings. The truth is that it recognises the evils of abuse, but lacks the sanctions to stop them.

Stability in Exports

The January Trade Returns (summarised in the *Records and Statistics* supplement) present a rather flattering picture of the United Kingdom export position. Total exports valued at £91.2 million were 60 per cent above those of January, 1946, and 133 per cent more than the monthly average for 1938. The volume of exports has been provisionally estimated at 112 per cent of 1938; which compares at least respectably with that for the last quarter of 1946, which was calculated to be 111 per cent. The volume of exports in November last, however, was itself 12 per cent greater than in 1938, and in July 20 per cent greater. Exports do not necessarily correspond with production during that month, but rather with output of preceding periods. The stability of January exports at least shows no response to the increasing numbers engaged on export business in earlier months.

Compared with a year ago there have been some notable increases, particularly in what might be termed the difficult industries. Exports of iron and steel manufactures totalled £7.3 million, as against £5.2 million in January, 1946; cotton yarns and manufactures and woollen and worsted yarns and manufactures both showed fairly substantial gains. Exports of apparel were also surprisingly high, reaching £3.2 million, compared with £0.7 million a year ago. But the main expansion was due to machinery, vehicles, electrical goods and chemicals. Shipments of machinery to overseas countries amounted to £13.4 million (an increase of £7.2 million), while exports of vehicles reached £12.7 million (an increase of £7.7 million). Some of the expansion is undoubtedly due to inflated values, but the increase in volume, nevertheless, is creditable.

There is, however, one disquieting factor. Exports have been unable to maintain the peaks they reached during the second half of 1946. This is all the more alarming because the totals for February and March are certain to reflect the direct effects of the fuel crisis. When account is taken of the number of working days in each month, exports over the last seven months show a disturbing stability.

EXPORTS RE-CALCULATED ON BASIS OF 26 WORKING DAYS

1946		1946	
July	£89 million	October	£87.5 million
August	£78 "	November	£92 "
September	£74 "	December	£90 "
		January, 1947	£88 million

This suggests that productive efficiency is not increasing. If so, it will be the more difficult to reach the export target of 140 per cent of the 1938 volume by the end of this year.

Trade Against Dollars

The direction of British trade is conditioned partially by the dollar position and partially by its fundamental need of certain localised commodities. The ideal situation would be to purchase all food and raw material requirements from sterling countries and to sell exports in the hard currency areas. Unfortunately, an analysis of the 1946 balance of trade shows that the trend has been in the opposite direction. Compared with 1938, imports from the main "soft currency" countries increased by 30 per cent, whereas exports to them increased by nearly 120 per cent. Imports from hard currency areas last year were double those of 1938, whereas exports increased by just over 50 per cent. The

United Kingdom is dependent on supplies from the Western Hemisphere and alternative sources of supply cannot be found within the sterling area. Hence if the dollar trade account is to balance at all, increased exports to those countries are essential.

Trade within the Empire has increased proportionately compared with 1938. Nearly half of the United Kingdom's imports came from imperial sources as against 40 per cent before the war, and they took almost 50 per cent of Britain's exports. Empire trade, however, has greatly changed its economic significance, as Canada, which is now an increasingly important supplier, is one of the hardest currency countries.

The balance of payments with the hard currency countries can be seen from the following table:—

(£ '000)

	Imports	Exports	Re-Export	Balance
Canada:				
1938	78,708	22,530	1,038	— 55,140
1946	195,150	32,603	798	— 161,749
U.S.A.:				
1938	117,980	20,484	8,274	— 89,222
1946	226,876	35,448	4,380	— 187,048
Argentina:				
1938	38,471	19,338	377	— 18,756
1946	66,961	20,521	411	— 46,029
Sweden:				
1938	24,542	11,720	1,108	— 11,714
1946	32,013	21,414	1,089	— 9,510
Switzerland:				
1938	7,376	3,475	787	— 3,114
1946	3,163	9,451	1,212	+ 7,500

Switzerland is the only one of the countries above with which Britain has a surplus balance, whereas with Sweden the deficit has been reduced compared with pre-war. In the case of both the United States and Canada the deficiencies in the balance of payments have grown much larger compared with 1938. The deficit with Argentina has also increased considerably owing to the greater value of imports obtained from this source. It is difficult to estimate how far exports to Argentina can be expanded. Most of the commodities it requires, such as textiles, Britain is unable to supply in adequate quantity. But the deficit would be less severe if the Argentine Government's unique selling position was in any way weakened.

Argentine Railway Problems

After a day's suspension of dealings on Thursday of last week, the Jobbers were back at their stands on Friday, coping as well as they could with acute buying pressure. Prices, particularly of certain junior stocks, continued on their booming course until Tuesday, when the market experienced its first bout of profit-taking for many days. The suspension of dealings has aroused a good deal of controversy, based on the doctrine that the duty of a market is to continue to function if it is humanly possible. Unfortunately, the dealers have been close to breakdown for several weeks past. There were only three dealing firms left, after an exodus which dates back at least 25 years, and new blood was not attracted to deal in a dying market. Nor can the existing firms afford to take any large jobbing risks under present conditions; their profits go very largely to the Chancellor of the Exchequer, while they have to meet their own losses.

Given the recent strain of dealing—increased by the gloom in the corner of the "House" which the Argentine rail market occupies—the day-long queues, and prolonged office dealings after hours, the need for respite was not unreasonable. But evidently, the publication by the British Argentine Railways Council of a statement showing the basis on which the total purchase price would be split up between the various companies came as an unexpected blow to the market, which had been jobbing for a fortnight after the signing of the agreement in ignorance of the fact that, by agreement dating from the departure of the British mission last Autumn, the sales proceeds would be divided among the companies on the basis of "recognised capital" as defined in the Mitre Law. The railways rejected any alternative method involving past or prospective earning power as "affording no generally acceptable basis."

The division of the sale price, excluding the value of London

as their own films produced in California are distributed; in fact, they have stated that the productions from Britain will replace a similar number of productions from California.

It is estimated that each film will produce, apart from any exceptional profit, some million and a half dollars for the British company, which will be a welcome contribution toward the dollar account for films. The arrangement has the blessing of Sir Stafford Cripps, evidenced by his presence and words at a celebratory lunch given in London last Wednesday. But the details so far announced leave a number of questions unanswered. If the Board of Trade regard the agreement solely in the light of the number of additional dollars it will produce, then their benevolence can be understood. But there are other considerations, not all of them divorced from the dollar aspect. Good British films, showing life as it is here, not as it exists in Hollywood's imagination, are an artistic challenge to American films in North America and should therefore, if given a fair chance, also be dollar-producing instruments. But if this new agreement amounted to no more than a device for making American films in Britain, the resulting dollars might then be purchased at too high a price. The test, of course, will come when production starts. Warner Brothers have no financial control over the British company and Sir Stafford was at pains to declare that he intended that they should not acquire it. From that it must be assumed that the cost of modernising Elstree will either be found from British sources or, if financed from America, will be without limiting conditions. But if Warner Brothers by this agreement gain control of the production policy of the British company, then the actual ownership of the company's shares ceases to be a matter of the same importance. Mr Jack Warner promised that what he sought was co-operation, not domination. It is for the directors of Associated Pictures to ensure that, granted the assistance of American stars and American directors, the resulting product is British and of the high standard that British films have shown they can attain.

Ceylon's Export Levies

For some months past India and Ceylon have been considering the resumption of the pre-war auction system for selling their tea and ceasing to supply it in bulk on annual contracts to the Ministry of Food, which have given the growers their pre-war profit plus an increase sufficient to cover their higher costs. This impatience on the part of the growers—natural enough in the circumstances—has led the International Emergency Food Council to drop the allocation of tea after the present allocations expire at the end of March.

On the other hand the Ministry of Food, being anxious to secure the benefit of any long-term decline in commodity prices, has shown itself quite unwilling to renew the bulk purchase contract for Ceylon tea on the terms which were demanded by the growers, and auctions for export teas have accordingly restarted. Both India and Ceylon are imposing levies on exported tea so that the public revenues of the two countries can obtain a direct share of the benefit of high world prices. India has imposed an export levy of 2½d. per lb. on export teas, but Ceylon, which began modestly with a levy of less than 1d. per lb., has now decided to increase it to nearly 7d. on all teas sold after the two opening sales. At these two sales, extremely high prices were paid for the small quantities of 1947 crop teas which were on offer.

Great loyalty and self-sacrifice are required for the successful operation of all international allocation schemes, and it is not surprising that with the passing of war-time conditions these qualities are more difficult to evoke. Ceylon's action appears to be opportunist to a degree, for in addition to the increased tea levy, it has also imposed this week a levy of 10 rupees per cwt. on copra. Half of this levy will be paid over to the local producers, but the whole of the financial burden falls on the Ministry of Food, which is taking the copra on a bulk contract. Ceylon's action, however, is not quite as cynical as it may sound, for the present tea and copra levies are estimated to yield about 126 million rupees a year and will enable the Government to reduce the export tax on rubber from 2.50 rupees to 0.75 rupees per 100 lbs. The Government's intention is to avoid the painful deflation of the rubber industry's costs—indeed, the elimination of much of the industry—by enabling it to share in the benefits of high prices for other natural products, and to give it some degree of protection, now that world rubber prices are well below Ceylon's production costs. Even the concession to the rubber producers, however, will not bring the cost of export rubber from Ceylon into line with Malayan prices. Ceylon's latest moves seem more designed to take advantage of fleeting opportunities caused by world

shortage than to lay the foundations for a planned policy of orderly commodity marketing.

American Tonnage on Charter

The US Maritime Commission and the State Department placed different interpretations on the effect of President Truman's "end of hostilities" proclamation on the present charters of American merchant ships to the Allied nations. The immediate reaction to the proclamation was noted in *The Economist* of January 11th. According to a statement by the Lend-Lease administrator, Mr Chester T. Lane, from the State Department at Washington, a misunderstanding arose because the "termination of hostilities" is not the same thing as the "termination of the state of war." It may be recalled that President Roosevelt, in a letter to Mr Winston Churchill of May 23, 1943, transferred for temporary wartime duty under the Red Ensign between 15 and 20 American ships a month for ten months. The President pointed out that as a result of an earlier agreement American shipyards had concentrated on merchant ships and British yards on naval construction, and that the British merchant marine, though short of ships, had at that time a surplus of trained seamen.

An agreement signed on November 24, 1944, by Lord Leathers, Minister of War Transport, and Admiral Land, then chairman of the US Maritime Commission, specifically provided that ships transferred were to remain under the British flag "until six months after the termination of the war as proclaimed by the President, or such earlier termination as Congress by concurrent resolution, or the President by proclamation, may designate." The State Department points out that none of these events has occurred and the position of such ships is not affected by the "end of hostilities." Republican elements in Congress, however, are apparently not satisfied with the position. Mr Fred Bradley, chairman-designate of the Merchant Marine Committee in the House of Representatives, has countered by tabling a resolution demanding the return of all chartered vessels on the completion of voyages in progress on the date of its adoption. The State Department had previously indicated that it might, if necessary, initiate legislation to extend the charters on the existing terms, but the Republicans are seeking to enforce an earlier termination "by concurrent legislation." They claim that the charter terms for the British are more favourable than those available to American nationals; but the more likely explanation is the desire to embarrass or remove the growing competition of British shipping in world sea transport.

The ships were used free of charge up to the month of December, 1945. From that date, by a modification of the Land-Leathers agreement on February 15th last year, Britain has been paying a yearly charter rate based on 15 per cent. of the statutory sales price of the vessel concerned as laid down in the Ship Sales Act of 1946. The majority of the vessels concerned are Liberty ships, whose statutory price is \$639,000. The annual charter rate for each ship is therefore about £24,000, which represents an annual expenditure of well over £5 million in American dollars as long as the use of American ships continues. This sum, at present building prices, would probably cover the cost of building 20 similar vessels per annum in British yards. The basic annual charter rate asked by the Ministry of Transport for three-year charters of Government surplus ships of comparable type is about half the American rate, and represents only 10 per cent of the basic price for outright purchase, although successful tenderers have generally offered an excess of about 10 per cent over the basic charter rate.

Welkom and Block 7

Far too little is known about reef grades and widths and probable costs even in the area of most forward development in the Orange Free State for any categorical statement to be made about the Welkom Mining lease terms agreed between the Anglo American Corporation Group and the Union Government. These provide, without minimum payments, for the working of three leases; the No. 1 (northern) area of 4,710 claims borders the east of Western Holdings—Blinkpoort "second lease" area, on which the phenomenal Geduld No. 2 strike took place, and on this the Government percentage of profits is zero when the ratio of working profit to recovery is 6 per cent. The No. 2 and No. 3 areas, of 4,839 and 4,263 claims respectively, lie to the south; No. 3 borders on the east of St. Helena. The lease terms in these areas also provide that the Government does not share in profit until the profit-recovery ratio is 6 per cent, but they give the Govern-

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MALAYAN UNION STRAITS SETTLEMENTS
BRITISH NORTH BORNEO AND SARAWAK
FRENCH INDO-CHINA SIAM INDONESIA
CHINA THE PHILIPPINE COMMONWEALTH

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BRANCHES THROUGHOUT THE COUNTRY

assets, but including ancillary assets in the Argentine is set out in the following table:—

Group	Amount
Buenos Ayres Great Southern Railway, including Bahia Blanca & North Western Railway, Buenos Ayres Ensenada & South Coast Railway, (50%) Buenos Ayres Midland Railway	50,557,222
Buenos Ayres Western Railway, including (50%) Buenos Ayres Midland Railway	17,510,044
Buenos Ayres & Pacific Railway, including Argentine Great Western Railway and Villa Maria & Rufino Railway	32,959,748
Central Argentine Railway	40,819,498
Entre Rios Railways	4,208,757
Argentine North Eastern Railway	3,944,731
	£150,000,000

The complication of inter-company holdings makes any guess-work about the pattern of the future schemes of liquidation quite impossible. Even in the apparently simple case of BAGS, the residual value of the ordinary stock—as distinct from its nuisance value—cannot be specified. In Central Argentine and even more in BA and Pacific, the complications are even more acute. But two points of principle can at least be made. First, the delay in disclosure of the basis of apportionment has resulted in higher prices for the junior stocks and enhanced their nuisance value, making it conceivably more difficult for the prior charges to obtain their full legal deserts. Secondly, the joint wisdom of Daniel and Solomon will hardly produce schemes which, after recent events, can satisfy the expectations of every class of holder. There is, therefore, a strong case, for independent confirmation of the schemes by an authoritative *ad hoc* tribunal or, if necessary, by the Court itself.

Gold and Dollar Holdings

Amid the gloom with which the dollar position is being viewed and anticipated, the Chancellor has let in a ray of sunshine: the revelation that the national gold and dollar holdings on September 30, 1946, amounted to £629 millions gross as compared with £545 million three months previously and £595 millions on June 30, 1945. This is a substantial improvement which is unlikely to have been counterbalanced by the change in gold and dollar liabilities that must be deducted from these figures to obtain the net totals. Some indication of the size of these liabilities is provided by the fact that the British gold subscription to the International Monetary Fund calculated at one-tenth of the net holding of gold and dollars on September 12th (that being the date on which the Fund announced that it would "shortly be in a position to begin exchange transactions") was £51,203,000, giving net reserve on that day of £512,030,000. It is evident from the trade returns that a substantial amount of gold must have been imported from South Africa last year. The surplus of British exports to South Africa over imports from that country was about £60 millions, and in addition a further repatriation of South African securities had to be financed. The sales of South African gold which in the main financed these transactions are probably the principal source from which the increase in the gold reserve was derived. In addition it is possible that the working balance kept in New York was somewhat above the normal level on September 30, 1946, as a result of unutilised drawings on the American loan. Whatever the explanations of the improvement, the very substantial increase in the gold holding suggests that the rate of drawing on the dollar credits this year may not prove as heavy as had generally been anticipated, since it must surely be axiomatic that the credits will not be drawn upon merely to make possible an increase in the gold reserve.

Sterling Debt Talks

The Anglo-Egyptian talks on sterling balances ended in Cairo last Monday with the issue of a *communiqué* which suggests that, as in the New Delhi discussions, the two sides could do no more than exchange views which were clearly beyond the range of reconciliation at the present exploratory stage of the discussions. It was announced in Cairo that the whole field of the Anglo-Egyptian debt had been surveyed in a spirit of candour and friendliness, that each side now had a much fuller understanding of the standpoint of the other, and that the official delegation would report to their respective governments. The unofficial reports on the course of the negotiations have thrown some light on the views put forward by each side. The Egyptians explained that the sterling balances, amounting to about £440 million, were widely distributed,

namely £144 million as cover for the note circulation, £250 million held by the Egyptian banks and £46 million by the general public.

This wide distribution, it was argued, made any writing down technically and equitably impossible. The reasoning is not particularly convincing, since it should not be beyond the bounds of reason for the Egyptian Government to vest privately-held sterling, compensating the owner in Egyptian pounds. The British negotiators appear to have suggested some such solution, which would have involved a partial writing down of the sterling debt and the conversion of sterling Treasury Bills backing the note issue for Egyptian Treasury bills. It is presumably at that point that the discussions were broken off, to be resumed in the near future. Sir Wilfrid Eady and Mr Cobbold have now proceeded to Baghdad where they will engage in similar discussions with the Government of Iraq. Meanwhile Australia and New Zealand have shown the way demanded by equity and generosity by announcing gifts of £A25 million and £NZ12½ million respectively as contributions to British expenditure on the war fought in the Pacific. These gifts will have the effect of reducing Australian sterling balances, which are now about £180 million, by £20 million, and New Zealand balances of about £90 million, by £10 million. There should, of course, be no need for a special agreement to govern the manner in which these accumulated balances can or will be spent. The matter can be left to the realism and good sense of the Australian and New Zealand authorities.

Copper Price Again Increased

The Ministry of Supply announced last week an increase of £10 a ton in the price of copper, raising the official rate for high-conductivity electrolytic type to £127 a ton. Prices of other forms have been adjusted correspondingly. This is the second increase this year, for on January 1st the price was raised from £98 to £117 a ton. The United Kingdom's main sources of supply during 1946 for electrolytic types were Canada and Chile, which together accounted for nearly 70 per cent of the total imports. Smaller quantities were also received from the Belgian Congo and Rhokana in Northern Rhodesia. Blister types of copper were supplied almost entirely by Northern Rhodesia. United Kingdom stocks at the end of November amounted to 94,000 tons, of which 8,300 tons were held abroad. At the end of the year they were probably equivalent to about three months' supply. Domestic consumption of virgin copper for 1946 averaged 27,100 tons a month, compared with 24,100 tons in 1945 and 21,500 tons in 1938. In January, however, there was a very sharp increase to 33,500 tons, although the consumption for the current year may scarcely total 275,000 tons owing to the recent fuel crisis. The greater demand is mainly accounted for by the electrical industry, although there is an increasing substitution of copper for scarcer metals, such, for example, as lead and this may have permanent effects upon the future use of lead in building.

In the United States the demand for copper has far outstripped domestic supply; it has been estimated that the latter can only cover about 60 per cent of consumption. Prices in New York have also moved sharply upwards, being quoted last Monday at 21½ cents a lb., or equivalent to £130 a ton. The Office of Metals Reserve is expected to have disposed of its stock of imported metal by the end of March, and thereafter home consumers will be partially dependent on the world market. To what extent the import duty of 4 cents a lb., effective from January 1st, will act as a deterrent to the purchase of imported supplies remains to be seen. But the level of demand for copper in the United States will no doubt break down this resistance; if so, a further rise in the world price will be inevitable.

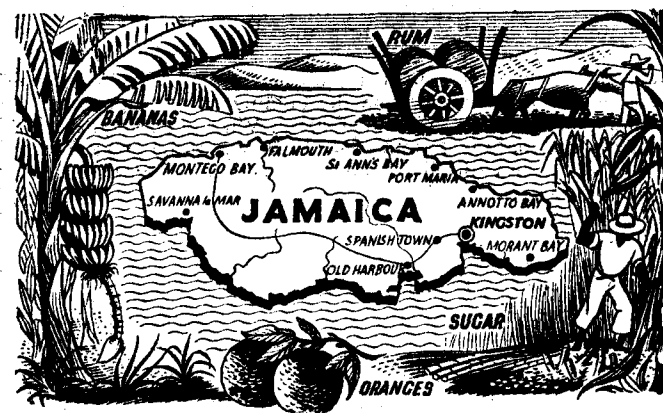
The crucial problem from the British standpoint is the source or sources of new supplies to meet the American demand. As the United States possesses fairly ample smelting and refining capacity, it would be more likely to import copper ore, if possible, than semi-finished metal. This would presumably prevent the United States from participating to any markedly increased extent in the Canadian market. In all probability the additional supplies will come from Chile, Mexico and Peru, and possibly also from the Belgian Congo. Prospects of an expansion in production are not very bright. There have already been reports of a curtailment in Northern Rhodesian copper output owing to coal shortage. At the moment the effect is not very serious, but if it spreads, shipments may be reduced. Again, there are the perennial labour difficulties in Chile which must be taken into consideration. But as the increased demand for copper seems to have come to stay,

at least while the general shortage of non-ferrous metals persists, the high price should induce some expansion in output.

The position of other non-ferrous metals is scarcely any easier, except perhaps for tin. Lead recently rose in New York to 15 cents a lb., equivalent to about £83 a ton, compared with the official British quotation of £70 a ton—a margin well in excess of the US import duty of about £6 a ton. As lead, like copper, is almost wholly imported into the United Kingdom in a refined state, the fuel crisis is unlikely to react upon supplies, but they will continue to be scarce for other reasons. With zinc, however, a fair proportion of British supplies is refined here, and the fuel shortage will reduce them. For tin, reserve smelting capacity exists which, given an adequate supply of fuel, could be brought into operation if necessary.

Brazil and Sterling

Some surprise has been caused by the announcement that the Bank of Brazil, acting on instructions from the Ministry of Finance, has suspended purchases of sterling and a certain number of other non-convertible currencies. This decision must probably be viewed in the light of tentative negotiations which have taken place between representatives of the British and Brazilian Governments for disposal of accumulated sterling balances which Brazil holds to an estimated amount of over £50 million. The preliminary talks on this subject have revealed the now familiar clash of views. The Brazilians would like to spend the whole of their sterling in the near future on a programme which would involve heavy imports of machinery and capital goods from Britain. The British attitude has been that Brazil cannot in this respect be treated more favourably than other holders of sterling balances, and the lines of an agreement have been suggested which would involve modest releases of these balances over the next few years. More formal negotiations are due to begin in the near future, and the Brazilian move must probably be regarded as the opening gambit in those talks. The suspension of sterling purchases merely means that Brazil is not prepared to accumulate further sterling area currencies until such time as an agreement has been reached making any current accumulation of sterling available for expenditure in any currency area in the world.



War has brought great changes to the industries of Jamaica. Even today the impression probably persists that bananas form the major part of the Colony's exports. Recent trade figures, however, show that sugar, rum, pimento—known alternatively as Jamaica pepper—and citrus fruit pulp have ousted the banana, at least temporarily, from its former pre-eminence.

The gradual change-over to a peace-time economy, coupled with improved transport facilities, may well bring about another swing of the pendulum. Modern commercial development calls for careful and continuous study of local market conditions. Full and up-to-date information, backed by an intimate knowledge of the Island, is available to merchants and manufacturers interested in trade with Jamaica.

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World Shipping Co-operation

February has been an eventful month for shipping in the international sphere. The proposals for the formation of a permanent Inter-Governmental Maritime Consultative Organisation as a specialised agency of Uno have been taken a stage further and the next meetings are expected to take place in London later in the year. Such a body must be universal to be of any practical advantage, and even if all nations, including Russia, are willing to co-operate there is bound to be great difficulty in defining its functions. In this respect the Atlantic is likely to be the barrier between parties of different persuasion. The International Shipping Conference, reflecting the views of "private" shipowners, has welcomed and emphasised the proposed exclusion from IMCO's terms of reference of all matters suitable for settlement through the normal processes of international shipping business, and has itself resolved to apply for consultative status with the Economic and Social Council.

Two further factors emerged from the London meeting of the International Shipping Conference. Scandinavian shipowners, in particular, did not appear to share the fears of British tramp owners that steps should be taken now to prepare a freight co-operation scheme to cope with any prolonged decline in rates in the future; while France was not represented at all in view of the threat of nationalisation. This has since developed into a three-part scheme whereby the two largest concerns (already for the most part state-owned) will be entirely state-operated, intermediate fleets will be state-controlled, and the rest "free." Meanwhile, the *Comité Maritime International* is resuming its work in the field of maritime law, and the Imperial Shipping Committee is taking up again its inquiry, interrupted by the war, into the shipping needs of the British West Indies and Bermuda, a subject in which Canada has a direct interest and in which the State-owned air corporations may be expected to have their say.

British Shipping Prospects

Reviewing the state of the industry in his presidential address to the Chamber of Shipping, Sir Ernest Murrant ended on a note of sober optimism, which he admitted was based more on

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ment a relatively smaller share in lease profits (though this might be partially made good by taxation) if the mines are rich than is the case for No. 1 area. The Welkom Gold Mining Company is first to develop the No. 1 area with a working capital of £2,750,000. The other two areas will be developed by subsidiaries of Welkom with working capitals of £2,250,000; these will be formed one year and two years after Welkom and will each have £1,000,000 of share and £1,250,000 of loan capital.

The finance of the new Welkom company, with its £6,000,000 capital and the "rights" attributable to shareholders of interested companies, is necessarily complicated. The African and European Group, as owners of Block 7, have an 85 per cent participation in the purchase consideration (£750,000) and in the working capital of the Welkom company, Western Holdings 12½ per cent and Blinkfontein—whose shares are dealt in under rule 34E in London—2½ per cent. These participants will provide £1,000,000 for 4,000,000 ss. Welkom shares and will loan £4,000,000 of unsecured debentures initially interest-free but carrying interest at 5 per cent after the development period, and redeemable out of not less than half the profits available for dividends. A further 1,000,000 ss. shares at par will be subscribed by the debenture subscribers and by the Anglo American Corporation, who jointly with African and European are acting as guarantors of the debentures. The merit of the large loan capital is that this can be repaid during the early lives of the mines, when capital expenditure can be set off against profits according to the "new mine" tax regulations. Shareholders should thus be protected against mistaking initial high dividends for indications of the amounts likely to be distributable when the Government comes to take its full share of profits.

Existing shareholders in African and European Investment will be offered, in due course, Welkom shares at par on a share for share basis. The residual holding will amount to about 1,700,000 Welkom shares and £1,232,500 debentures. Shareholders in Lydenburg Estates will be offered 5 Welkom shares for each three Lydenburg held; the residual holding will be 100,000 shares and the Anglo American Corporation has offered to provide up to £500,000 at 5 per cent to enable Lydenburg to take up its proportion of guaranteed debentures. Western Holdings shareholders will be offered 3 Welkom for each 10 shares held. OFSITS and Middle Wits will receive participations. The Welkom share offers will be subject to permission by the Union and British Treasuries. The latter refused permission to WRITS to make an issue to shareholders and the Capital Issues Committee has turned down the South Witbank Coal Mines' application. It is to be hoped that there will be no unnecessary delays in opening up the area, for on the Orange Free State as well as the Far West Rand will rest the burden of replacing the declining production of the old Rand in the next decade. Already a market capitalisation of £25 million for the Welkom properties is being canvassed, or over 50s. per ss. share.

More Commercial Bills

In more ways than one, the London money market is recovering traditional functions which have long been in a state of atrophy. Even before the war the volume of commercial bills handled in the discount market was but a fraction of what the market had reckoned upon a decade earlier, and the further steep decline during the war led many people to assume that this variety of business would sooner or later virtually disappear. In the past year, however, as the bankers' speeches have pointed out, London's acceptance business has been rising fast. Some discount houses report that their turnover of commercial paper is now running at almost two and a half times the level of a year ago. That is perhaps a larger growth than is general in the market, but the year-end balance sheets of the three largest companies made it clear that the expansion has been very marked. At December 31st these companies showed "re-discounts"—that is, commercial bills sold to the banks which had not then reached maturity—totalling over £18½ million, which is 120 per cent more than the end-1945 figure and 150 per cent more than that for 1944.

The clearing banks' total of acceptances, endorsements, etc., at the year-end was about £193 million, compared with £116 million in 1945, but most of this growth and most of these totals certainly reflect business other than acceptances. To judge from the figures of those banks which show acceptances separately, clearing bank acceptances, though rising, are still quite small. Acceptances by the London merchant banks, however, are now estimated at around £50 million, which is far above the wartime level and begins to compare with the figures customary before the war. This business finances a considerable range of trade, but without doubt the most important commodity at present is

wool—and that will increase further when drafts are made upon the French wool credit discussed in these columns last week. At the moment, tobacco financing is also important. Acceptances by the Indian and Eastern banks, which before the war formed a large part of the supply of commercial paper, are also rising, but the amount is still relatively small. Despite this growth in acceptances generally, commercial paper of course plays a very minor part in the business of the market, and in view of the large resources available, competition both for bills and for acceptance business is very keen—the latter, in particular, is being transacted at fine rates.

Malayan Tin Problems

The Malayan Government has now transferred to the tin mining companies some 70 per cent of the loan funds which were set aside to compensate the mining concerns for war damage and to help them in their rehabilitation, particularly in the overhaul and repair of dredges. The total amounts which are to be made available are between £2½ and £2½ millions and the remaining 30 per cent will be paid when legal formalities have been completed. Some 60 loans were applied for and all these have been granted except six, of which two are subject to reconsideration. When the companies' claims for war damage are finally settled, they will be offset against the loans, which are interest free until 1950 and bear 3 per cent thereafter. Up to the present, tin mining companies have been financing the rehabilitation of their properties out of their own resources and in some cases these have run low.

A solution of the tin mining industry's post-war financial problems, however, does not mean that their physical difficulties will be quickly overcome. The shortage of mining machinery and component parts is world wide; production is not increasing as rapidly as was hoped; and delivery dates are remote. Near-starvation in Malaya during and after the war has debilitated the labour force, and there is widespread disorganisation in transport and coal mining, which is reacting on the recovery of the tin mining industry. Earlier forecasts about the time needed to restore dredges to normal production were based on preliminary surveys of damage. In some instances the damage was over-estimated; in others it could not be properly assessed until a good deal of work had been carried out at the mines. It would, therefore, be unfair to suggest that the programme of restoring Malayan tin dredges is months in arrears, without due acknowledgment of the local difficulties and shortages of new equipment and parts.

TIN PRODUCTION IN FAR EAST (long tons)						
	Average 1935-38	1939	1940	1941	1947	1948
Malaya	58,388	56,001	66,384	78,900†	66,150†	72,800†
Netherlands E. Indies	29,315	31,410	44,563	51,000†	32,100†	47,500†

† Estimates.

It is, however, disappointing that more rapid progress has not been made, particularly since in the Netherlands East Indies—which have been affected by serious political trouble since their liberation—tin production is recovering more rapidly than in Malaya, and may indeed regain the pre-war annual rate of production of about 40,000 tons during the second half of this year. This recovery has been achieved despite the fact that newly-built dredges are not yet in operation in the Netherlands East Indies. Evidently the two large producers that are primarily responsible for the Netherlands East Indies output of tin have been able to restore a relatively efficient scale of operations quite quickly. They will soon have the benefit of new dredging capacity supplied by the United States. Indeed the Dutch appear to have taken a far-sighted view of their tin-mining policy by acquiring new equipment from America at the expense of dollars, in order to earn a satisfactory dollar income in future from tin production.

Shorter Notes

The report of the Burnley Building Society for 1946 is the first among the larger societies, and it reveals some highly significant movements. Mortgage business reached a record figure of £5,306,782 representing a rise of £2,606,864 over the previous year. The Society was accordingly able to absorb just over £1,000,000 of new share subscriptions—nearly twice the volume of the preceding year—and over £2,000,000 of deposits and loans.

(Continued on page 223)

National Provincial Bank Limited

ESTABLISHED 1833

Statement of Liabilities and Assets December 31st, 1946

LIABILITIES	
Capital paid up	£8,479,418
Reserve Fund	10,000,000
Current, Deposit and other Accounts	727,210,886
Liabilities for Acceptances, Endorsements, Engagements, etc.	19,803,064
	£766,493,366
ASSETS	
Coin, Bank Notes and Balances with the Bank of England	£67,527,070
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	31,502,122
Money at Call and Short Notice	62,265,000
Bills Discounted	55,587,379
Treasury Deposit Receipts	206,500,000
Investments	162,278,886
Advances to Customers and other Accounts	154,583,205
Bank Premises	6,446,840
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.	19,803,064
	£766,493,366

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SHIRE, STAFFORDSHIRE AND NORTH WALES.

CAPITAL ISSUED	£8,125,000
CAPITAL PAID UP	1,875,000
RESERVE FUND	1,100,000
CURRENT & DEPOSIT ACCOUNTS	104,643,286
CASH IN HAND and at BANK OF ENGLAND	9,237,934
BALANCES WITH, and CHEQUES IN COURSE OF COLLECTION ON, OTHER BANKS in GREAT BRITAIN & IRELAND	6,418,879
MONEY AT CALL and SHORT NOTICE	10,727,828
BILLS DISCOUNTED	6,131,400
TREASURY DEPOSIT RECEIPTS	27,500,000
INVESTMENTS	31,864,875
ADVANCES	14,925,537

31st December, 1946

NATIONAL DISCOUNT COMPANY, LIMITED.

(Incorporating the business of Messrs. Reeves Whitburn.)

Statement of Accounts, 31st December, 1946.

LIABILITIES	
CAPITAL AUTHORISED—	
270,000 "A" Shares of £2 10s.	675,000
270,000 "B" Shares of £7 10s.	2,025,000
	2,700,000
CAPITAL ISSUED—	
169,333 "A" Shares of £2 10s.	423,332
230,667 "B" Shares of £7 10s.	1,730,003
	2,153,335
CAPITAL PAID-UP, viz.—	
"A" Shares—fully paid	423,332
"B" Shares—£5 paid	1,153,335
	1,576,667
RESERVE	1,576,667
PROFIT AND LOSS ACCOUNT—	
Final Dividends	71,904
Balance at Credit	250,034
	321,938
	3,475,272
DEPOSITS, secured and unsecured, contingency and other accounts, and provision for accruing expenses (Including Liabilities of £114,341,237 secured on certain assets of the Company.)	116,139,402
CONTINGENT LIABILITY—Bills Re-Discounted (excluding Treasury Bills) £5,886,808.	
	£119,614,674
ASSETS	
CASH AT BANKERS	1,307,891
INVESTMENTS—	
British Government Securities	15,559,697
BILLS DISCOUNTED, and Short-dated Securities, less provision for Rebate	102,111,280
LOANS and SUNDRY AMOUNTS RECEIVABLE	535,806
FREEHOLD PREMISES at (approximate cost)	100,000
SUBSIDIARY COMPANY—	
Shares	£100
Less Loan	100
	£119,614,674

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faith than on reason. That British shipowners generally share Sir Ernest's broad confidence is shown by the fact that the industry has committed itself to an estimated expenditure of some £230 million to make good the tonnage losses suffered during the war. The bulk of this sum, estimated at about £150 million, is represented by ships built, building or on order, totalling about 2½ million tons gross. More than £60 million has been expended in the purchase or hire of Government surplus ships, and shipowners are ready to support the Minister of Transport in his offer to purchase 115 of the American ships at present on bareboat charter, for whose return there is pressure in Washington. The industry intends eventually to restore the Merchant Navy to its pre-war strength in ships, though obsolescence and normal replacement programmes will demand further expenditure if its efficiency is to be maintained.

In view of the high costs of building and operating ships today, the shortages of materials and delays in production and the inefficiency of ports overseas, Sir Ernest Murrant's confidence shows a strong contrast to the cautious mood which seems to prevail in shipping circles in the United States, and may result in a further stiffening of restrictive policies to the detriment of British shipping and economic recovery. It would be dangerous to answer flag discrimination or state subsidies like with like. Given a sufficient volume of international trade, British owners can carry their proper share without fear of being ousted by new competitors. With this in mind, no doubt, the Chamber of Shipping adopted a resolution affirming the determination of the industry to do all in its power to expand and maintain the Mercantile Marine, and calling upon the Government "to do all possible to encourage international commerce and to remove trade barriers." World trade is a key to the prosperity of the shipping industry, and shipowners are watching with keen interest the approaching International Trade Organisation negotiations.

South African Budget and Rand Mining

British taxpayers may be forgiven for glancing enviously at the Union of South Africa, where last week Mr Hofmeyr introduced his Budget for 1947-8 and offered tax reductions amounting in all to £15,835,000. Although the Finance Minister had to provide for higher social services, his Budget was greatly assisted by the reduction in Defence expenditure and he was able to give moderate concessions in many directions—including postage and sugar as well as corporate taxation. Mr Hofmeyr recognised the importance of the gold mining industry in contributing to South Africa's external payments—last year's gold sales totalled £103 million and paid for 54 per cent of imports—and he did not fail those who had expected concessions in gold mining taxation. There is to be a revision of the basic tax formula to provide that when the ratio of working profit to gold recovery exceeds 6 per cent (up to which no tax is payable) the percentage to tax payable will be reduced. For a mine with a ratio of 10 per cent of profit to recovery the rate of tax will be 25.2 per cent (instead of 28 per cent under the old formula). The new formula defines the tax percentage as 63 minus 378 divided by the ratio of profit to recovery. The second concession is that the "new mine taxation" principle will be applied to all mines which have any unredeemed capital expenditure, and the rate of amortization of such expenditure may in future be increased from 20 per cent to 22½ per cent. Under the new taxation formula, Mr Hofmeyr is budgeting for a reduction in the yield from £9.3 million to about £8½ million while the new concessions for capital expenditure will involve a loss of revenue of something over £1½ million in the current year. Both may be expected to provide considerable direct benefits for the gold mining industry, though British investors will regret that the Finance Minister did not see his way to abolishing the non-resident levy.

The new concessions should encourage the mining industry to make a careful study of the economic possibilities of ultra-deep mining of rich deposits which are costly to work. These possibilities exist on the Central Rand but they occur with even greater significance for the future of the Rand mining industry in the area south of the West Wit's line and in the Orange Free State. Reduced taxation on working profits will, of course, assist the higher grade mines which are not required to make correspondingly increased lease payments and in some cases there may be significant increases in the share of working profits available for shareholders. The special levy on the diamond industry of four shillings in the £ has been reduced to one-third at a cost of £410,000 a year, and the profits tax on fixed property is to be abolished at a cost of about £700,000, which should assist township development. For industry the excess profits duty and

trade profits special levy are being abolished forthwith at a cost of over £8½ million and the standard tax level will remain at 20 per cent.

Danish Food Agreement

The Treasury announced last week the terms of the new Danish Food Agreement. It has been agreed that Denmark will balance its payments with the sterling area for the year 1947. As far as possible Denmark will make additional food exports available, but nevertheless it has still been compelled to adopt an import programme based on essential requirements. The United Kingdom has agreed to assist Denmark in the purchase from non-sterling sources of certain essential commodities, such as feeding stuffs, which are not otherwise obtainable.

The contract provides for an increase in the price of butter from 220s. per cwt. to 242s., to meet the increased cost of oilcake. The Danish Government will take steps to restrict the domestic consumption of butter-fat—a very important provision. Before the war Denmark exported over 80 per cent of total butter production, the annual average quantity supplied to the home market being about 25-30,000 tons. In 1946, although production was only 77 per cent of the pre-war level, domestic consumption totalled 62,000 tons, so that if the Danes are able to reduce supplies to their home market to 1938 figures, at least an additional 30,000 tons could be purchased by the United Kingdom under the clause of the long-term contract, which provides that 90 per cent of the residual exportable surplus, after meeting the supplies under fixed contract, is to be sold to this country. Increased quantities of margarine or oils and fats, however, will have to be made available in return to Denmark.

The price of bacon has also been raised, from 150s. per cwt. to 161s., and the export target figure for 1947-48 has been fixed at 75,000 tons. If this target is achieved, it would be possible to increase the bacon ration, though not to the pre-war level of consumption. In 1938 imports of bacon and ham into the United Kingdom from Denmark totalled about 170,000 tons. The Danish Government, however, has given an undertaking that the increase in price will be used for the benefit of bacon production. In addition, Denmark has agreed to sell 30,000 tons of meat during 1947, either in the form of cattle or frozen meat, of which between 5,000 and 6,000 tons represents a carry-over from the 1946 contract. Moreover, Britain will purchase approximately 30,000 tons of potatoes during the next three months. In the case of both these latter commodities the timing of the additional imports is important. Meat stocks in this country are not sufficient to withstand any strain resulting from the holding up of shipments from Australia arising from labour troubles. With potatoes there is an apparent gap of one month's needs between the exhaustion of present stocks and supplies from the new crop. The Danish purchase, together with extra supplies from Canada which have been arranged, will insure against any shortage during the remainder of the season.

Clearly, the agreement as a whole is advantageous to both sides. Britain has had to pay higher prices, but the Danish case for such increases could not be described as unreasonable. Beyond this Denmark has undertaken to take steps to improve the long-term export position, which should be most valuable to the United Kingdom. To pay higher prices now to encourage an expansion in production is more sensible than paying extortionate prices merely for short-term supplies—as in recent transactions with Argentina.

Discount Market Capital

The capital expansion of the discount market, discussed in a leading article in *The Economist* of February 15th, is now virtually complete. The tenth capital issue in just over twelve months was announced last week. The National Discount Co., Ltd., traditionally the second largest of the discount houses—and now confirmed in that position by this new financing—is offering to shareholders the whole of its unissued "B" capital, into which the unissued "A" shares were converted last January, when, in addition, the last £2 10s. of the £7 10s. "B" shares was paid up by capitalisation of reserves. Offered at £20 per share (compared with a market price of just under £26 before the announcement), the issue will bring in nearly £1,458,000, and will raise the total paid-up capital of the company by £547,000 to almost £2,700,000. The total known resources, including the premium on the issue and the carry-forward, will then be £5,138,000. The National Discount Co., it is interesting to recall, was not only the

first discount company but also one of the first companies to be formed with limited liability—it dates from 1856.

This issue brings the total influx of resources into Lombard Street up to roughly £10,150,000, excluding the £500,000 capital of the new discount house formed at the end of last year. The aggregate known resources of the twelve houses which now constitute the discount market are thus raised to about £27½ million, but total resources, including inner reserves and the capital of the one remaining partnership, are probably about £6 million more than this. Meanwhile, another of the medium-sized houses—Gillett Bros. Discount Co., Ltd.—is this week introducing its shares to the Stock Exchange. Dealings in the £1 ordinary stock units were expected to open towards the end of the week at about 70s.-71s., at which they would yield 3.4 per cent on the well-covered 12 per cent dividend paid in 1946-47. The recent balance sheet showed that last year's capital increase had led to a big expansion in operations; indeed, the proportions of published resources to total commitments and to the bond portfolio were a good deal smaller than is customary—though it is known that the company has a considerable inner reserve. After this introduction, only three of the discount houses will not have shares on the stock market—Ryders Discount Co., in which the United Dominions Trust has a large interest; Seccombe, Marshall and Campion, the private firm which acts for the authorities; and the newly-formed company, Clive Discount.

An Anglo-French Bank

The joint enterprise of the Banque Nationale pour le Commerce et l'Industrie and of two London financial houses, Messrs S. G. Warburg and Co. and Messrs Robert Benson and Co., is creating a new bank, the British and French Bank (for Commerce and Industry), Ltd., which will operate in London. It will take over the business of the London branch of the BNCI. The capital of the new bank has been fixed at £1,000,000, of which £750,000 will be issued. The issued ordinary capital consisting of 450,000 shares of £1 each is being subscribed by the BNCI. The British interests are taking up and will place privately 300,000 4½ per cent cumulative participating preference shares of £1 each. The venture is of special interest as it represents an alliance between private British capital and a nationalised French bank.

The BNCI has a well-developed network of branches and subsidiaries in French colonial territories and the London bank should play an important and useful part in financing the trade between these areas and the rest of the world.

Silver Arbitrage

The silver market is undergoing a most interesting phase of adjustment to post-war conditions and to the gradual breakdown of the insulation of various national markets previously separated by war-time exchange and import controls. The recent break in New York prices from 90½ cents which obtained until towards the close of 1946 to 70½ cents, recorded last month, attracted considerable demand for silver in the American market for shipment to India, where the rupee price remained relatively stable and at one time showed a premium of over 40 per cent on the New York parity. Such arbitrage was not possible to London firms which would not have been granted the dollars to finance their New York purchases, since the resale of silver would be made against rupees, and would merely have reduced Indian sterling balances.

But Continental interests which hold some dollars and desire sterling have come into the market by buying in New York, shipping silver to India and converting rupees into sterling. By such operations the arbitrageurs in question have made substantial profits. Another way of expressing these deals is that the operators have been able to convert their dollars into sterling at a rate of about \$3 to the pound. The result of these operations has been to narrow the gap between the New York and Bombay prices, but it is interesting to note that the narrowing has been effected through a rise in the New York price, which this week has touched 83 cents per fine ounce. The London price quoted for authorised users has risen with the New York quotation, and from its recent "low" of 44d. has recovered to 50d.

Shorter Notes

Two new directors have been appointed to the Court of the Bank of England. They are Mr. Charles Dukes, who has been a member of the general council of the TUC since 1934, and

(Continued on page 359)

ABRIDGED PARTICULARS.

GEORGE COHEN SONS AND COMPANY LIMITED

SHARE CAPITAL

Authorised.		Issued and to be issued.
£1,500,000	In 1,500,000 4½% Cumulative Preference Shares of £1 each	£1,000,000
£600,000	In 2,400,000 Ordinary Shares of 5s. each	£600,000
£2,100,000		£1,600,000

The Subscription Lists will open at 10 a.m. on Friday, March 14th, 1947, and close on the same day, for an

ISSUE OF

700,000 4½ per cent. Cumulative Preference Shares of £1 each at 22/6 per share, and
800,000 Ordinary Shares of 5/- each at 15/6 per share.

The remaining 300,000 4½% Cumulative Preference Shares and 1,600,000 Ordinary Shares are owned by the Directors and members of their families.

The Prospectus will show (*inter alia*) that:—

1. The Company is believed to constitute one of the two largest organisations in the United Kingdom concerned with the recovery and merchandising of all classes of scrap metals, and to be the largest organisation in the United Kingdom for the reconditioning, conversion and redistribution of all classes of machinery. It also operates a large hire fleet of builders' and contractors' plant.
2. The present £1,000,000 Preference Share Capital is covered nearly 2½ times as to capital, and over 4 times as to dividend.
3. The Ordinary Shares at the price of issue show dividend- and earnings-yields of 5.1.0% and 7.82% respectively (the former based on the level of distributions in each of the last three financial years), without taking into account any profits which may be earned by the balance of the new capital after repayment of loans and bank overdrafts.
4. The above yields are based on the profits of the last financial year, which were below the average of the profits of the last 11 years. Change over from war to peace activities has now been completed.

Prospectuses (upon the terms of which alone applications will be considered), and Forms of Application, can be obtained from:—
The Company's Bankers: WESTMINSTER BANK LIMITED, New Issue Department, 9, Old Broad Street, E.C.2, and Branches.
Registered Office of the Parent Company: Broadway Chambers, Hammersmith, W.6.

And from the Brokers to the Issue: CAPEL-CURE & TERRY, 10, Old Broad Street, E.C.2, and Stock Exchange.

BAY HALL TRUST LIMITED.

Summary of Directors' Report for the year ended 31st December, 1946, and of the accompanying Statement by the Chairman, Sir Charles Hambro, K.B.E., M.C.

DIRECTORS' REPORT.

The gross revenue amounted to £155,670 compared with £129,936 in 1945. After charging Debenture Interest, Income Tax, Directors' Fees, Management and General Expenses amounting to £84,234, the net profit is £71,436. Adding £148,467 brought forward, the total available for appropriation is £219,903 and a dividend of 6 per cent., free of tax, is recommended, which will absorb £60,828, and leave £159,075 to be carried forward.

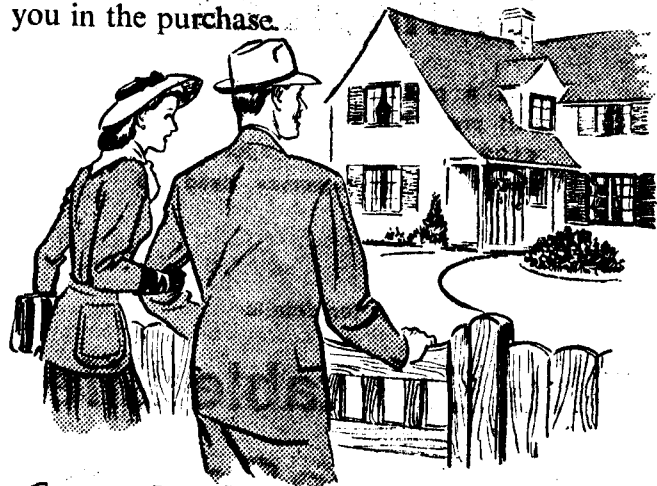
At market prices on December 31st, 1946 (or where no market price existed at valuations by the Directors at that date amounting to £306,690), the Share and Debenture Holdings and British Government Securities had an aggregate value of £3,387,903, as compared with their book value of £2,089,195.

CHAIRMAN'S STATEMENT.

The net profit of £71,436 compares with £65,153 for 1945, an increase of £6,283. Double taxation relief allowable to the Company, amounting to 3s. 4d. in the £, has been taken into account in arriving at the provision for taxation shown in the Profit and Loss Account. At the end of 1946, the value of our investments showed an indicated appreciation of £1,298,708 over book cost. Over 96 per cent. of the investments, including British Government Securities, taken at the valuations at December 31st last, are situated in the United Kingdom, South Africa, and other parts of the British Commonwealth. Similarly measured, but excluding British Government Securities, about 93 per cent. of the investments are in Ordinary stocks and shares and the balance in fixed-interest-bearing securities.

Live in your investment!

Make your home your investment by asking your landlord to sell you the house you now rent. Then ask the Abbey National Building Society to assist you in the purchase.



Consult the
ABBNEY NATIONAL BUILDING SOCIETY

Head Office: ABBEY HOUSE, BAKER ST., N.W.1. WEL. 8282
Chief City Office: National House, Moorgate, E.C.2. CEN. 6525

PHILIP HILL & PARTNERS LIMITED

announce that they will be offering for Public Subscription on behalf of

ODEON ASSOCIATED THEATRES LIMITED

an issue of

£3,500,000 3½ per cent. First Mortgage
Debenture Stock at par

and

1,250,000 4½ per cent. Redeemable
Cumulative Preference Shares of £1
each, at 21/- per share,
of that Company,

The Lists will open and close on
WEDNESDAY — 5th FEBRUARY, 1947

*Prospectuses and Application Forms
can now be obtained from*

The Company's Bankers:

NATIONAL PROVINCIAL BANK LIMITED,
15, Bishopsgate, London, E.C.2,
and Branches.

The Brokers to the Issue:

Messrs.

CAZENOVE, AKROYDS & GREENWOOD & CO.,
12, Tokenhouse Yard, London, E.C.2.

Messrs. ROWE, SWANN & CO.,
24, Old Broad Street, London, E.C.2.

Messrs. JOSEPH SEBAG & CO.,
22, Old Broad Street, London, E.C.2.

and from

PHILIP HILL & PARTNERS LIMITED,
15 KING ST., ST. JAMES'S, LONDON, S.W.1.

COMPANY MEETINGS

WESTMINSTER BANK LIMITED

LARGE INCREASE IN DEPOSIT AND CURRENT
ACCOUNT BALANCES

REPRESSIVE EFFECT OF GOVERNMENT CONTROLS

THE HON. RUPERT E. BECKETT'S REVIEW

The annual ordinary general meeting of Westminster Bank Limited will be held, on the 5th instant, at the Head Office, 41 Lothbury, London, E.C. 2.

The following are extracts from the statement by the chairman, the Hon. Rupert E. Beckett, which has been circulated with the report and accounts:—

For the past year deposit and current account balances show an increase of more than £130 million. It is certainly a problem how best to deal with these increases, as the rates prevailing for Treasury deposit receipts, Treasury bills, and market money, reduced to their present level in October, 1945, have now been in operation for a full year, and have had some adverse influence on our gross interest earnings, though these have been partially recouped by the elimination of interest allowances on current accounts and the fixing of ½ per cent maximum rate for deposits at 14 days' notice. Favourable earning factors have been increases in the totals of advances and investments, but there have been very material increases in costs, particularly in staff costs, embracing salaries, wages, and pension liabilities.

We have earned a profit available for distribution of £1,366,622, which is less than 1945 by £38,970. It has been decided to deal with this sum as follows:—To place £300,000 to officers' pension fund, £200,000 to bank premises reinstatement and rebuilding account, and to pay, less tax, the same dividends as last year. This year there appears for the first time in our statement of accounts the audited accounts of our foreign auxiliary, Westminster Foreign Bank; the year's working has resulted in a modest profit. The Ulster Bank figures are satisfactory, though the profit is some £5,000 less than that for 1945.

EFFECTS OF CHEAP MONEY POLICY

I pass on to the subject that engrosses the attention of us all—our country's economic well-being. Our Budgets are coming down to more tractable levels. We have succeeded in limiting the annual interest and management charges on our National Debt to about double the pre-war sum. But this moderation of the tax burden has been made possible by the unrelenting pursuit of cheap money, which is arbitrary and often inequitable in its effects. For a great many humble folk it whittles down their small incomes derived from Government investments, whilst, in another important direction, it creates serious and increasing difficulties for trustees and all concerned with pension and provident funds. A significant feature is that the continuous down-drive of Government interest rates forces investors to seek better yields elsewhere, inflating the prices of equities and of new share issues to levels which may not prove justified by actual trading results in the testing years ahead.

SHORTAGE OF LABOUR

In the field of labour, over 4,000,000 men and women have been demobilised from the Armed Forces and Auxiliary Services within the brief space of eighteen months, but our present labour force is only approximately at the same strength now as in June, 1939, and, moreover, is still maladjusted to to-day's needs. Shortages of labour in particular trades are common, and there are also signifi-

cant shortages of several important raw materials. All this means irksome delays and hindrances to continuous running and smooth production.

COAL INDUSTRY

Our coal industry is in a most unsatisfactory state. The total production of coal since June, 1945, has been at the annual rate of 185 million tons, against 226 million tons in 1938. The present production is not sufficient to meet even our domestic and industrial needs; consequently, our exports of coal are almost negligible. We must get more men, and especially young men, into the mines, inspired to work with a will and produce to full capacity. If we cannot solve the coal problem our future as a leader in the industrial world is indeed bleak, and our standard of living must remain low.

EXPORTS

The development of our export trade affords us some encouragement. We are now running at a level about 20 per cent above that of 1938. Even in a seller's market, this may be accounted a creditable performance. It has been assisted by the drafting of considerable numbers of workers into the export industries, but it is of little use drafting more men into the export industries while shortages of important raw materials, shortages of power, and difficulties of transport block the way to progress. Too much of our export trade is being done with "soft currency" countries. Half our imports are coming from America and Canada and only 14 per cent of our exports are going there. The American and Canadian loans are helping us out for the time being, but Sir Stafford Cripps has reminded us that the dollars are being rapidly spent, and once these are exhausted we shall have at our disposal only those which we can earn.

HOUSING, FOOD AND DOMESTIC GOODS

The rehousing of our people continues to be slow and wholly inadequate to the great need; the total of nearly 43,000 new permanent houses completed at the end of November last is, in view of our need, trifling. Our food situation remains frugal and austere, and it is disappointing that we are still in the precarious position of facing possible cuts in our meagre rations, rather than passing on to a fuller and more varied diet. Domestic goods remain in short supply. Hardware goods are easier to obtain, but these goods, though useful, are secondary. The most urgent requirement of the people, apart from food, is clothing and footwear, and new stocks of household linens and furnishings, and for none of these is there early promise of supplies commensurate with the huge pent-up demand.

We have not yet moved very far along the road to recovery. There are many factors impeding progress; two comparatively new ones have to be taken into account.

GROWTH OF GOVERNMENT INTERVENTION

The first of these is the modern growth of Government intervention. The war forced us to turn the whole of our energy and resources into the single task of its prosecution, and this entailed Government direction through-

out our economy. Controls are mainly repressive in their effects, but the demands of peace are all for freedom and enlargement.

NEED FOR INCREASED PRODUCTION

The withdrawal of the principal controls is not yet practicable, but trade development is undoubtedly hampered by them, and their mitigation, and eventual removal, must be kept ever in view. The merits and demerits of nationalisation I shall not here discuss. But I do question the timeliness of so radical and far-reaching a change at this present juncture. Benefits cannot be expected to accrue except over the course of years. Our present-day problems are essentially short-term; we want tangible results in the shortest possible time.

The withdrawal of the principal controls is not the prevailing psychological attitude of our people. A spirit of apathy, of disinclination to exert oneself, pervades the whole community, and there is little sign anywhere of willing and cheerful service. This is no doubt in part simply the ordinary reaction after so great and prolonged a war effort. It is partly attributable also to the very natural feeling of disappointment engendered by the continued shortages from which we suffer. While such an attitude persists we are not likely to put forth our best efforts, particularly when the general shortage of labour offers greater opportunities for sloth to those inclined to take advantage, and when taxation falls so heavily on marginal earnings. With nationalisation spreading its tentacles, and the future of industry generally uncertain, many people—and, regrettably, young people, in whose hands lies the destiny of our country—are feeling the urge to play for safety and security. The spirit of adventure is being curbed and there is an unwelcome readiness to go under the umbrella of a Government Department or a Government-owned industry. There are far too many acting in this way, and "non-productive" labour is growing out of all proportion to "productive" labour. Incidentally, one cannot help noticing the mental confusion of the individual who demonstrates his conception of freedom and independence by consistently flouting his trade union leaders and at the same time votes himself into the constriction and possible tyranny of the "closed shop." While the popular slogans persist of shorter hours and more money, less adventure and initiative and more security, we shall not travel far on the road of recovery.

With all these considerations in mind it is obvious that our progress must inevitably be gradual, but that for the reasons I have outlined it is being impeded unnecessarily by some obstructions capable of removal, or at least of moderation, to our national advantage. We must work, and speedily. Competitors, some suffering few of the disabilities under which we labour, are getting off the mark quicker than we are, and unless we hasten we shall be left well behind in the competitive years that lie ahead.

The heart of all our problems is production. With shortages of modern machinery and equipment, we must rely ultimately on manpower. Production means taking off our coats, disregarding the clock, forgetting the immediate rewards, and slogging at our jobs. It is the hard way to our salvation, but there is no other. And a bit of conscientious work will help us to regain that morale and self-respect we stand in danger of losing.

If, starting with the coal industry, all workers in all walks of life—directors, managements and rank-and-file will rededicate themselves to their daily tasks, working not in self-interest alone, but in the true team spirit, the sooner will a greater and brighter day dawn for Britain and once more prove that her long and distinguished industrial record is justified by the sterling qualities still inherent in her sons to-day. "In due season we shall reap if we faint not."

COMPANY MEETINGS

LOTUS, LIMITED

SATISFACTORY RESULTS—INCREASED PROFITS

Mr. H. J. BOSTOCK'S REVIEW

The forty-fourth annual general meeting of Lotus, Limited, was held on February 26th at Stafford, Mr. H. J. Bostock chairman of the company presiding.

The following is the Chairman's statement:—

The year's trading has resulted in the satisfactory Net Profit, after providing for Excess Profits Tax, of £139,317, which is £60,880 more than last year.

In drawing the accounts various changes have been made to bring them into closer accord with current practice.

Taking first the Balance Sheet. Fixed Assets are shown at cost less depreciation. As compared with 1945 there is an increase of £44,348, due to purchase of certain properties, outlay on new buildings and expenditure on re-equipment and modernisation.

Under Investments and Advances, Subsidiary Companies account for £586,309, against £537,025.

Under Other Investments there is a reduction of £9,168 in respect of certain miscellaneous investments that were sold during the year.

The liquid position is satisfactory. Current Assets totalling £734,347, as against Current Liabilities and Provisions £473,420, the surplus being £260,927, as against £257,360 a year ago.

Reserve for Development, £71,410, is due to the repayment of E.P.T., which must be expended on development work.

PROFIT AND LOSS ACCOUNT

In the Profit and Loss Account it will be seen that Net Profit on Trading stands at £287,141, as against £202,963, an increase of £84,178. The value of sales was the highest in the Company's history.

To this must be added Profits (less Losses) of Subsidiary Companies. They, too, have done well, the total being £54,543, as against £23,786, an increase of £30,757.

Excess Profits Tax, which includes £12,059 in respect of the 1945 liability, requires £185,069, being £173,000 for the year.

Directors' and Managing Directors' Remuneration shows the aggregate amount of the Directors' emoluments, both as Directors of the Company and in respect of their services in connection with its management. Payment is partly by salary and partly by commission based on profits. The amount is considerable, but the work done both by Managing Directors and Directors holding office under the Company is exacting in its demands upon their time and ability. The results are shown in the balance carried to the Report on the front page, which is £139,317, as against £78,437 for 1945.

The Report is set out in a form which shows first the deduction of Income Tax, £39,000. After that the transfer to Pension Fund, £7,007, which will bring the Fund to £20,000, and an allocation to Reserve of £5,725, making the total Reserve £75,000.

DIVIDENDS

The payment of Interim Dividends required £19,835. Adding the balance brought forward from last year £28,646 gives a disposable surplus of £96,396.

The dividends recommended are:—

7 per cent. on the Preference Shares for the half-year.

21 per cent. on the Ordinary Shares, making the rate for the year 14 per cent. twice the rate of dividend on the Preference Shares, requiring £46,028.

There follows a recommendation to give to the Lotus Employees' Benevolent Fund £20,000. The Fund, formed by setting

aside from the profits of the years 1922 and 1923 £30,000, has been of the greatest help in providing assistance to employees when ill or recovering from illness, and also in supplementing pensions to older workers. The trustees can be relied upon to turn to good advantage the additional income that will come by raising the Fund from £30,000 to £50,000.

After these appropriations there is left a Carry Forward of £30,368, being an increase of £1,722.

In the Consolidated Balance Sheet Investments and Advances to Subsidiary Companies are replaced by Statements of Assets and Liabilities.

Fixed Assets are £483,055 in excess of the corresponding total in the Lotus Balance Sheet.

Similarly Current Assets are larger by £188,198.

On the other side Reserve for Development stands at £111,910, the increase coming from E.P.T. refunded to Lotus & Delta Ltd.

With the return from active service of men and women called up during the war there has been a steady improvement in the labour position, but there is still a marked shortage of Closing Room operatives. The Closing Room more than ever is the bottleneck of the industry. Many manufacturers, being unable to obtain operatives in their home towns, have established branch factories in other towns and villages for closing uppers. We acquired very suitable premises at Westbury which have materially helped the Northampton factory. At Stafford the position, though serious, is less acute, and has been mitigated by the recruitment of women from Cannock, Rugeley and other nearby towns.

LEATHER POSITION AND PRICES

Leather is one of the commodities that are in short supply. The scarcity has been most marked in the better selections, and in order to maintain production manufacturers have had to take selections that ordinarily they would have regarded as unsuitable.

Designers are to be congratulated on their success in producing patterns requiring a minimum of leather and making the best of inferior materials. One of the most satisfactory substitutes for upper leather has been found in gabardine, from which very attractive and serviceable shoes for women are made.

The price position is obscure. Tanners are called upon to sell leather at prices below the real cost of production when hides have to be bought in the world market. They have been given by the Board of Trade a subsidy to offset the increased cost of hides and so enable them to supply shoe manufacturers at prices which permit the continued production of Utility Footwear at the prices fixed by the Board of Trade.

Sole leather has been in short supply, particularly in the better qualities, and there has been an increasing use of plastics for soling light shoes of the wedge heel and platform type. The material wears well, but is inclined to slip on wet pavements. One of the most satisfactory alternatives to leather is crepe rubber, which should be in larger supply this year.

Throughout the year shoe production has lagged behind demand. The ever-present problem before manufacturers and retailers has been how to make the best of the available supplies of materials for footwear.

The Board of Trade has controlled the output of individual manufacturers by a system of licences designed to secure a fair

division of the available leather between different users. Wisely the restrictions on design have been withdrawn, and manufacturers have produced remarkable range of styles, turning to good advantage very unpromising leather. Viewing the current range of models the comment "Britain Can Make It" comes to mind again and again. When fine leathers are again available still more alluring shoes will certainly follow.

The war has witnessed style developments, notably peep toes, sling backs, wedge heels and platform wedges that the 1939 buyer would unhesitatingly have turned down. The lesson alike for retailers and manufacturers is "Never stand still," and that success comes to the trader who can correctly interpret the signs of the times and is not afraid to back his judgment.

APPRECIATION OF LOTUS AND DELTA SHOES

It is gratifying to be able to report that customers have never been better satisfied with the design, quality and value of Lotus and Delta shoes than today. In achieving this result we have been greatly helped by putting into practice information gained in visits to America of directors and executives. The friendly relations established with manufacturers and distributors in America have proved of the utmost value. Through them we have been put in touch with some of the most active minds in the industry.

The American shoe manufacturer owes much of his success to having at his disposal a wide range of components which, when assembled, enable him to offer to his customers shoes that are elegant in design, uniform in quality and very reasonable in price. We have derived much advantage from the production in our own engineering department of knives and dies and also of certain components.

At Stafford the Board of Trade granted a licence for the extension of the East Block and providing modern cloak rooms and lavatories and some extension of manufacturing space. The building should be ready for occupation in the spring.

At Stone we are planning the erection of a new factory to replace the present buildings, some of which go back to the middle of the last century. The reputation gained by Stone for the manufacture of the highest quality of fashion footwear fully justifies the provision of a factory with working conditions that comply with modern standards of amenity, cleanliness and comfort. The days have long gone by when the skilled craftsman producing articles of high quality worked in cramped and often squalid conditions.

At Northampton we have acquired an option on the land zoned for industrial development under the Town Planning Scheme.

As a nation the maintenance of our standard of living unquestionably depends upon a great increase in our export trade. Shoes present a difficult problem in that, being made from imported materials, the added labour value does not offset the cost of the imported materials, with the result that an export trade in shoes may mean an increase in the adverse balance of trade.

It is therefore desirable to give preference to exports for "hard currency" countries, particularly the U.S.A. There Lotus Veldtschoen enjoy a very enviable reputation. We have formed a company, Lotus Shoes, Inc., with an office in New York for handling the sale of men's shoes.

FRIENDLY RELATIONS WITH SUPPLIERS AND CUSTOMERS

Our relations with suppliers and customers have never been closer or more friendly. Adversity may make strange bed-fellows, but it promotes good understandings also. We have all learned more about each other's difficulties, and have realised that in a common danger we can co-operate to the

mutual advantage of all concerned. It is earnestly to be hoped that the closer contact between principals brought about by the war will be maintained and developed as the years pass.

While there is a scarcity of necessary or desirable materials, some form of control to ensure a fair allocation between different producers or distributors should be maintained, much as we dislike any check on private enterprise. When supply and demand are more or less in balance, variations in price bring about the needed corrections, but when balance is disturbed, whether by war, crop failures or surpluses, failure of an industry to attract sufficient recruits to maintain the labour force, rationing can do much to check violent fluctuations in price and generally to steady the swing of the economic pendulum. The aim should be to restore as soon as possible the conditions that are favourable to private enterprise.

PRODUCTION AND DISTRIBUTION PROBLEMS

The tendency for production and distribution to be concentrated in larger units sets different problems for owners and executives. If control is to be centred in one man there must be a corresponding decentralisation of administrative detail, otherwise large questions of policy are neglected and efficiency is jeopardised.

Good staff work is as essential for a well run business as it is for the Army or Navy or Air Force. Well thought out and clearly defined plans executed with promptness, accuracy and vigour are the best preparation for overcoming the difficulties that lie ahead.

The more widely executive responsibility can be shared, the more smoothly any business should run. With sharing of responsibility should go a similar sharing of information. Works councils are still in their infancy, and their limitations as well as their usefulness have to be ascertained.

The prevalence of piecework in the shoe industry and the insistence in successive National Conference Agreements on the right and duty of operatives to exercise to the full their trade skill and knowledge have secured to workers that they will benefit by their industry and application. The Go Slow habits that in other industries have sapped efficiency and raised the cost of their products are not found in a modern shoe factory.

TRIBUTE TO WORKERS AND MANAGEMENT

Here I gladly recognise the good will that has for so long existed between workers and management at Stafford, Stone and Northampton. It has helped us to carry through with a minimum of friction and disturbance changes in organisation and methods necessitated by alterations in fashion and public demand.

The Five-Day Week, adopted first at Stafford in May, 1944, and later at Stone, now applies to Northampton also.

Interesting questions as to the future of the shoe manufacturing industry are suggested by the recommendation of the Working Party to establish a Shoe Manufacturing Services Board.

We live in an age when the bars on co-operation between men imposed by physical distances have been broken down by the discoveries of science. Communication between one part of the world and another is now virtually instantaneous. Journeys that formerly occupied weeks and months by sea and land are now reduced to hours by air transport.

On all sides we see the formation of associations or unions designed to promote the economic wellbeing of the members. Decisions on policy and developments are made by men meeting as representatives of a whole industry with a wider view of economic forces and tendencies than is open to individuals who, in seeking their own advantage, may often act to the detriment of other sections of the community.

Much as we dislike interference with what we regard as our own affairs, we recognise that in other activities of commerce or business a measure of control or direction is essential for safeguarding the public interest. Perhaps as good an illustration as any is the need for regulation of advertisements in town as well as country districts. Left to themselves unscrupulous advertisers have disfigured natural beauty and vexed the many people who hold that in the beauty of the English country-side we have a heritage of unspeakable value.

THE FUTURE

As to the future. With larger supplies of material and a growing labour force production of Lotus and Delta shoes should continue to rise. Whether it will be sufficient to meet the demand is doubtful. One important reservation has to be made. Great as the importance of production is, the financial problems must not be lost sight of. The present condition is unquestionably critical. In the event of the American recession proving the forerunner of a serious trade depression, the man who could forecast the effects on British economy would indeed be bold.

The report and accounts were unanimously adopted.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

The 109th Annual General Meeting of the Scottish Provident Institution was held in Edinburgh on the 4th instant.

The Chairman, Sir Ernest M. Wedderburn, LL.D., D.K.S., said that the net new sums assured, £3,341,302, were the highest recorded in the Institution's long history. There was also a substantial increase in the number of new annuities the purchase prices amounting to nearly £500,000. The aggregate claims at £1,449,057 were lower than those of the previous year and the claims by death again reflected a favourable mortality experience.

Interest revenue exceeded that for 1945 and at £1,077,180 gross or £800,824 less income tax, showed a yield of 4 7s. 9d. per cent. gross or 3 5s. 6d. per cent. net on the Total Funds. Those had increased during the year by nearly half a million pounds and now amounted to £25,188,006. The appreciation of the market value over ledger value of the Stock Exchange Investments had increased substantially and the Directors felt that the financial position of the Institution was very strong and that the distribution of the assets was particularly suitable to the times.

GROUP LIFE AND PENSION BUSINESS

Last year the Institution had resumed Group Life and Pension business. These schemes met a need long felt by employers and employees. To the employees they gave a feeling of security in that their future was satisfactorily provided for. They secured freedom from want and, in so far as they were contributory, did so by the employee's own efforts. Further, as benefits usually depended on salary, an additional incentive to work is afforded. The employer, on the other hand, was enabled to organise his business so that an employee could be retired in due course without hardship to himself and without unduly burdening the employer with the cost of a pension.

The new National Insurance Act provided pension and death benefits similar in form to those under a group life and pension scheme but of an amount sufficient only for the lowest paid employees. Firms employing skilled operatives and clerical and administrative staffs would therefore still find it necessary, in the case of their more able and enterprising employees, to supplement the Government scheme with one providing additional pensions.

The report and accounts were adopted.

THE BRITISH LINEN BANK

LORD AIRLIE ELECTED GOVERNOR

The annual court of proprietors of The British Linen Bank was held, on the 4th inst., at the head office in Edinburgh.

The Earl of Home, governor, who presided, said, in the course of his speech: Since our last meeting we have celebrated the bi-centenary of the incorporation of the bank, and it is appropriate that to mark the year which witnessed so interesting an event we are in a position to present a statement of accounts which constitutes a record. The balance sheet total at £82,778,954 shows an increase of over £10,000,000 on the previous year's figures. Deposits and drafts amount to £69,000,000—an increase of more than £9,000,000.

Turning to the assets, the items cash, cheques, short loans, bills and Treasury deposit receipts at £32,000,000 are up by more than £5,000,000, and show a ratio of 42 per cent. to liabilities to the public. Investments in Government stocks show an increase of over £4,000,000. Advances at the date of the balance were below the average for the year, and at £8,800,000 show only a small increase.

PROFIT AND DIVIDEND

The past year has seen important changes affecting revenue and expenses. Interest rates were reduced at the instance of the authorities, and the yield on investments continued to fall. The staff in large numbers returned from the Forces, charges for salaries and pensions increased, and all other expenses rose, while on the other hand the rate of income tax was reduced. The full effect of these factors has yet to be felt, but our increased resources this year have enabled us to show a profit of £246,125, compared with £232,141 a year ago. Allocations are recommended of £25,000 to property reserve, £35,000 to pension fund, and £50,000 to contingency account, and it is proposed that a dividend be paid at the usual rate of 16 per cent. per annum, leaving £150,715 to be carried forward.

THE OUTLOOK

The difficulties now facing our country arise largely from failure to heed the implications of the fact that we are much poorer as a consequence of the war. Our situation is that of a debtor who has incurred heavy losses, but has been allowed a limited time to retrieve his position. The recent official economic survey fully justifies the warnings of the business community, who would be glad to see policy even more closely examined. It is difficult, for example, to escape the conclusion that centralisation of control of all activity is more effective in respective directions than in promoting prosperity. The situation calls for wise and broadminded statesmanship as well as for a united and wholehearted effort on the part of the community.

You were good enough to elect me as deputy-governor 25 years ago, and you appointed me to succeed the late Lord Rosebery as governor in 1930. I feel that the time has come when the reins should be handed over to a younger man, and you will be invited to elect as governor the Earl of Airlie, who has acted so acceptably as deputy-governor since 1930.

The report was adopted and a half-year's dividend at the rate of 16 per cent. was approved.

The Right Honourable the Earl of Airlie, K.T., G.C.V.O., M.C., was elected governor in succession to Lord Home.

In recognition of his services to the bank, the Earl of Home was presented with a replica of his portrait, painted by Mr James Gunn, the original of which had been gifted by the stockholders to the bank on the occasion of its bi-centenary.

TECALEMIT, LIMITED

INCREASED PROFIT AND DIVIDEND

MR. S. G. GATES' REVIEW

The twelfth ordinary general meeting of Tecalemit, Limited, was held, on the 31st ultimo, at Winchester House, Old Broad Street, London, E.C., Mr S. G. Gates, the chairman, presiding.

The chairman, in moving the adoption of the report and accounts, said: Ladies and gentlemen,—Demand for the company's products has steadily expanded throughout the year. Production, however, has not been able to expand in proportion, owing, in the earlier months of the year, to a shortage of labour following on the removal of the Essential Work Order and, more recently, to an equally severe shortage of raw material, particularly steel sheet and steel bar. Moreover, our troubles have throughout been accentuated by lack of factory space. In fact, from the point of view of production, the past year has been one of the most difficult in the company's history. During recent months there has been an improvement in output, and, given normal conditions, this improvement should be progressive. But until supplies of coal and steel become more plentiful our situation, like that of most engineering firms, must remain precarious.

During the year our Coventry subsidiary has, with the consent of the Board of Trade, changed its name to Coventry Precision Engineering and Repetition Company, Limited. This change was made in order to bring the company's title more into line with the class of product which it has now been making for a number of years. At present, only a portion of Coventry's capacity is being used for aero work, the remainder being devoted to the manufacture of those Tecalemit products which require the highest degree of precision.

Our Australian company is in process of transferring its headquarters from Melbourne to Adelaide, where a larger factory has been acquired in order to provide for the increasing demand for Tecalemit products in the Dominion.

LARGE INCREASE IN EXPORTS

Direct exports to which, in accordance with Government policy, we are giving high priority, are now running at about five times the value of our exports in pre-war years. But our main participation in exports is indirect, through the incorporation of our products as standard equipment on motor-cars and machinery of all kinds. We are making every endeavour to expand our business abroad, and Mr Taylor is at present in South Africa on a visit which has this object in view. On that account he is unable to be present at to-day's meeting.

PROFIT AND DIVIDEND

The profit for the year, after providing for income-tax (less net E.P.T. repayable £10,700) is £120,081, as compared with £111,249 last year. This figure includes a dividend from our French associate company, but in view of the difficulties under which French industry is labouring at the moment I am afraid that we must not look for any return from that source this year.

Our dividend rate has remained unchanged since 1940, despite the enormous rise in wages and prices which has taken place in

the meantime. The view of your directors is that a modest increase in the rate of dividend is now justified, and their recommendation is that a final dividend of 14 per cent. be paid, making a total of 20 per cent. for the year. If adopted, this recommendation will leave the carry-forward at £69,324, as against £50,188 brought in.

BALANCE SHEET ITEMS

I will now turn to the balance-sheet before you. You will observe that a further £15,000 has been placed to obsolescence reserve, making a total of £40,000 under this head. As I explained last year, this reserve is a provision created to cover the possibility of a loss, or, alternatively, an increased liability to taxation which may arise on the realisation of certain plant required for wartime purposes. The reserve has now reached the full amount which can possibly be required for this contingency.

A provisional payment of £138,034 has been received by way of refund of Excess Profits Tax. It is thought that the final figure, which cannot yet be exactly determined, will not differ greatly from the amount already received.

The bank overdraft on July 31, 1946, stood at £35,756, as compared with £209,028 a year before, this decrease being due to the refund of E.P.T. already referred to and the reduction of stock and work in progress from £692,094 to £530,173.

INCREASE OF CAPITAL

It has, nevertheless, been obvious, as I indicated last year, that fresh capital was required. The permission of the Capital Issues Committee having been received, a further issue of 514,124 shares of the company's authorised, but unissued capital has been made to existing shareholders in the proportion of three shares to every ten held. These shares have been issued at 22s. and will produce approximately £550,000 after expenses, which sum the board considers necessary to finance the further expansion of the company's business and to build new factory premises now urgently required. To this latter end negotiations have been undertaken with the Plymouth City Council for the leasing of a factory site in Plymouth, where the necessary labour is available for our purposes. As part of the site needs to be acquired by compulsory powers, the matter is still *sub judice*; but we hope for a favourable decision shortly. The new factory will relieve the strain on our existing production resources and permit us to introduce new products for which no space is at present available. Considerable thought has already been given to its design, and it is hoped that improved lay-out and the most modern equipment will in time enable us to produce in larger quantities and at lower cost.

You will, I am sure, learn with regret that Mr W. J. Parslow, who had been in poor health for some time, was compelled on medical advice to tender his resignation from the office of managing director on November 1st last. Mr Parslow had been with the company for twenty-two years and had played a considerable part both in building up its business and in steering it through the difficulties of wartime. He carries with him in his retirement the best wishes of his colleagues.

The report and accounts were adopted.

MUFULIRA COPPER MINES, LIMITED

MR. CHESTER BEATTY'S STATEMENT

The adjourned seventeenth ordinary general meeting of Mufulira Copper Mines, Limited, was held on the 28th ultimo.

The following is an extract from the statement of the chairman, Mr A. Chester Beatty, which was circulated with the report and accounts:—

The production of blister copper for the year ended June 30, 1946, amounted to 50,040 long tons. This represents a decrease of 8,235 long tons compared with the output for the preceding year, and corresponds fairly closely to the production rate forecast in my last statement.

The cost of production for the year on an f.o.b. Beira basis before provision for replacements, was £42 17s. 4d. per long ton of blister, compared with £38 9s. 7d. for the preceding year. The average price realised on sales for the year was £57 17s. 11d. per long ton of blister, compared with £53 0s. 11d. for the preceding year.

THE YEAR'S PROFIT

The balance carried from the operating account to the profit and loss account is £785,601. After deducting London expenses and loan stock interest and transferring £200,000 to replacements reserve the profit carried to the appropriation account is £585,601, representing a decrease of about £88,000 compared with the corresponding figure for the preceding year.

As was the case last year, owing to reduced output and higher costs the profit resulting from mining operations was less than the standard profit for excess profits tax purposes and in consequence we drew still further on the excess profits tax "cushion"; this is reflected in the credit of £511,000 appearing in the appropriation account in respect of estimated excess profits tax recoverable for the year.

After debiting the appropriation account with £404,000 representing income-tax payable on the profit for the year and the liability for income-tax which results from our drawing on the E.P.T. "cushion," there was a net profit after taxation, of £644,549, out of which £35,700 was transferred to loan stock redemption reserve, leaving a net profit for the year of £608,849, which compares with a figure of £339,416 for the previous year.

The directors declared a dividend of 3s. 6d. per share less tax at 9s. in the £ costing a net amount of £470,554, and leaving a balance of £138,295 which added to the amount of £192,161 brought forward from last year, gives a balance of £330,456 to be carried forward.

TAX POSITION

I am pleased to say that H.M. Inspector of Taxes has admitted a claim for a revision in the method of computing the profits of the standard period for the purposes of excess profits tax with the result that there is a substantial reduction in the company's liability for tax. The revised basis has been adopted in computing the profits for the year ended June 30, 1946, and the result has been to effect a saving in taxation for the year of about £125,000 as compared with the computation on the original basis. In regard to the years up to June 30, 1945, we estimate that the revision will result in a reduction of over £450,000 in the liability for taxation, and it follows that there is a corresponding over-provision for taxation in those past years.

The company's appeal in connection with other taxation matters has been set down for hearing by the City Commissioners in the near future and we expect that when this appeal has been settled it will be possible to dispose of the other questions namely

valuation of copper stocks for purposes of excess profits tax and "surplus cash." In view of the complications and inter-relationship of the various taxes it is difficult to state the exact amount involved in the stock valuation and "surplus cash" questions, but the amount is estimated to be in the neighbourhood of £500,000, all of which has, of course, been included in the provision for taxation set aside out of profits.

COAL SITUATION

The coal situation has caused and continues to cause us much concern. There is no shortage of coal production at the colliery and the problem is entirely one of transport, due to the failure of the Rhodesia Railways to meet all the traffic requirements of the territories served by this railway system. The prospects for the current year are not promising and inevitably production will suffer on this account.

The report and accounts were adopted.

OROVILLE DREDGING COMPANY, LIMITED

INCREASED COSTS

The thirty-fifth ordinary general meeting of Oroville Dredging Company, Limited, was held, on the 30th ultimo, at 49, Moorgate. Mr W. H. Geikie presided in the absence through indisposition of the chairman, Mr Frederick W. Baker.

The following is extracted from the chairman's address circulated with the report and accounts:—This year we have published consolidated accounts of Oroville and its subsidiary, Pato Mines (Colombia), Limited. The consolidated profits statement shows that the combined profit for the two companies was £39,330. Of this £34,375 is to be distributed to Oroville shareholders and £50 to the outside shareholders of Pato Mines.

The recovery of gold by Pato Consolidated for the year ended April 30, 1946, was considered satisfactory by the management of that company. The production for the first six months of the current year—that is, to the end of October, 1946—amounted to a total of 13,385,825 with gold at \$35 per ounce from 7,326,000 cubic yards. A further dividend of 15 cents, plus a bonus of 5 cents, has been received in December, 1946, on account of the year to April 30, 1947.

Living costs in Colombia have increased, and as a result higher wage scales are now prevailing. Freight rates to and within Colombia have nearly doubled, and in addition to this the cost of equipment and supplies has increased by about 30 per cent. at source has increased by about 30 per cent. Future operating costs, including Colombian taxation and the price of gold, will decide as to what extent the marginal reserves can be handed at a profit. The management are endeavouring to step-up the drilling of some of the large untested areas, though this is being held back somewhat by the difficulty of obtaining drilling equipment. Everything possible is being done to further the installation of the small new river-type dredge, and also the large dredge which is to handle about 6,000,000 yards a year, but in view of the supply position in the United States it will be fortunate if the former is in operation by the end of 1947, and the latter by the end of 1948. On the whole, the year to April 30, 1946, was a difficult operating year in many ways, and particularly in regard to lack of supplies and shortage of suitable trained personnel.

The factors affecting operations and costs at Pato Consolidated apply in full measure to those of Asnazu Gold Dredging, Limited. No dividend was received from Asnazu during the year, but in February, 1946, the entire Asnazu project was thoroughly reviewed by the management of that company and a revised operating programme was outlined. It is a reasonable expectation that this revision will permit the resumption of dividends within the next year or so.

The report was adopted.

JOSEPH NATHAN AND COMPANY, LIMITED

GLAXO EXCHANGE APPROVED

RECOVERY OF OVERSEAS TRADING

The forty-seventh ordinary general meeting of Joseph Nathan and Company, Limited, was held, on the 30th ultimo, at the Abercorn Rooms, Great Eastern Hotel, Bishopsgate, London, E.C., Sir Harry Jephcott, M.Sc., F.R.I.C., Ph.C. (chairman of the company), presiding.

The secretary (Mr J. A. Nathan, A.C.I.S.) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended September 30, 1946, and was taken as read:—During the year Mr Alec Nathan retired from the board after forty years' service with the company as a director, and as chairman of the board for the past nineteen years. By his foresight and untiring energy, he greatly contributed to the growth of the company.

CONSOLIDATION OF RESOURCES

Of recent years the chairman has repeatedly declared the policy of the board to be the direction of the company's resources into those channels which were judged to offer the greatest scope for development.

The policy has now been brought to its full consummation by the disposal of the company's principal freehold property in New Zealand and an agreement for the sale of Joseph Nathan and Co. (N.Z.), Limited.

The effect of all these operations is that, except for an investment in a subsidiary company and some small properties, your company has only one asset—its investment in Glaxo Laboratories, Limited. Under these circumstances, there no longer remains any useful or rational purpose in the continuance of Joseph Nathan and Company, Limited. Indeed, to continue it would have the effect of making it cumbersome and difficult, if not impossible, for the directors to keep you as fully informed of the company's activities as they desire, or as is their duty.

All stockholders' rights will be precisely the same as at present and all will benefit from the enhanced security which the directors are confident will accrue from focussing the company's resources within the Glaxo Laboratories, Ltd.

THE GLAXO LABORATORIES, LIMITED

In the statement to stockholders very full information is given with respect to the past record of the Glaxo Laboratories together with accounts for the financial year ended September 30, 1946. There is no occasion to refer to these figures; they speak for themselves. The progress which has been characteristic of Glaxo since its formation as a company and, for that matter, many years previously, has been well maintained.

Export trading is no new venture for the Glaxo organisation; it is almost as old as Glaxo itself. It is perhaps significant that the company had its origin overseas, and the pioneering spirit which characterised the earliest history of Joseph Nathan and Company, Limited, found new expression in the world-wide development of the Glaxo laboratories. For more than 25 years export has constituted a very large proportion of the Glaxo Company's business. By 1939 Glaxo Laboratories, Limited, was firmly established in many overseas markets in India, Australia, New Zealand, Italy and South America through its subsidiary companies, and in very many other countries with its own resident staff and experienced agents of proved ability.

The war imposed a severe check upon this export development. A large number

of the overseas staff were on active service and the markets were, in many cases, only kept alive with such token quantities of goods as the circumstances permitted. The very rapid redevelopment of this export business has demonstrated in most satisfactory manner the prestige which attaches to the Glaxo products and the goodwill which has been built up.

It is a matter of particular satisfaction that, during the year, sales in overseas markets have been more than three times the sales in 1939.

PENICILLIN PRODUCTION

The company's deep fermentation Penicillin plant at Barnard Castle came into operation during the year and we have had the distinction of producing a large quantity of penicillin of such high quality as has greatly added to the company's reputation with the medical profession. This is a new process which is passing through a phase of very rapid evolution: within the short time during which we have been operating, improvements have been developed which we must adopt in production practice if we are to maintain our position, especially in overseas markets in the face of American competition. This will call for the courage to "scrap and replace," employing plant of improved design as rapidly as improved technique dictates. This is an expensive procedure, but vitally necessary to establishing a firm foothold in so new a technical field. For these reasons it is not to be anticipated that penicillin will contribute in a substantial degree to increased profitability during the development phase which will characterise the immediate future.

Further extensions of our activities in the field of antibiotics and the pressing need for increased manufacturing facilities to meet the expansion of our pharmaceutical trade have called for the provision of additional accommodation. With these ends in view, an appropriate site has been secured at Ulverston in Lancashire. Plans for development along these lines are being actively pressed forward.

The new conditions of pay, together with the five-day week, wherever the nature of the operations permit, have been greatly appreciated by the staff. This scheme, at its inception, was in some degree experimental and it is highly satisfactory to record that, thanks to the excellent co-operation of staff and management, output has not suffered.

STOCKHOLDERS APPROVE PROPOSALS

As will be readily appreciated from this brief review, from the accounts and from the information in the accompanying circular to stockholders, your company—Joseph Nathan and Company, Limited—is now, in all but a formal sense, Glaxo Laboratories, Limited. If the proposals which are now being placed before you are accepted, the effective position will be brought to practical reality.

The report and accounts were unanimously adopted and the dividends as recommended were approved.

At separate general meetings of the 7 per cent. cumulative "A" preference stockholders, the 8 per cent. cumulative preferred ordinary stockholders and the ordinary stockholders, and at an extraordinary general meeting of the company subsequently held, resolutions were passed approving the voluntary liquidation of the company and the exchange of stock in the company for equivalent stock, class for class, in Glaxo Laboratories, Limited.

LONDON MIDLAND AND SCOTTISH RAILWAY COMPANY

NATIONALISATION A THREAT TO INDUSTRY

INADEQUATE COMPENSATION TERMS

SIR ROBERT BURROWS'S VIEWS

The twenty-fourth annual general meeting of the London Midland and Scottish Railway Company was held, on the 28th ultimo, at Euston Station, London, N.W.

Sir Robert Burrows, the chairman, in the course of his statement, said: A year ago we described very fully the steps we had taken to place our track and equipment in an extraordinary degree of efficiency at the outbreak of the war. The nation, not the stockholders, gained by this. Your reward is mere abuse from the Chancellor, who should know that the worn condition of much of your property is due to its intensive use by the Government for direct or indirect war purposes since September, 1939. Even a public inquiry where the statements of the Chancellor and other Government spokesmen could be examined and cross-examined in a judicial manner has been denied us.

NET REVENUE

The net revenue for the year 1946 in comparison with that for 1945 was:—

	1946	1945	Inc.	Dec.
	Thousand £	Thousand £		
Under control agreement...	14,750	14,750		
Outside control agreement...				
From year's working	1,173	950	223	
From earlier year's working	...	519		519
Transfer from contingency fund	15,923	16,219		296
	...	500		500
	15,923	16,719		796

The increase in the net revenue from sources outside the Control Agreement includes £196,000 from a special dividend distribution in 1946 by the Birmingham and Midland Omnibus Company on the winding up of two of their subsidiary companies.

DIVIDEND DECISION

The Transport Bill now before Parliament has the effect of "freezing" for the time being for the purpose of dividends for the year 1946 any net revenue other than the above £15,923,000, thus excluding the net revenues of the company held in reserves or carried forward from 1945 or even adjustments in respect of previous years.

In these circumstances your board have declared a dividend of 2½ per cent. for the year 1946 on the ordinary stock, which with interest on debenture stocks and the dividends on the guaranteed and preference stocks will absorb £15,531,000, the balance of £392,000 being carried forward to 1947. In recommending this course your board have in mind various uncertainties of the Bill affecting the distribution for the years 1946 and 1947, and the dividend proposed is in effect an interim payment for the two years 1946 and 1947, regarded as one.

REPLACEMENT OF WASTING ASSETS

As you are aware, in good and bad years, we have consistently made annual charges to revenue for the replacement of our wasting assets, such as the track, rolling stock and steamboats, the amount for 1946 being £10½ millions. These amounts have been calculated each year on the current cost of replacing the assets and were naturally appreciably greater than if calculated on the original cost. Each year these charges were submitted in great detail to the Minister of Transport, who forwarded them with his comments for consideration in open Court by the Railway Rates Tribunal.

Our prudence in this respect has not only reduced your dividends, but has had its reaction on the Stock Exchange quotation for your stocks, which the Government have

chosen to take as a true valuation of your property and as the price at which you would be prepared to sell.

NATIONALISATION

When we met last year the Government had announced its intention of nationalising the railways, but had not indicated in any way the details of their plan in regard to the compensation they proposed to offer to the stockholders. I cannot do better than quote what Lord Royden said at our last annual general meeting:—

"The decision to nationalise the railways as in the case of the Air Services is political and not based on any suggested lack of efficiency or economy in the conduct of the undertaking... and that while we are in the hands of Parliament on such matters your board would vigorously resist any proposal which in its opinion is detrimental to your interests."

This we have done and will continue to do.

"FITIABLY INADEQUATE"

It is difficult to speak temperately about the financial proposals for compensation contained in the Transport Bill. It is almost universally recognised, except in Government circles, that the compensation is pitifully inadequate. It is not unreasonable to ask that the price to be paid for railway stocks should be determined not arbitrarily by the buyer, but by an independent tribunal. Compared with the standard revenue, or even with the revenue enjoyed under control, the compensation proposed by the Bill stands condemned.

The price the Stock Exchange placed upon the railway stocks for purposes of comparatively few sales was governed by many factors, the chief probably being the uncertainty of the Government intentions and the aftermath of the war. Furthermore, the price of the railway stock only applies to a very small proportion in the hands of the public. Had any person desired to acquire the railway companies by buying the stock in the market, the price would have risen rapidly.

STOCK EXCHANGE OPINION

The council of the Stock Exchange found it necessary to take the unprecedented step of making representations to H.M. Government on this matter and they have set out in a reasoned statement why the proposed basis of compensation was not equitable.

I should like to quote two extracts from these representations:—

"... They desire to state authoritatively that Stock Exchange quotations are not related directly to the value of a company's assets, or to the amount of its profits, and consequently these quotations, no matter what dates may be chosen for reference, cannot form a fair and equitable, or a rational basis for compensation."

"... It is the considered opinion of the Council that the only fair and equitable method of arriving at a proper basis for compensation is, failing agreement between the parties, by arbitration..."

I am afraid that the policy pursued in the past by the railway boards which I have mentioned of devoting a large part of the revenues of the respective companies to the maintenance and improvement of the track and rolling stock, prudent and proper as it was at the time, has contributed something to the low quotations of the preference and ordinary stock on the Stock Exchange. Had the railway companies, as they are now alleged to have done, put dividends first and allowed the track and equipment to remain

merely in safe condition, larger dividends would have been paid, but the railways could not have handled the war-time traffic. The Stock Exchange quotation, further, takes no account of the very many valuable non-revenue-producing assets of the companies.

It is a curious thing that one of the first actions of this Parliament was to increase considerably the remuneration of the Members of the House of Commons. The Government has now, however, turned on the stockholder who has made provision for himself, and proposes to halve his income.

Railway and canal companies from their inception have been statutory companies and subject to one form and another of rigid public control. The State's right to nationalise the railways was embodied in the Railway Regulation Act of 1844, which is still the law.

This Act provides for the purchase of any railway authorised after 1844 at 25 years' purchase of the profits of the three preceding years, and if the average of those profits is less than 10 per cent. of the capital, the railway company has the right to require an arbitration on the additional amount, if any, to be paid for the value of its prospects.

CREATION OF A MONOPOLY

I should like to turn for a few moments to an examination of the other provisions of the Bill. Although the words "co-ordination" and "integration" are freely used in the debates on the Bill, the Bill itself gives no indication how such integration is to be achieved. In fact, its main purpose seems to be to create a vast monopoly without any promise of efficiency and without any check by Parliament, or by any independent tribunal, leaving the Minister to impose any restrictions he may choose upon the unfortunate user of transport.

The Government has introduced a Bill to amend the Companies' Act and seeks to protect the public and the shareholders by imposing further restrictions on those who direct public companies. Yet at the same time it introduces the Transport Bill under which every safeguard hitherto imposed upon the railways in the interests of the users of transport is swept aside.

VAST SYSTEM OF PATRONAGE

A vast system of patronage is placed in the hands of the Ministry of Transport. The Minister alone appoints the five Commissioners and the forty odd members of the subsidiary boards. He alone can fix their remuneration, their periods of office and the terms of their pensions.

There have been sixteen Ministers of Transport in the twenty-eight years since the Ministry was established, an average of 1½ years for each Minister. This means, of course, that apart from patronage, the average Minister will have little time to acquaint himself with the very complicated problems of transport and inevitably the Commissioners will be controlled by those in the Ministry.

Furthermore, there is no provision for the form in which the accounts should be presented. I need hardly remind you that the railway companies have yearly to justify their efficiency before the Railway Rates Tribunal. No such provision is inserted in the Bill. Efficiency and economy are to be left to chance, and, if the Minister so chooses, his report to Parliament may be in a very abbreviated form.

All checks and controls are swept away. Severe restrictions on the right of the trader to carry his own goods in his own vehicle are imposed. A rigid Government monopoly is established which provides no benefit to the nation or the users of transport.

Your board, with your support, will continue to fight the Bill, its financial provisions and its general purpose, which I feel carries with it a grave threat to the industrial future of the country, leaving the stockholder despoiled, the public unprotected and bureaucracy triumphant.

The report was adopted.

GREAT WESTERN RAILWAY COMPANY

UNFAIR TREATMENT OF STOCKHOLDERS

LORD PORTAL'S SPEECH

The annual general meeting of The Great Western Railway Company was held on the 5th instant, at Paddington Station, London.

The Rt. Hon. Viscount Portal, P.C., D.S.O., M.V.O., the chairman, in the course of his speech, said: Including the balance of £269,305 brought forward from last year and the profit of £245,074 secured during the year on realisation of investments, the amount available for appropriation amounts to £7,981,769 against £7,405,560 last year (when £150,000 was transferred from the Contingency Fund), an increase of £576,209. Taking all the circumstances into consideration, however, we feel we can safely recommend a dividend of 3 per cent. for the half-year ended 31st December last, making 5 per cent. for the whole year.

HARSH TERMS OF TRANSPORT BILL

When I addressed you last year at our Annual Meeting, I told you that it was the Government's intention during the life of the present Parliament to introduce measures designed to bring transport services essential to the economic well-being of the Nation under public ownership and control. The Transport Bill which was introduced in October of last year has had its second reading in the House of Commons and is now in the Committee stage.

The adoption of that course necessarily limited discussion on the Bill and opportunities for criticism have been restricted still further as the result of the Resolution passed by the House of Commons on Monday last imposing a guillotine procedure. The Stockholders have doubtless taken due note of this. The Railway Companies and other inland transport undertakings have opposed the Bill and will continue to do so, not only to protect the interest of Stockholders and the Staff, but because there is nothing in the Bill to indicate the means by which a more efficient and economical transport service is to be provided, and the benefits which users are likely to obtain.

MAIN PROBLEM UNTOUCHED

Although it has long been recognised that the main transport problem to be solved is that of securing a greater measure of co-ordination between the various forms of transport so that those responsible for the provision of transport services may be able to meet the needs of the public to the best advantage, the Bill contains no constructive plan for dealing with the problem. It merely lays down that it will be one of the duties of the British Transport Commission to work out a scheme of co-ordination, without giving any indication as to the lines on which co-ordination is to be effected and the interests of users safeguarded.

The total market valuation of our undertaking based on the compensation terms set out in the Bill only amounts to about £163 millions. While it is not possible to give any actual figures of the value of the physical assets which the Government will acquire, it is safe to say they are worth more than the proposed total compensation. Our Rolling Stock, which stands in our capital account at £22 millions, is estimated to be worth nearly double that amount, after making full allowance for the expired life of the stock and accumulated arrears of repairs.

The strength of our financial position is demonstrated by the Balance Sheet. In addition to our physical assets our liquid resources amount to some £49 millions including the investments held by the Trust Fund. Moreover, a conservative estimate of the market value of our investments in associated road undertakings would be £7 mil-

lions compared with the £3 millions shewn in the capital account.

UNFAIR BASIS OF EXCHANGE

The basis on which the exchange values of the railway stocks have been fixed is set out in the Fourth Schedule to the Bill, and as you, ladies and gentlemen, will have appreciated, it entails a substantial diminution of income to the Stockholders. It is computed by reference to the average of the quotations for the securities appearing in the Stock Exchange Official Daily List on 6 days in November 1946, with certain minor exceptions, where the quotations on alternative days in 1945 are adopted. Apart from the inherent unfairness of this basis, one would have thought that the Government Stock to be given in exchange would also have been computed by reference to its market value on the dates chosen for the quotations of the Railway Stocks which are to be extinguished.

Although the Council of the London Stock Exchange itself has pointed out the fallacy of using the basis in the Bill, the Government insists on treating Stock Exchange prices as reflecting the operation of the law of supply and demand, but it must be borne in mind that Stock Exchange bargains are between a willing seller, or one whose circumstances may compel him to sell, and a willing buyer, and it certainly cannot be said that the railway stockholders as a whole are willing sellers.

STOCK EXCHANGE QUOTATIONS INAPPROPRIATE

The doubts and uncertainties of recent years render Stock Exchange quotations particularly inappropriate as a basis for the valuation of British Railway securities, and if further evidence of the fallacy of adopting the Government basis were needed, it is apparent in the case of our Debenture stocks. The five classes of this stock all rank *pari passu* but the reduction in income will vary from 4½ per cent. in the case of the 2½ per cent. Debenture Stock to nearly 29 per cent. in the case of the 5 per cent. Debenture Stock.

The rate charge, guaranteed and consolidated preference stocks, which have always received the due rate of 5 per cent., are dealt with even more severely, their respective annual losses amounting to £1 10s. 2d., £1 11s. 6d., and £1 17s. 5d. on every nominal hundred pounds of stock, whilst the Ordinary Stock—which for 77 years has received an average dividend of nearly 5½ per cent.—gets this reduced to £1 9s. 6d. per cent.

The net result of the proposals in the Bill is that the Stockholders will be deprived of £18 millions per annum—which incidentally will mean a loss to the Exchequer of about £8 millions—and whether the saving effected at their expense will benefit the users of transport to any material extent or be absorbed mainly in additional costs is certainly problematical.

Whatever the future may hold in store we shall continue, as long as we are permitted, to run this great undertaking with its traditions of over 100 years, in the best interests of the public whom we are privileged to serve and with every regard for the well-being of the staff and the duty which we owe to the Stockholders. We can look back with justifiable pride on the history and achievements of the Company throughout the long period of its existence and can only hope that its past record may continue to inspire whoever succeeds us in the control of its destinies.

The resolution for the adoption of the report and accounts was carried unanimously.

MANCHESTER SHIP CANAL COMPANY

SIR FREDERICK J. WEST'S REVIEW

The eighty-ninth ordinary general meeting was held, on the 28th ultimo.

The chairman, Sir Frederick J. West, G.B.E., in the course of his speech, said: It is a disappointment to me that the trade of our port over the last year, in common with other British ports, does not present a better picture.

The net revenue for 1946, compared with that of the previous year, showed a decrease of £385,213. The net revenue for the year was £391,037. It was unnecessary to make any provision for income-tax, and thus, after adding £25,985 balance brought forward from the previous year's account and deducting £345,802 loan and debenture interest, there remained £71,220 balance available for dividends and reserve, compared with £274,401 in 1945. To this amount has been added £180,000 transferred back to revenue from income-tax account, as explained in the directors' report, giving a total balance available of £251,220.

DIVIDENDS

It is proposed that there should be appropriated £35,000 to the reserve for contingencies and repairs, and that out of the balance of £216,220 the following dividends, amounting to £213,417, should be paid:—
3½ per cent. on the Manchester Ship Canal Corporation 3½ per centum preference stock.
3 per cent. on preference shares.

1½ per cent. on ordinary shares, carrying forward £2,803 to next year's account.

Your board is pleased that, notwithstanding the substantial decline in net revenue, they can recommend the payment of the same dividends as these of the previous year—especially as this can be done without reducing the provisions which are being built up to cover the renewal of plant, machinery and equipment.

Receipts from tolls, ship dues and traffic rentals, etc., showed a decrease of £148,087.

The expenditure in the working of the Ship Canal showed an increase over 1945 of £98,499, of which dredging was responsible for over £65,000. The cost for dredging in 1946 was £280,000, being the highest ever incurred, and compares with £214,000 in 1945 and with the average cost of £141,000 for the preceding ten years.

All amounts set aside for taxation have been credited to one account and have been, or will be, needed to cover the company's liability for income-tax on all profits earned to December 31, 1946, with the exception of £180,000 which has been brought back to revenue. I give this information as it has been suggested by some shareholders that we have over-provided for taxation.

THE TRANSPORT BILL

It is necessary to refer to important measures which are now before Parliament. The Transport Bill is of vital significance, and I think we were all surprised by the drastic nature of this nationalisation measure, which embraces all inland transport while giving little or no indication of how it is going to be organised and operated. Its most surprising feature is the inclusion of harbours and port facilities in a Bill for the nationalisation of inland transport, because it is well known that harbours and port facilities exist solely to serve shipping: a highly competitive industry which is still to remain in the hands of private enterprise.

The Bill itself does not provide for the immediate transfer of the harbours to the Transport Commission, with the exception of those owned by the railway and canal companies, but it gives the Commission power to make schemes which may have that effect, and which (in the event of opposition) can be confirmed by the new special Parliamentary procedure.

WILLIAMS DEACON'S BANK LIMITED

"EMINENTLY SATISFACTORY RESULTS"

MR G. P. DEWHURST'S ADDRESS

The annual general meeting of Williams Deacon's Bank Limited was held, on the 30th ultimo, at Manchester.

The following are extracts from the statement which has been circulated by Mr G. P. Dewhurst, the chairman, in advance of the meeting.

BALANCE SHEET ITEMS

Our deposits at £104,643,000 show us an increase of 23 per cent. over last year's totals and for the first time in the history of the bank have passed the £100 million mark.

A similar proportionate expansion of deposits differing only in relatively small degree has been the experience of the other clearing bankers during the year. This general increase—hitherto unequalled in so short a time in English banking—is not a phenomenon to be viewed with complacency. I will refer to it again in a moment or two.

Acceptances and credits opened have increased by £475,000, a reflection of the finance of imports handled during the war years by the various Ministries, and also a welcome reflection of the greater use of the documentary credit, often to facilitate the movement of goods which do not touch the shores of this country.

Endorsements and other obligations show an increase of £519,000.

On the other side of the sheet our cash, balances with other banks, money at call, bills, and Treasury deposit receipts show an increase of £13,843,000 and at over £60 million are equal to 57 per cent. of our deposits, and I may perhaps remind you that the average earnings on that group of assets have, during the year, been at the rate of less than half of 1 per cent. per annum.

There has been an increase in investments of £2,628,000, taking the total to £31,864,000. It will be seen, therefore, that the liquid position of the bank needs no emphasis.

Advances at £14,925,000 give us a welcome increase of £3,338,000. This addition is well spread and there are indications that once the difficulties of supply are surmounted customers' demands will broaden.

Turning now to the figures of profit and loss, our net profit, after making the usual provisions appears at £238,547 10s. 2d., or an increase of over £22,000 on the year.

This profit, with a balance of £115,489 brought forward from last year, gives us a total of £354,036 10s. 6d. now to be dealt with.

After transferring £100,000 to pension fund we are in a position to pay dividends at the rate of 12½ per cent. on both our "A" and "B" shares and carry forward to next year's account £125,130 5s. 6d., as against £115,489 brought in.

SATISFACTORY RESULT

This, I submit, is an eminently satisfactory result if we take into account the inevitably increased overhead expenses, including larger salaries through the higher scale of staff remuneration, even though these have been offset to some extent by the employment of increased deposits and the reduction in taxation.

There has been a noticeable and gratifying increase in the volume of new business that has come to the bank during the past year. In addition, our customers are availing themselves more and more of the services of our trustee departments, while the increase in the volume of foreign business has imposed a heavy strain upon the staffs of our foreign departments both in Manchester and in London.

Turning for a moment to wider questions, I think the past year can be described as a

period during which the bulk of the switch-over from war production to the needs of peace was smoothly effected and when the difficulties inherent in the immense movements of labour not only from the Services back into industry, but from the war industries into other lines of activity, were successfully surmounted. Both these constitute, of course, very considerable achievements.

PROMISING START OF EXPORT DRIVE

In addition, the past year has seen the opening of what will be a grim struggle to achieve an export trade sufficient, after allowing for the diminution of our invisible exports, to maintain the standard of life to which we have been used. The official target for exports of 75 per cent. in volume above the 1938 figure has, of course, not been reached or even approached during the year. That is not surprising. In fact, I think it may be said that a promising start has been made inasmuch as the actual visible adverse balance is less than for 1938, but it must be remembered in this connection, firstly, that half of our pre-war overseas investments have been sold; secondly, that there is a heavy deficit of over £300 million in the balance of trade with those hard currency countries which provide so many of our indispensable imports; thirdly, that in a matter of months we are under obligation to restore free convertibility of sterling for current transactions; and, lastly, we should remember, as I said last year, that the condition of a seller's market will only obtain for a limited period, perhaps more limited than we think.

When, in addition, one notices that the export curve tended to flatten towards the end of the year, it will be seen that a testing time lies in front of us when the resources of the Canadian and American loons have been reduced or used up, when the free convertibility of sterling for current transactions obtains and when full competitive conditions return.

Nevertheless, the dislocation brought about by the war was bound to be profound, and we have at any rate the satisfaction of noting that the trade deficit for 1946 is very considerably less than was forecast by the British experts at Washington.

NEED FOR INCREASED PRODUCTION

As to the future, the crying need is for production, which involves hard work from all classes and I am glad to see that in the recent White Paper the facts are clearly stated so that no section of the community should be in any doubt as to its duty but there is, I am bound to say, a considerable difference between posing the problem and achieving the solution, and I wonder whether in spite of the vital importance of exports at this stage some psychological impetus to the working man by means of an increase in the number of consumer goods available in the home market might not be good business.

As regards fuel; the shortage of coal has become a standing menace to the whole industrial structure of the country. Under these circumstances the Government's scheme of fuel rationing is to be welcomed in so far as each industry now has some measure of certainty about its reduced supplies. The coal question is the kernel of our problem, although one of its troubles—shortage of labour power—is common and likely to be common throughout industry. In connection with this shortage I support the voices that have been raised suggesting the employment of foreign labour.

CHEAPER MONEY POLICY

Internally the drive for cheaper money has continued throughout the year, culminating in a "long" 2½ per cent. Tap issue. The Chancellor has thus achieved a technical success of the first order and it may well be that his plans dovetailed into the nationalisation programme.

No responsible person would, I think, care to dispute the necessity for low money rates in view of the size of the National Debt and the pressing needs of reconstruction, but cheaper money tends to bring certain disadvantages; indeed when coupled to heavy taxation the result is inevitably to weaken incentive, to discourage thrift and to encourage extravagance, while the effect on that deserving section of the community which is living, or trying to live, on the income of its past savings is notably hard.

I referred a moment ago to the increase in bank deposits which the past year has witnessed, remarking that it was not a phenomenon to be viewed with complacency. This concomitant of the cheap money policy arises from the support which the Government during its operations has given to the gilt-edged market, and also from the desire of the public to maintain a liquid position. The latter motive is not far removed from a reluctance to invest—an ominous portent. During the first eleven months of the year the deposits of the Clearing Banks went up by £650 million, over £400 million of which has been lent back to the Government, while the movement has been accompanied by a continuation of the long rise in Stock Exchange prices.

I should imagine that the long-term implications of an extremely cheap money policy must now be receiving the careful consideration of the authorities. In fact, however much one endorses a cheap money policy a point is bound to come where the advantages of any further progress along that road must be considered in the light of the disadvantages. It may be that that point has been reached and the Chancellor will be content with his victories and rest on his laurels.

COTTON TRADE

While nationalisation of the principal industries of the country has been the main feature of the Government's policy during the year, the cotton trade of Lancashire has been exempt from any such project, but at the instance of the President of the Board of Trade a Working Party, with the widest terms of reference, under the chairmanship of Sir George Schuster, has been formed to examine the industry with all its ramifications and report.

This Report has been on the whole well received by the trade, and has now been followed up by a declaration of the Government's attitude in the matter conditional on certain undertakings by employers and operatives, the main features of which are the re-equipment and modernisation of the mills, the grouping of mills into larger units, the introduction of double shift working, and the acceptance by both parties in the industry of labour deployment and utilisation.

Given the observance of these conditions, the Government are prepared to make a grant of 25 per cent. towards the cost of the mechanical re-equipment of the spinning mills, which will carry a priority of delivery from the textile machinists.

In striking contrast to the above appears the decision of the Government against, in my view, the best opinions of the industry to close the Liverpool Cotton Market. The prestige of that market was immense. Even at this late hour, I trust the Government's decision is not irrevocable.

As was to have been expected, the year has been one of great activity in the engineering trade, and it is, however, encouraging to note that the steel output of the whole country was almost 1,000,000 tons higher than in 1945.

The report and accounts were adopted.

MIDLAND BANK LIMITED

ANNUAL MEETING OF SHAREHOLDERS

The ordinary general meeting of shareholders of the Midland Bank Limited was held, on the 29th ultimo, at the Head Office, Poultry, London, E.C.2. The Most Hon. The Marquess of Linlithgow (the chairman) presided.

The chairman proposed the motion for the adoption of the report of the directors and the audited statement of accounts for the year ended December 31, 1946, which was seconded by Lord Royden (director) and passed unanimously.

Resolutions were carried authorising the payment on February 1st of a dividend at the rate of 8 per cent. actual, less income tax, for the half-year ended December 31st last; re-electing Colonel The Hon. G. K. M. Mason, D.S.O., J.P., and Sir Francis L'Estrange Joseph, Bt., K.B.E., J.P., D.L., as directors; fixing the sum payable to directors; and reappointing Messrs Whinney, Smith and Whinney as auditors for the ensuing year.

The meeting closed with a vote of thanks to the chairman, proposed by Sir Frank Newson-Smith and seconded by Mr Edward Simmons.

BIGNELLS, LIMITED

PROFITS MAINTAINED

The tenth annual general meeting of Bignells, Limited, will be held, on the 7th instant, at Rushden, Northants.

The following is an extract from the statement of the chairman (Mr Arthur J. Bignell) circulated with the report and accounts:—

The accounts for the year under review show the results of the company's first complete post-war year's trading, and it is very satisfactory to know that, in spite of the difficult trading conditions which we have experienced, our profits have been more than maintained. Our gross trading profit at £66,597 was slightly in excess of that for the previous year, but owing largely to the reduction in the rate of excess profits tax as from January 1, 1946, our net profit for the year amounted to £28,459, which is approximately £11,000 higher than that for the previous year.

NOTICES

DOMINION OF CANADA

TWO-AND-A-HALF PER CENT INSCRIBED STOCK, 1947.

For the purpose of preparing the Interest Warrants due April 1, 1947, on the above-mentioned Loan, the BALANCES will be STRUCK on the evening of March 1, 1947, after which date the Stock will be transferred ex-dividend.

For the Bank of Montreal, Financial Agents of the Government of the Dominion of Canada in London.

A. D. HARPER, Manager.

47, Threadneedle Street, E.C.2. February 1, 1947.

THE UNIVERSITY OF MANCHESTER

CHAIR IN ECONOMICS

Applications are invited for appointment to a second Chair in Economics. It is hoped that the person appointed will be able to enter upon his duties on September 29th, 1947. Salary according to qualifications and experience.

Applications, which must be received on or before February 28th, 1947, should be sent to the Registrar, the University, Manchester, 13, from whom further information may be obtained.

CAMBRIDGE GRADUATE (Economics), 27, good business and administrative experience, seeks suitable London post; economic journalism, trade research or business executive. Highest references.—Box 411.

In drawing your attention to the E.P.T. post-war refund of £19,608, I would mention that during the year additions to property and alterations and improvements to our Kettering factory have been completed at the cost of £10,596, which expenditure is on account of our post-war development programme.

Owing to unforeseen building difficulties and delay in the installation of new plant my expectations regarding production at our Kettering factory have not been fulfilled. However, in a short time we shall be producing Goodyear welted shoes at this factory. Our Station Road factory, Rushden, has been derequisitioned and completely refitted and reorganised, and is now in satisfactory production.

During the year under review, there has been a considerable expansion in our export trade, and, when licences are more freely granted, our goods will be circulating in most of the world's markets.

MARTINS BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and sixteenth annual general meeting of Martins Bank Limited was held, on the 28th ultimo, at the Head Office, Liverpool, Mr F. A. Bates, M.C., A.F.C., D.L., chairman, presiding.

The chairman said that his statement had already been circulated to members, who he hoped would appreciate the soundness of the balance-sheet and the excellence of the results of the past year, coupled with the evident growth and progression of the bank's service to its customers.

The chairman moved the adoption of the report and accounts and approval of the recommended final dividend, making 15 per cent. for the year. Mr R. V. Buxton, D.S.O., a deputy-chairman, seconded, and the resolution was carried.

On the motion of Sir Harold Parkinson, O.B.E., seconded by Mr A. M. Buxton, Mr F. A. Bates, Mr J. H. B. Forster, D.L., Mr H. Mancknols Walton and Mr Myles L. Kenyon were re-elected directors.

Mr Lewis Rhodes proposed, and Mr Alan J. Stott seconded, the reappointment of Messrs Harmood, Banner, Lewis and Mounsey, Liverpool, Messrs Peat Marwick Mitchell and Company, London, and Messrs Thomas Bowden Sons and Nephew of Newcastle-upon-Tyne, as auditors. The motion was carried.

Alderman Edwin Thompson submitted a vote of thanks to the chairman for his past services, particularly throughout the war period, and this was cordially approved.

The chairman, in reply, spoke of the admirable spirit which animated the conduct of the affairs of Martins Bank, and the valuable support which this engendered from the commercial community which it served. He also expressed his gratitude to the general manager and to the management and staff for their zealous service in the bank's interest.

Mr J. McKendrick, chief general manager, speaking for management and staff, said Mr Bates, who had occupied the chair for a longer period than any previous chairman in the history of the bank, had always encouraged a broad and progressive outlook, and this had been reflected in every department of the bank's work.

S. HUBBARD, LIMITED

DEVELOPMENT PROGRAMME

The 23rd annual general meeting of S. Hubbard, Limited, was held on 29th ultimo, in London.

Mr G. O. Hubbard (Managing Director) said that during 1946 the company had made various changes in its organisation to meet current conditions. As a result the values of the company's sales during 1946 were increased by 35 per cent. The net profit for 1946 was £132,000 compared with £79,000 in 1945. The Directors recommended that the same dividend should be paid as in earlier years, namely 10 per cent., less income tax.

The company's programme of development would involve further capital expenditure amounting to £140,000. The company proposed to raise approximately £300,000 by the issue of 200,000 four-and-a-quarter per cent. cumulative preference shares of £1 each at 21s. per share, and 160,000 ordinary shares of 5s. each at 13s. 6d. per share. The preference shares would be offered for public subscription but applications from the shareholders would receive preferential consideration on allotment. The ordinary shares would be offered to the existing shareholders.

As regards the future prospects of the company, the directors were confident that their proposals would place the company's finances on a sound footing. As the proposed programme progressed, the company would be able to provide hat manufacturers with increasing quantities of wool and fur felt hoods and capelins at economic prices and continue to play its part in supporting the hat trade in the production of hats at reasonable price values. In their opinion the future success of the whole trade lay in the possibility of the public buying quality hats in increasing volume at the lowest prices. The prospects for 1947 appeared good.

The report was adopted.

VICTORIA UNIVERSITY COLLEGE

WELLINGTON, NEW ZEALAND

Applications are invited for the Chair of Political Science. Salary £1,200 per annum (New Zealand currency). Allowance for travelling expenses. Further particulars may be obtained from the Secretary, Universities Bureau of the British Empire, 24, Gordon Square, London, W.C.1. Closing date for the receipt of applications 7th April, 1947.

UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in Public Finance tenable at London School of Economics and Political Science (salary £800). Applications must be received not later than 27th March, 1947, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in Commerce tenable at London School of Economics and Political Science (salary £800). Applications must be received not later than 27th March, 1947, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY COLLEGE OF WALES, ABERYSTWYTH

An appointment will shortly be made to a teaching post in the Department of Economics and Political Science on the scale of salary £600 to £750 per annum. Applications are invited, and should be sent to the Registrar, University College of Wales, Aberystwyth, by March 15, 1947.

R. A. LISTER AND COMPANY, LIMITED

SATISFACTORY RESULTS

MR PERCY LISTER'S REVIEW

The ordinary general meeting of R. A. Lister and Company, Limited, was held at Dursley on the 21st ultimo. Sir Percy Lister (the chairman) said:—

Your directors' report and audited accounts are submitted herewith. In accordance with our previous practice we have included a consolidated balance sheet together with a consolidated profit statement, both of which once more reflect the strong financial position of your undertakings.

From the consolidated accounts you will observe that the new capital accruing from the issue of a further 300,000 ordinary shares during the year, largely accounts for the increase in the balance at bank and cash in hand from £398,000 to £1,424,000.

It will be observed that the sundry debtors have increased by approximately half a million pounds. This has been brought about by the changeover from war to peacetime trading conditions, and it is anticipated that this tendency will increase, particularly having regard to the very high percentage of the company's products which are distributed in the export markets in the face of world competition.

HARRISONS LISTER ENGINEERING LIMITED

With our old and esteemed friends, Messrs Harrisons and Crosfield, Limited, who, for over a quarter of a century, have represented us in some of the principal markets of the Far East, we have jointly formed Harrisons Lister Engineering Limited, thereby tangibly combining the mutual knowledge and interests of old-established merchant and manufacturing companies to meet the new post-war conditions. Already the results accruing from this valuable combination are most encouraging.

The manufacturing resources of your group of companies have been substantially enhanced during the period under review by the acquisition of a modern factory in Sydney, Australia; the leasing of a wartime-built factory near Swindon from the Admiralty; and the establishment of a factory in a development area at Cinderford which, whilst still under construction, has already commenced productive work.

In this connection the capital in the wholly-owned subsidiary companies, Messrs Blackstone and Company, Limited, of Stamford, and Messrs Lister Blackstone, Pty., Limited, in Sydney, Australia, has been considerably increased.

SUBSTANTIAL CAPITAL EXPENDITURE FOR INCREASING PRODUCTION

Very substantial capital expenditure for increasing the production in the five main factories of the group is now in hand. This expenditure has only been incurred after the most careful study by our engineers and executives on the Continent and in the United States of America, as well as in this country and will, we are confident, so soon as the delivery of the requisite capital equipment and building materials permit, result in a considerably increased production, better working conditions and the more economical utilisation of labour.

Since the date of the balance sheet a sum of £70,879 has been received in respect of the E.P.T. post-war refund for your group of companies, covering the period up to September 30, 1944. This amount is not brought into the statement of accounts submitted. This refund will be spent during the current financial year on the re-equipment of our factories. The company may be entitled to a further refund in respect of the period from October 1, 1944, to December 31, 1945.

R. A. LISTER (MARINE SALES) LIMITED

Our wholly-owned subsidiary, R. A. Lister (Marine Sales) Limited, are responsible for the distribution of the Marine propulsion engines and auxiliary equipment manufactured by the parent company and Messrs Blackstone and Company, Limited, and have developed an extremely interesting and ever-growing volume of business in this highly specialised field, and from the orders on hand from all parts of the world it is expected that the activities of your Marine company will continue to be satisfactorily reflected in your accounts.

Our associated company in the United States of America, whose production during the war was almost exclusively for war requirements, has now become a wholly-owned subsidiary company, and its products have been converted to meet current demands.

The old-established French and Belgian subsidiary companies, despite long years of enemy occupation, are finding an increasing demand for our products. Adequate provisions have been made for possible exchange fluctuations.

PROFIT AND DIVIDEND

Turning to the profit and loss account it will be observed that the consolidated trading profit was £408,636, which, after making provision for taxation for the year amounting to £209,357, resulted in a net profit of £199,279, to which must be added a credit arising out of the settlement of Government contracts completed in previous years of £5,075, leaving available £204,354. Of this figure £28,465 is retained in the accounts of the subsidiary companies, leaving the sum of £175,889, which, with the balance brought forward from the previous year of £73,836, makes a total available for distribution of £249,725.

You will observe from the directors' report that your directors recommend that the bonus for the year should be increased from the 6 per cent., which has been paid for the past ten years, to 8 per cent., making, with the interim and final dividends, a total distribution on the nominal value of the ordinary shares of 18 per cent.

If the directors' recommendations are approved there will be available to carry forward on the profit and loss account to next year, £150,254.

In my statement to you last year I intimated that my tour round the world on behalf of the company's interests would necessitate my being absent from the last annual meeting. This tour involved contacts on five continents, including visits to the subsidiary and associated companies in Asia, Australia, Canada, United States and the Argentine, as well as to the company's distributors in other countries, and my colleagues share with me the belief that the results accruing from this trip will prove extremely beneficial to the interests of your group of companies.

Our research and development division has been continuously active since the cessation of hostilities and your directors hope to introduce new products of considerable interest to the home and export markets during 1947.

CONFIDENCE IN THE FUTURE

We feel confident that, given an adequate solution to the shortages of housing, labour, and materials which, under current conditions, are so largely beyond our control, the results for the year under review and the steady progress of the past 20 years can be maintained.

In conclusion I am sure it will be obvious to you that the excellent results submitted to you have only been achieved through the loyal support and co-operation of the executive officers, staff and employees in your employ in all parts of the world, and on your behalf I have the greatest pleasure in expressing to them all your sincere thanks.

BIRMINGHAM AND DISTRICT INVESTMENT TRUST, LIMITED

STRONG LIQUID POSITION

The sixty-third ordinary general meeting of the Birmingham and District Investment Trust Limited was held on the 28th ultimo in London.

Mr H. C. Drayton (chairman and managing director) said that the profit and loss account showed that their total revenue for the year had increased by £97,623. The directors recommended that a dividend of 8½ per cent., less income tax—the same as for last year—be paid on the Ordinary shares, leaving a balance of £146,045 to be added to Undivided Profits Account. The liquid resources of the company were now very great, and the directors were in a position to take advantage of opportunities which might come along to invest under conditions more satisfactory than those at present offering.

A valuation had been made of their general investments, which stood in the balance sheet at £2,532,435. The estimate, which was made at 31 December, 1946, showed an appreciation of 52.7 per cent. This compared with an appreciation of 36 per cent at the end of 1945. This estimated increase in the value of their general investments was due, he would suggest, to the abnormal conditions of the times and should be regarded with some reserve.

The directors had decided not to recommend any alteration in the rate of dividend on the Ordinary shares. The investment market was now very difficult, and changes in values of industrial equities were in his view more likely to be downward than upward in the future. The financial outlook was disturbing and there was a lack of confidence in the country's capacity to weather the financial difficulties of the immediate future, to pay our debts, and at the same time to provide for the improved standard of living which the people in this country had come to expect.

Everyone who had the good of the country at heart wished to see an improvement in the standard of living of our people, but that should not be unduly hastened. It needed careful planning. If more leisure was to be enjoyed, output per man-hour must be increased. If we were to continue to enjoy the fruits of the world, we must have foreign exchange and production costs would have to be adjusted as world markets came back to normal.

The result of increasing wages and lengthening holidays before the necessary preparations had been made was giving rise to a national feeling of frustration, resulting in a loss of incentive to work. Improved standards of living could only be won by harder work, increased output, the development of technical efficiency, economy in public expenditure, and a growth of discipline among the workers. Wages rates must ultimately be related to the market demand and therefore could not be regarded as unalterable.

Extended Nationalisation of industry would, in his opinion, fail to provide the specialised conditions under which British trade had to be carried on. Individual initiative, he was glad to say, was not yet dead in the British working-man. He would never be a machine. Individual effort must be encouraged and rewarded, and flat uniformity of effort discouraged, if a maximum output was to be obtained.

The report and accounts were adopted.

HENRY MEADOWS LIMITED

PEACETIME PROGRESS

ACHIEVEMENTS TO DATE

What has our development programme to show? We were the first to meet the change in requirements of the new taxation basis so as to achieve the fullest benefit from cubic capacity rating, and this feature is already embodied in some of the post-war engine units supplied for luxury automobiles. Again, in our range of petrol engines, most of which are developed as multi-purpose designs, our standard 6-cylinder 100 h.p., 130 h.p. and 200 h.p. models represent the largest size engines on sale in their respective class in this country.

Further, our policy of standardisation has been extended to include a common basic design where the mere change of the head, with its ancillary components, will provide a ready conversion of the engine from petrol to diesel, or vice versa. This dual fuel technique extends to natural gas and kerosene, thus covering the whole fuel range determined by its local fuel availability.

NEW DIESEL MODELS

Our new range of diesel models now includes the 6-cylinder, 103 litre unit, introducing a novel standard to the transport field of usage, thus to provide a compact, square engine, having equal bore and stroke, looking-glass reversibility, and every combination of rotation, handling, and control. The 4-cylinder model in the same range possesses similar characteristics.

Additional to our well-established industrial products, a demand for semi-portable and mobile power units has been met by a range of "Power Packs" and so satisfy many emergency and stand-by requirements. In the marine field our range has been supplemented by a number of new models, including the "Kingfisher," which, by reason of its popular appeal to small boat owners opens an excellent additional market.

Transmission gear is an important section of our business. In this field there has been considerable advance in technique, but, while great strides have been made towards complete automaticity, the trend is still governed by the degree of mechanical refinement relative to cost. We will, therefore, retain a comprehensive range of gear boxes, reverse gear and transmission models to meet most applications.

Having regard to our immediate programme we feel we have the solution of the manufacturing cost problem, and also provision sufficient to meet the requirements of successful long-term trading. Action is necessary to recover productivity and prosperity in a war-impooverished economy, calling for supreme effort. Unfortunately, the spirit of initiative and enterprise is difficult to retain because of the current atmosphere of frustration which is still felt in almost every aspect of industrial and trade activity. Cost of production has again risen during the year under review consequent on delays and shortages of supplies, as also scarcity of experienced labour, and hence the price level is being raised thereby tending to strain the relationship between supply and demand, and with it nullifying most of the beneficial effects of a seller's market.

Our own pre-war overseas contacts were overhauled, others established and expanded, with the result that we carry forward into the next operating period a well-filled order book containing a high proportion of export business.

In conclusion, therefore, although, in general, depressing conditions are still prevailing, your direction goes forward with courage and justifiable confidence to a task made lighter by the unique organisation which we have established for ourselves within our industry.

The report and accounts were unanimously adopted.

GAS LIGHT AND COKE COMPANY

INCREASED GAS SALES

The annual general meeting of this company was held on 20th ultimo, in London.

Mr Michael Milne-Watson (the Governor) said that he would like to refer to the great loss they had suffered in the retirement of Mr A. E. Sylvester from the Governorship. He also wanted to pay a tribute to Mr Henry Woodall who had resigned his directorship and with it his office of Deputy Governor at the end of the year. In June the directors had elected Major The Hon. Gwilym Lloyd George, P.C., M.P. to fill a vacancy at the Court. To fill another vacancy the directors had recently elected Mr W. K. Hutchison as a director and had appointed him a managing director.

DEMAND FOR GAS

Turning to the working of the company during the past year, he was pleased to have to report a continued increase in the sales of gas which were over 5 per cent. above the pre-war output of 1938. Throughout 1946 the demand had been expanding and at the present time they were running at an increase of 7 per cent. over the corresponding pre-war period. That, from a business point of view, was satisfactory, but the actual demand in severe weather was higher and was, in fact, more than they were able to meet. The main reason for that was that their plant had not yet recovered from the war years, when it had suffered not only extensive war damage but the inevitable postponement of normal maintenance.

Shortage of gas-making plant had throughout the winter kept them on the verge of curtailment of supplies, and it had become necessary to reduce pressure during exceptionally cold spells. The position would, however, have been much more serious had they not in November increased their calorific value from 500 to 520 B.T.U.'s by stopping the extraction of benzole and by the further enrichment of gas with oil. Briefly, the result of that change was to sell a gas which gave more heat for an equivalent volume. No one paid more, of course, since gas was charged for on the basis of heat content.

Such a measure could only be a short-term palliative. If they were to meet the vast and ever increasing demand for gas, they must have more plant. Had it not been for the war they would have been expanding evenly throughout the last seven years, but as it was they were now faced with a huge rebuilding programme at a time when steel and other essential materials were in universally short supply. The programme, which entailed the expenditure of some £10,000,000 was progressing all too slowly.

DEVELOPMENT AND RESEARCH

They had continued their policy of research work in both gas manufacture and the development and design of appliances, and, although that had cost them some £75,000, there was no question that it was money well spent, for it was only by looking ahead that they could be assured of continued successful competition with other fuels.

Turning to the company's employees, of the 8,000 who had left the company to serve in H.M. Forces and Industry, only about 1,000 had still to return and he thought it spoke well for the company's labour relations that the number who had decided not to resume work with the company was very small. To assist ex-Servicemen to find their feet once more in their civilian employment, they had where necessary instituted refresher courses which he believed had done much to help them over the difficult transitional period.

The report was adopted.

Statistical Summary

GOVERNMENT RETURNS

For the week ended Jan. 25th, 1947, total ordinary revenue was £125,551,000, against ordinary expenditure of £58,341,000, and issues to sinking funds £300,000. Thus, including sinking fund allocations of £12,255,356, the deficit accrued since April 1st is £456,547,893 against £2,058,706,619 for the corresponding period a year ago.

ORDINARY AND SELF BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1946-47	Receipts into the Exchequer (£ thousands)			
		April 1 to Jan. 26, 1946	April 1 to Jan. 25, 1947	Week ended Jan. 26, 1946	Week ended Jan. 25, 1947
ORDINARY REVENUE					
Income Tax	1111000	853,833	725,910	65,949	56,268
Sur-tax	80,000	36,119	41,292	4,500	4,650
Estate, etc. Duties	140,000	95,753	120,599	1,970	4,115
Stamps	29,000	19,694	29,454	1,650	1,800
N.D.C.	325,000	29,062	27,752	737	575
E.P.T.	363,422	284,496	6,170	6,700	6,700
Other Inland Rev.	1,000	233	293	40	60
Total Inland Rev.	1686000	1398116	1293795	81,016	74,168
Customs	595,000	461,595	498,261	6,890	8,955
Excise	592,000	431,471	451,800	14,971	13,100
Total Customs & Excise	1187000	893,066	950,061	21,861	22,055
Motor Duties	45,000	35,812	41,744	10,860	12,330
Surplus War Stores	150,000	...	114,824	...	12,290
Receipts from Trading	50,000	...	40,000	...	...
Post Office (Net Receipts)	...	...	400	...	400
Wireless Licences	5,300	3,400	6,380	...	...
Crown Lands	1,000	720	840	...	160
Receipts from Sundry loans	15,000	9,486	23,390	2,060	562
Miscell. Receipts	22,000	61,095	36,800	854	3,585
Total Ord. Rev.	3161300	2401695	2444295	116551	125551
SELF-BALANCING					
Post Office	120,900	94,100	104,300	2,500	2,600
Income Tax on E.P.T. Refunds	...	...	140,018	...	1,268
Total	3282200	2495795	2688553	119151	129415

Expenditure	Estimate, 1946-47	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Jan. 26, 1946	April 1 to Jan. 25, 1947	Week ended Jan. 26, 1946	Week ended Jan. 25, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.	490,000	342,827	372,964	1,647	2,811
Payments to N. Ireland	20,000	8,573	14,539	739	1,160
Nat. Land Fund	50,000	...	50,000	...	...
Other Cons. Fund Services	...	7,648	7,002	82	...
Total	568,000	359,048	444,505	2,468	3,971
Supply Services	331,897	408,976	244,022	74,430	54,370
Total	886,917	768,024	688,527	76,898	58,341
SELF-BALANCING					
P.O. & Broadcasting	120,900	94,100	104,300	2,500	2,600
Income Tax on E.P.T. Refunds	...	...	140,018	...	1,268
Total	400,781	452,909	313,284	79,398	62,209

After increasing Exchequer balances by £409,678 to £3,516,811, the other operations for the week decreased the gross National Debt by £50,897,100 to £25,093 million.

NET ISSUES (£ thousands)	
P.O. and Telegraph	260
E.P.T. Refunds	1,552
Coal Industry Nationalisation Act, 1946, Sec. 34 (1)	3,500
Local Authorities Loans Act, 1945, Section 3 (1)	2,650
War Damage: War Damage Commission	2,000
Finance Act, 1946, Section 26 (7): Post-War Credits	397
Finance Act, 1935, Section 30 (1) 3 per cent. Local Loans Stock	5,300

NET RECEIPTS (£ thousands)	
Over-sea Trade Guarantees Act, 1939, Section 4 (1)	76

CHANGES IN DEBT (£ thousands)	
Net Receipts	2,900
24% Defence Bds.	5,757
Net Repayments	619
Treasury Bills	2,283
3% Defence Bonds	10
3% Term. Annuities	1,570
Tax Reserve Certs.	14,370
Other Debt: Inter.	55
Ways & Means Advances	17,145
Treasury Deposits	23,500

59,554
* Including £1,636,000 paid off on maturity.

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt
Date	Ten-der	Tap	Public Depts.	Bank of Eng-land		
1946						
Jan. 26	1790-0	2421-4	419-3	...	1598-5	6229-1
Oct. 12	1980-0	2535-5	462-7	14-8	1775-0	6768-0
" 19	2000-0	2550-6	430-4	9-0	1764-5	6754-5
" 26	2020-0	2552-2	425-3	...	1743-0	6720-5
Nov. 2	2030-0	2505-5	462-9	...	1743-0	6741-1
" 9	2040-0	2479-0	405-7	...	1743-0	6688-5
" 16	2050-0	2464-4	426-6	...	1743-0	6683-1
" 23	2060-0	2481-5	392-4	...	1742-5	6676-4
" 30	2070-0	2460-5	372-4	...	1742-5	6645-4
Dec. 7	2080-0	2487-3	376-1	...	1742-5	6685-9
" 14	2100-0	2377-8	388-6	2-75	1729-0	6688-1
" 21	2120-0	2496-0	375-8	17-3	1688-5	6697-5
" 28	2140-0	2455-6	448-0	...	1676-5	6720-1
1947						
Jan. 11	2150-0	2467-1	411-4	...	1686-5	6715-0
" 18	2150-0	2457-2	412-2	...	1681-0	6700-4
" 25	2150-0	2461-6	395-1	...	1657-5	6659-2

TREASURY BILLS

Date of Tender		Offered	Applied for	Allotted	Percentage Rate of Allotment	% Allotted at Min. Rate
1946						
Jan. 25	140-0	209-9	140-0	10	1-78	51
Oct. 25	170-0	262-4	160-0	10	2-03	52
Nov. 1	160-0	290-9	160-0	10	1-37	39
" 8	160-0	293-4	160-0	10	1-32	38
" 15	160-0	282-2	160-0	10	1-69	45
" 22	160-0	272-0	160-0	10	1-67	45
" 29	160-0	258-3	160-0	10	0-62	54
Dec. 6	170-0	313-7	170-0	9	11-25	31
" 13	170-0	295-8	170-0	10	0-34	45
" 20	170-0	280-3	170-0	9	11-92	46
" 27	170-0	285-8	170-0	10	0-27	47
1947						
Jan. 3	170-0	273-7	170-0	10	0-69	54
" 10	170-0	287-6	170-0	10	0-16	47
" 17	170-0	275-4	165-0	10	0-41	51
" 24	160-0	277-2	160-0	10	1-43	24

On Jan. 24 applications for bills to be paid on Monday, Friday and Saturday were accepted as to about 24 per cent. of the amount applied for and applications at higher prices were accepted in full. Applications for bills to be paid on Tuesday, Wednesday and Thursday at 99 1/8 td. and above were accepted in full. (£160 million (maximum) of Treasury Bills are being offered for Jan. 31. For the week ended Feb. 1 the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 24% BOND SUBSCRIPTION

Week ended		N.S.C.	24% Defence Bonds	Week ended		N.S.C.	24% Defence Bonds
1946				Dec. 21, 1946		4,400	2,590
Nov. 2	2,300	2,090	2,500	26	2,500	1,960	
" 9	2,250	2,530	2,600	Jan. 4, 1947		2,600	2,910
" 16	2,800	2,875	3,500	" 11	3,500	3,240	
" 23	3,950	3,230	3,700	" 18	3,700	6,750	
" 30	2,900	4,525	Totals to date	*1,673,670		8,060	
Dec. 7	3,400	1,855					

* 374 weeks. \$ 28 weeks. (Corrected total). Up to Jan. 18th principal of Savings Certificates to the amount of £17,725,000 had been repaid

BANK OF ENGLAND RETURNS

JANUARY 29, 1947

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt...	£1,015,100
In Circul.	1,364,484,524	Other Govt. Securities...	1438,260,019
In Bank. Department	85,763,309	Other Secs. (at 172s. 3d. per oz. fine).....	247,833
			1450,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	242,658,348
Res.	3,739,973	Other Secs.	28,310,832
Public Depts.	15,990,169	Advances	25,445,537
		Securities	28,310,832
Other Depts.	288,364,783	Notes	85,763,309
Bankers	60,573,084	Coin	1,042,983
Other Accts.	348,937,867		383,221,009
			383,221,009

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

COMPARATIVE ANALYSIS

Date of Issue		1946	1947
Issue Dept.			
Notes in circulation	1,331-4	1,385-6	1,371-5
Notes in banking department	68-8	64-7	78-7
Government debt and securities*	1,399-3	1,449-2	1,449-3
Other securities	0-7	0-7	0-7
Gold	0-2	0-2	0-2
Valued at s. per fine oz.	172-3	172-3	172-3
Banking Dept.			
Deposits:			
Public	11-0	25-2	17-5
Bankers	279-7	298-7	288-5
Others	55-9	57-2	58-3
Total	346-5	381-1	364-3
Securities:			
Government	265-1	297-2	261-7
Discounts, etc.	24-5	18-4	23-4
Other	295-1	333-6	302-9
Total	69-4	65-7	79-7
Banking dept. res.	20-0	17-2	21-8

* Government debt is £1,015,100; capital £14,553,000. Fiduciary issue raised from £1,400 million to £1,450 million on December 10, 1946.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. In the London silver market, the price per fine ounce was raised from 44d. to 55d. on August 1st. The New York market price of silver changed to 60¢ on January 20th, 1947. Bombay bullion prices were follows:—

1947		Gold	Silver
Jan. 23		Rs. a.	Rs. a.
" 24		104 12	154 8
" 25		106 0	157 2
" 27		107 0	156 14
" 28		106 12	154 10
" 29		106 12	157 0

THE MONEY MARKET—The short loan position in the early part of this week was easier than for some time, mainly, it appears, because the market and several banks had considerable holdings of end-month Treasury bills acquired and retained last year for the purpose of the monthly make-up as it was before the cessation of window-dressing. These maturities thus helped to swell the supply of available funds, instead of being used simply to inflate bank cash on the one hand or for re-sale to the Bank of England on the other. Whereas, at the end of last week, there had been further dealings with the special buyer (though none on the Saturday), on Monday and Tuesday this week credit supplies were plentiful, with the banks taking considerable lines of March and April maturities.

The floating debt position differed little from the previous week. There was again no call for funds on TDR's, while maturities held by the clearing and Scottish banks totalled £23 million. Bill maturities

and payments were again nominally balanced at £160 million, and the market secured roughly the same proportion as in the previous week—about 50 per cent—although applications were divided between 89-day bills (Monday, Friday and Saturday) and 90-day bills (Tuesday, Wednesday and Thursday). As applications for both were submitted at the same price, the market secured a full allotment of the longer bills but only 24 per cent of the shorter.

The £7 million reflux of currency was again larger than in the corresponding week of 1946, but virtually the whole of this movement was neutralised by a decline in the Bank's total security portfolio. Hence, by Wednesday, market payments for bills and tax transfers had dried up the credit surplus and forced the discount houses to seek official aid on an appreciable scale. The note circulation is now almost back to its November '46 low, and the Bank's reserve stands at the unusually high figure of £86.8 million.

SECURITY PRICES AND YIELDS

(A fuller list containing 370 securities appears weekly in Records and Statistics)

Prices, Jan. 1-Jan. 29, 1947		Name of Security		Price, Jan. 22, 1947	Price, Jan. 29, 1947	Net Yield,* Jan. 29, 1947	Gross Yield* Jan. 29, 1947	Prices, Jan. 1-Jan. 29 1947	Last two Dividends			Name of Security		Price, Jan. 22, 1947	Price, Jan. 29, 1947	Yield Jan. 29, 1947
High	Low							High	Low	(a)	(b)	(c)				
Other Securities																
													Australia 3½ 1965-69.....	112½	112	2 8 s. d.
													Birmingham 2½ 1966-71.....	105	105	2 3 7
													Argentina 3½ 1972.....	101	101	3 8 9
													Anglo-American Corp. 10s.....	127½	127½	3 1 3
													Anglo-Iranian Oil (1.....	131/31	130/6	3 2 9
													Assec. Port. Com. Ord. Stk. (1.....	68/6	67	2 19 0
													Austin Motor A. Ord. Stk. 5s.....	40	41/3	4 15 0
													Bacalins Bank Ord. "B" (1.....	93/-xd	90/6	3 2 3
													Bass Katchoff Ord. (1.....	235/-	232/6	2 2 3
													British Oxygen Ord. (1.....	101/3	98/9	4 1 0
													Courtaulds Ord. (1.....	55/9	55/3	2 14 3
													Dorman Long Ord. (1.....	27/3	26/6	6 1 9
													Dunlop Rubber Ord. (1.....	74/-	73/-	3 5 6
													Imp. Chem. Ind. Ord. Stk. (1.....	46/8	45/3	3 10 6
													Lancs. Cotton Ord. Stk. (1.....	47/-	46/3	4 8 0
													Lever and Unilever Ord. (1.....	54/3	54/-	1 17 0
													London Brick Ord. Stk. (1.....	72/6	71/3	2 16 0
													L.M.S. 4½ 1st Pref. Stk.....	82½	82½	4 17 0
													N.-Eastn. Elec. Ord. Stk. (1.....	34/6	35/-	4 0 0
													P'chin J'nson Ord. Stk. 10s.....	55/6	54/-	3 5 0
													Prudential "A" (1.....	38½	37½	½ 17 3
													Stewarts and Lloyds Def. (1.....	58/-	59/-	4 4 9
													"Shell" Transp. Ord. Stk. (1.....	97/xd	102/3	1 4 3
													Tube Invest. Ord. Stk. (1.....	101/3	102/3	3 6 3
													Wanger & Newall Ord. (1.....	92/6	91/-	2 15 0
													Woolworth (F. W.) Ord. 5s.....	104/-	102/-xd	3 8 6

LIEBIG'S EXTRACT OF MEAT COMPANY, LIMITED

LARGER PROFITS AND DIVIDEND

The eighty-second ordinary general meeting of this company was held, on the 20th ultimo, in London, Mr Kenneth M. Carlisle, chairman and managing director, presiding.

The chairman said that the profit and loss account revealed a balance, before taxation and excluding exceptional items, of £696,000 against the comparable figure of £497,000 for the previous year, or an improvement of £199,000. To that balance was added £147,000 in respect of trading and other credits not attributable to the current year, in comparison with only a small counter-part last year. Against the resulting total of £843,000 there had to be provided the very large sum of £644,000 in respect of British and Dominion taxation.

The rise in profits on trading came chiefly from their overseas establishments. It was due in large measure to the higher prices realised for factory products and by-products following the removal of certain controls and ceilings as well as to the improved return from the estancias directly operated by the parent company. Although there was a considerable increase in manufacturing costs, the former factors more than offset the latter. The total ordinary dividend for the year would amount to 9s. free of income tax, against 8s. for the previous year.

In regard to the current activities of the Continental companies, each had had its own particular problems to face, but all had continued to manufacture and trade under varying degrees of inhibitions and difficulties. On the whole the volume of output, having regard to the shortage of supplies and materials, had been encouraging, and, although larger quantities of products than were produced could have found a ready market, trade during the first year after liberation could be considered to have been re-established on a satisfactory basis. Profit margins, however, had been difficult to maintain owing to the ever-rising costs of production and the delays in obtaining from the various control offices the requisite authorisation to adjust selling prices to meet changed conditions. All difficulties would no doubt be overcome, and they would then look forward to reaping the reward of patience and perseverance in some adequate return from their considerable investments.

POSITION IN SOUTH AMERICA

The year had not brought any relief from anxiety to the industrialist in South America. He had referred last year to the manner in which he was gradually being subjected to controls from the purchase of his raw materials to the disposal of his products. That tendency had become accentuated and it was difficult to foresee, as it was impossible to predict, what would be the ultimate effects of the latest measures, but they were bound to be far-reaching, and he feared that they could probably only react to the disadvantage of the company through the curtailment of liberty and initiative.

All their estancia companies had come through with balances on the right side, but their profits were now subject to income tax at 15 per cent. against the rate of 5 per cent. ruling three years ago, and furthermore dividends remitted abroad were penalised to the extent of an additional deduction of 5 per cent. There was also in the case of farming companies which remitted abroad more than 50 per cent. of their profits a 30 per cent. absentee sur-charge payable on income tax corresponding to their profits. It was a matter for regret that discrimination was now being exercised against foreign capital.

The report was adopted.

UNIVERSAL PICTURES COMPANY

U.S. MARKET FOR BRITISH FILMS

The annual stockholders' meeting of Universal Pictures Company, Inc., is scheduled to be held on the 12th instant.

The following are extracts from the annual report presented by Mr J. Cheever Cowdin, the chairman of the board, and Mr N. J. Blumberg, the president.

Universal Pictures Company is now devoting its creative and technical resources to the production of pictures of outstanding distinction. Production of so-called "B" pictures, Westerns and serials has been eliminated.

Implementing its new production policy, Universal Pictures has acquired the assets of International Pictures Corporation, and the production organisations of these two companies have been merged. This combination of creative and technical talent, story properties and star contracts gives Universal one of the strongest production organisations in the motion picture industry.

William Goetz and Leo Spitz, outstanding producers, who headed International Pictures, have been placed in full charge of Universal's production activities at the studio. The company's productions now carry the trade mark of Universal-International Pictures.

In addition to 25 pictures of distinction being produced at its California studio, Universal has arranged for the exclusive distribution in the United States and in Central and South America of British pictures produced by the J. Arthur Rank organisation, with the exception of two to be handled by another company and five to be distributed annually by Eagle-Lion.

POPULARITY OF BRITISH FILMS

These arrangements to distribute British pictures in the United States mark the beginning of an earnest effort to provide the British film industry with an opportunity to add materially to the world-wide earnings of their pictures. It is our opinion that British pictures should have the same opportunity to earn revenues in the United States as Hollywood pictures have in Great Britain.

The J. Arthur Rank pictures shown in the United States have been very favourably received. Critics and the public have been quick to recognise the outstanding quality of "A Matter of Life and Death," "Henry V.," "Caesar and Cleopatra," "Seventh Veil" and "Brief Encounter," to mention only a few. Box-office results indicate these pictures offer a type of entertainment the American public wants to see.

Another outstanding group of British pictures is to be distributed by Universal in the United States and Latin America this season. They include among others "The Upturned Glass," starring James Mason; "Black Narcissus," a Technicolor production, directed and produced by Michael Powell and Emeric Pressburger; "Great Expectations," Charles Dickens's classic, with John Mills and Valerie Hobson; "Odd Man Out," starring James Mason and Robert Newton; and "The Magic Bow," with Phyllis Calvert and Stewart Granger.

British stars are gaining a growing recognition among American film-goers. Phyllis Calvert, Stewart Granger, Rex Harrison, Deborah Kerr, Margaret Lockwood, James Mason, Lilli Palmer, Michael Redgrave, Patricia Roc and Ann Todd are among those whose artistry and personalities are winning for them a substantial following. As these British stars become more widely known throughout the United States there will be even greater interest in their forthcoming pictures.

U.S.-BRITISH ALLIANCE

The agreement between Universal and the Rank organisation for the distribution of the British product in the United States and

Latin America presages a new era of co-operation in the motion picture industry. It not only provides the opportunity for the American and South American public to see the best British pictures, but paves the way for the exchange of acting, writing and directorial talent between the United States and Great Britain.

Universal's line-up of current and coming productions will be the strongest in its history. Under the new Universal-International banner, top ranking stars are appearing in productions with outstanding story values, including best-selling novels and Broadway stage successes.

STERLING TRUST, LIMITED

DIVIDEND 6 PER CENT.

The thirtieth ordinary general meeting of the Sterling Trust, Limited, was held, on the 25th ultimo, in London, Mr Maurice Hely-Hutchinson, M.C., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts: Gross revenue from all sources at £228,613 shows an increase over last year of £22,634. The net revenue is £69,864, an improvement of £8,974. Your directors recommend the payment of a final dividend of 4 per cent. on the ordinary stock, making 6 per cent. against 5½ per cent. for 1945.

We continue to lose remunerative investments by redemption or conversion to lower rates, and this movement is likely to be intensified by nationalisation of certain undertakings. Fortunately, its effect on our revenue has, so far, been more than offset by increased dividends on ordinary shares, but it should be noted that these distributions have, in several instances, included special or Victory bonuses. We cannot rely on a repetition of these payments. Nevertheless, an estimate of income for the current year shows no very material change from the normal revenue of 1946.

The valuation of our investments at December 31, 1946, shows a surplus of £1,100,891, or 24.4 per cent., on the balance-sheet figure, a rise of 15.7 per cent. over the year. Based on this valuation, the geographical distribution is as follows: Great Britain and Empire, 84½ per cent.; South America, 9½ per cent.; Europe, 3½ per cent.; Asia, 1½ per cent.; other countries, 1 per cent.; and the proportion invested in British Government securities is 5 per cent., in other bonds 18 per cent., in preference shares 32½ per cent., and in ordinary shares 44½ per cent. The report was adopted.

BRITISH TYRE AND RUBBER COMPANY, LIMITED

INCREASED PROFIT AND DIVIDEND

The twenty-third annual general meeting of this company was held, on the 14th ultimo, in London.

Sir Walrod Sinclair, K.B.E. (the chairman), said that the profit and loss account of the British Tyre and Rubber Company showed manufacturing and trading profits, after providing profits tax and excess profits tax and including the net dividends from subsidiary companies, at the substantial figure of £384,088, an increase of £98,388 over the previous year. That was a very satisfactory result in a year that had been far from normal.

While the subsidiary companies had contributed their share towards the total, the substantial increase arose as a result of the company's own operations and corresponded with a greatly increased turnover. The board felt that it was equitable that the shareholders should participate in the increased profits, more particularly having regard to

the financial strength of the company and of the group. They accordingly recommended a final dividend of 10 per cent., making a total of 15 per cent. for the year, an increase of 3 per cent. over the previous year, the highest distribution ever paid by the company.

While the board was gratified to be able to place before shareholders such satisfactory results from the year's operations, he would be failing in his duty if he minimised the difficulties that appeared to lie ahead.

Whilst he could not predict the future, he could say quite definitely that with such an efficient and loyal staff and workpeople, coupled with a substantial volume of orders on hand and ample liquid resources, the board had confidence in the company's ability to maintain satisfactory results.

The report was adopted.

HENLYS LIMITED

DIVIDEND OF 100 PER CENT.

The adjourned 18th ordinary general meeting of Henlys, Limited, was held, on the 27th ultimo, in London, Mr H. G. Henly, chairman and managing director, presiding.

The following is an extract from his circulated statement:—

The net profit is £176,325 after bringing in dividends from the subsidiary companies in the sum of £57,120. These are fully covered by the profits earned by the subsidiary companies during the period. Your directors recommend a final dividend of 80 per cent. on the ordinary shares, less income tax. They consider that the highly successful

results amply justify a total dividend of 100 per cent. on the ordinary shares.

For many years past your company, as England's leading motor agents, has specialised in the buying, reconditioning and selling of used cars, and I feel that during the past year the Henly organisation has fulfilled a very urgent need in these days of limited new car production in being able to assist in satisfying the public's demand for transport, essential to the full recovery of the nation's economic position.

All necessary steps had been taken during the war years to be prepared to change over from war-time conditions to our peace-time activities, and this fact has enabled the Henly organisation to render invaluable service to its many customers in dealing with overhauls, repairs and the provision of spare parts and accessories.

It can be anticipated that despite the difficulties of the motor car manufacturers we will be able to distribute a greater number of motor cars during the current financial year than during the past year, in addition to which the prudent use of our specialised knowledge in the used car market should ensure even greater profits during this year. The report was adopted.

GENERAL CONSOLIDATED INVESTMENT TRUST, LIMITED

INCREASED REVENUE

The 51st ordinary general meeting of this Company was held, on the 28th ultimo, in London.

Mr Bruce Outley (the chairman), in the course of his statement, said: The total number of individual investments at the time of the balance sheet was 665, an increase of 43 over the number held at the same date last year, thus indicating an even wider distribution of your funds. On book value 84½ per cent. and on market value almost 92 per cent. of your company's funds are now invested in Great Britain, the Dominions and the Colonies.

The total book cost of all investments has risen by £85,422 during the year. With regard to the unquoted investments, the value placed on them represents 2.84 per cent. of the total valuation of all the investments and their book costs 6.65 per cent. of the aggregate figure shown in the balance sheet. A valuation of all the investments shows an appreciation of 30.51 per cent. over book cost.

The gross income of £112,526 shows an increase over the previous year of £5,905. Arrears of income at about £2,800 are less by £6,600 than were received last year. This means that our gross revenue from normal sources has risen by about £12,500 during the year under review. The profit for the year at £71,723, before charging income tax but after allowing for other charges, is higher by £4,573. Income tax requires £1,171 more, so that the net profit after allowing for income tax has increased by £3,402. Your board recommends the payment of a final dividend of 6½ per cent., on the ordinary stock, making 9 per cent. for the year, an increase of 1 per cent. over the previous year's regular dividend.

The report was adopted.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the appointment of THREE RESEARCH ASSISTANTS IN ECONOMICS. Salary according to qualifications and experience. Duties to commence as soon as possible. All applications should be sent not later than March 31, 1947, to the Registrar, The University, Manchester, 13, from whom further particulars may be obtained.

DOMINION OF CANADA

THREE-AND-A-QUARTER PER CENT REGISTERED STOCK, 1950-55. For the purpose of preparing Interest Warrants due May 1, 1947, the BALANCES will be STRUCK on the evening of April 1, 1947, after which date the Stock will be transferred ex-dividend. For the Bank of Montreal, Financial Agents of the Government of the Dominion of Canada in London.

A. D. HARPER, Manager.

47, Threadneedle Street, E.C.2. March 1, 1947.

PROVINCE OF ONTARIO

FOUR PER CENT REGISTERED STOCK, 1947.

For the purpose of preparing the Interest Warrants due May 1, 1947, the BALANCES will be STRUCK on the evening of April 1, 1947, after which date the Stock will be transferred ex-dividend.

For Bank of Montreal.

A. D. HARPER, Manager.

47, Threadneedle Street, E.C.2. March 1, 1947.

NATIONAL BANK OF INDIA, LIMITED

Notice is hereby given that the Transfer Books of the Bank will be closed from March 12th to March 25th, both days inclusive.

By Order of the Board,

N. W. CHISHOLM, London Manager.

26, Bishopsgate, London, E.C.2. February 25, 1947.

HONGKONG AND SHANGHAI BANKING CORPORATION

NOTICE is HEREBY GIVEN that the Share Transfer Books of this Corporation will be closed from March 10 to March 28, 1947, both days inclusive, for the purpose of preparing for payment of dividend for 1946.

THE ALEXANDRIA WATER COMPANY, LIMITED

ALEXANDRIA, EGYPT.

Notice is hereby given that the sixty-ninth Ordinary General Meeting of the Shareholders will be held at the Company's offices, 61, Avenue Fouad Ier, Alexandria, on Thursday, April 3, 1947, at five o'clock in the afternoon, for the transaction of the ordinary business of the Company, pursuant to Act of Parliament.

Holders of share warrants to bearer desiring to attend or to be represented at the meeting must deposit their share warrants in London before March 20, 1947, or in Alexandria before March 31, 1947, until after the meeting, at the National Bank of Egypt, 6, King William Street, London, E.C.4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

Dated, Alexandria, Egypt, February 5, 1947.

By order of the Board,

ROBERT WALTON, Manager.

MARKET RESEARCH EXECUTIVE required by a leading London Advertising Agency, to take full control of Marketing and Research Department. Essential qualifications include practical knowledge of modern marketing methods and conditions and experience in planning and controlling trade and consumer surveys through all stages, including statistical analysis by Powers-Samas system.—Write, stating age, qualifications, experience and salary required, to Box 431.

NOTICES

UNIVERSITY OF LONDON. Organising Tutors (men or women) required for Tutorial Classes Committee. Salary, £600-£25-£850 (also family allowances). Particulars from Director of the Department of Extra-Mural Studies, Senate House, W.C.1. Application should be made as soon as possible.

UNIVERSITY OF LONDON. Staff Tutors required for Tutorial Classes Committee. Applications are invited from men and women with experience in conducting Tutorial Classes and with high academic qualifications, preferably in one or more of the following subjects: Economics, Politics, History, Psychology, Philosophy, Literature, Music and Science. Salary, £600-£25-£850 (also family allowances). Particulars from Director of the Department of Extra-Mural Studies, Senate House, W.C.1. Application should be made as soon as possible.

UNIVERSITY OF GLASGOW

The University of Glasgow invites applications for the following posts:—

1. History: (1) Lectureship; (2) Assistantship.
2. Political Economy: (1) Lectureship in Economics; (2) Lectureship with special reference to the Theory of Money and Economic Fluctuations.
3. Geography: Lectureships (2).
4. Statistician to the Economic and Social Research Groups. (Lectureship.)
5. Education: Assistantship with special qualifications in the Philosophy and History of Education.
6. Astronomy: Lectureship. (Preferably with qualifications in Astrophysics.)

The salary of the Lectureships will be fixed according to experience and qualifications at a point in a scale £500-£800. The salary of the Assistantships will be fixed according to experience and qualifications between £350 and £450. Federated Superannuation System for University and Family Allowances are in operation. Further particulars may be had from the Secretary of the University Court, The University, Glasgow, W.2, to whom applications (five copies) should be sent not later than March 20, 1947.

ROBT. T. HUTCHESON,

Secretary of the University Court.

TRAVELLING FELLOWSHIP IN GEOGRAPHICAL RESEARCH

The Council of the Royal Geographical Society, Kensington Gore, London, S.W.7, invites applications for the above Fellowship open to University graduates and others wishing to undertake geographical research outside the British Isles. The Fellowship will be tenable for a period of not less than three months and not more than one year, the stipend being at the rate of £500 per annum. Holders of the Fellowship are not excluded from applying elsewhere for additional assistance towards travelling expenses. Applicants are requested to submit to the Director and Secretary of the Society, not later than 1st June, particulars of their qualifications, a scheme of research and a statement as to how it is proposed that the grant should be spent. The names of two referees are also required. The Council expect that normally the results of a candidate's investigations will be communicated to the Royal Geographical Society.

FEDERATION OF BRITISH INDUSTRIES requires a Technical Officer, age under 40, having special experience in fuel and power problems and other subjects concerning the factory engineer. Should have experience in writing reports and preferably of contacts with local authorities. Commencing salary, £1,000, pensionable. Applications giving full details of age, education, experience and qualifications, should be sent not later than March 15th to Technical Director, F.B.I., 21, Tophill Street, London, S.W.1.

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(1945 Accounts)

HOUBLON-NORMAN FUND

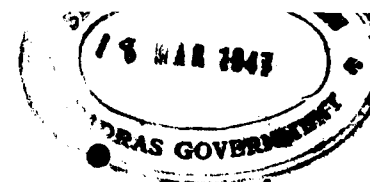
The Trustees of the Houblon-Norman Fund invite applications for Fellowships or Grants in aid of research into the working of financial and business institutions in Great Britain and elsewhere, and economic conditions affecting them.

Apart from exceptional cases, awards will be confined to British subjects normally resident in the United Kingdom, and will take effect from October 1, 1947. Fellowships will be awarded for one year renewable for a second year, and the amount of all awards will depend upon the circumstances of the candidate and the likely expenses of his work.

Applications should be made not later than March 31st, and form of application may be obtained from the Secretary of the Fund (H. C. Mynors), c/o the Bank of England, London, E.C.2.

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Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD. at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 111 Broadway, New York, 6.—Saturday, February 1, 1947.



The Economist

Established 1843

One Shilling

February 8, 1947

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COMPANY MEETINGS

STATISTICAL SUMMARY

VOL. CLII NO. 5398
THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3
BY AIR (U.S. and Canada only) \$24

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

A Profits Policy?

THAT a comprehensive wages policy is overdue is obvious. It is less certain that such a policy will be effectively hammered out and imposed by a slightly schizophrenic Cabinet who can never, in this connection, be quite sure whether they are His Majesty's Government or the Political Action Committee of the Trades Union Congress. If it is so drafted and imposed, a *quid pro quo* is likely to be required. The Trade Unions are already pressing for a profits policy to match the wages policy and, with Budget Day looming ahead, there appears the possibility of a nicely symmetrical policy of profits restriction.

Unfortunately, the necessities of party diplomacy and the facts of economics are not here in perfect harmony. The symmetry does not exist; between wages and profits there is no exact parallel. Wages are contractual payments, profits are a residue. Trade Union agreements, or the law of the land may say: You shall pay no less, or no more, than the following. No law or agreement can say: You shall make such and such an annual surplus over expenses, no more and no less. With considerable difficulty, with a touching reliance on the conscientious scruples of the business man, and with a deplorable indifference to justice as between the plodder and the venturer and between lightly and heavily capitalised industries, the law might indeed put a ceiling on rates of profit per unit of capital; but it could not, as it does with wages, put a floor under them, and in any case it is not profit rates but profit totals which interest public opinion, and particularly the sensitive opinion of those likely to be affected by a wage policy.

This confusion between the rate of profit and the total of profits is only one of the many misunderstandings that surround the whole subject. For example, some of the language that is held in Labour circles suggests a belief that there has been a large increase in the profits of industry during the war years. But there is really very little warrant for any such belief. It is true that, in the official estimates of the National Income, the item labelled "Interest and Profits" shows an increase of 85 per cent from 1938 to 1945, while those labelled "Salaries" and "Wages" show increases of only 44 per cent and 64 per cent. But this crude comparison is most misleading. For one thing, "interest and profits" includes farming profits and professional earnings, neither of which are usually intended when accusations are levelled at "the profits of industry." Secondly, the totals of salaries and wages must be adjusted for the great transfer of men and women into the armed forces. The total of "earned incomes" shows an increase of 94 per cent.

A much closer approximation to what has been happening to industrial profits can be obtained from the figures compiled by *The Economist* from the published accounts of joint-stock companies. The results can best be exhibited in the form of a chain index-number, as follows:—

1939	100	1942	99.8	1945	110.7
1940	102.3	1943	102.0	1946 (9 mos.)	120.8
1941	99.6	1944	106.2		

It is true that the figures on which this index is based, though they are struck before the payment of income tax, are calculated after Excess

Profits Tax. But the sum collected in EPT and NDC together never reached £500 millions in any one year. If it were possible to calculate an index of profits before EPT it would be most unlikely to show an increase of more than 50 per cent over the eight years, which would barely be enough to keep pace with the falling value of money. Moreover, companies have followed a very conservative policy in the distribution of their earnings. In 1939, of the total of profits coming under review for *The Economist's* figures, 15.1 per cent was placed to reserve; for the first nine months of 1946 the figure is 22.2 per cent. With such a moderate increase in total profits, and with a reduced proportion of them being distributed, it is probable that the real purchasing power of personal incomes derived from profits, even before the payment of income tax, is now lower than before the war.

The second great misconception about profits is that they are identical with rich men's incomes. There is, it is true, a connection, but it is not very close, and if there were, as there should be, a great increase in profit-sharing schemes, the connection might become quite remote. Even if all profits went into rich men's pockets, any sort of tax on, or restriction of, profits as such would still suffer from the overwhelming disadvantage that it would fall exclusively on one form of rich man's income. There are relatively just as many large incomes derived from rent or interest or preference share dividends as there are from profits—but a tax on profits falls exclusively on the ordinary shareholder. Where is either the equity or the common sense in taxing the rentier only once and the enterpriser twice? If distinctions have to be drawn between different kinds of property incomes, those that are the fruit of risk-taking should be taxed more lightly, not more heavily, than the rest. If "soaking the rich" is the order of the day, then the best way to do it is by means of death duties. The second best is by a wider margin in the income tax between earned and unearned incomes. The worst of all—worst in equity and worst in its effect on enterprise—is a tax on profits as such.

The third misunderstanding is that a Labour Government ought to want lower profits. It is true that the "profit motive" is in bad odour. The words conjure up a picture of esurient plutocrats pursuing a selfish interest diametrically opposed to that of the general public, inordinately greedy, totally irresponsible, and entirely dirty-hearted. To try to replace this picture by one of a gallant, public-spirited, far-seeing and devoted band of crusaders against national penury would of course be purely silly. But why it should be more greedy to try to improve one's profits than to try to improve one's wage or salary, and more irresponsible to put capital into greyhound tracks than to prefer the life and pay of a pools tout to those of an agricultural labourer, or more hardhearted to close down a redundant works than to limit the right of entry into a union, or more unpublic-spirited to restrict production than to "work to rule," it is really very hard to see. The sins of business men are on a larger scale, and therefore more striking, than those of their employees; but their unethical practices are no more and no less an argument against high profits than the unethical practices of other people are an argument against high wages and salaries. Any Labour Government that knew which side its bread was buttered would want a rise in the total of profits—just as any Conservative Government ought to take heart from a rise in the total of wages. High profits and high wages are (inflation apart) both of them signs of high activity. They are at once the means to and the product of a high standard of living.

But because a special tax on profits or an attempt to limit the total volume of profits would be both unjust and unwise, it does not in the least follow that any sort of policy towards profits and the processes by which they arise is either impos-

sible or undesirable. What is important and necessary is that profits, like wages, should be a return for services genuinely rendered. Profits from serving the public by enterprise and judgment, by indefatigable probing after better techniques, by economy and boldness, by the divining of new needs and the harnessing of new resources, by all those qualities which lie outside the scope of plodding routine administration, are one thing; profits from squeezing the public, by rings and the ubiquitous price-maintenance agreement, by feather-bedding and the suppression of new processes, by the inert weight of monopolistic inefficiency, by sheer stertorous inactivity behind a safe barricade of licensing regulations, are altogether another. The trade unions are constantly urged to forget their depression-mindedness, to abolish restrictive regulations, to rid themselves of 'cannery', to encourage mobility, and so forth. It is time that the captains of industry heard some similar advice, equally well-sustained and forcible. There is no defence for the "private unenterprise" which Mr Herbert Morrison castigated some years ago, and whose props and buttresses—whether the outcome of "self-government in industry" or of Government action—were, no less than the silliest trade union restrictionism, the fruit of depression-mindedness.

Here is the field for a real profits policy, a policy designed to emancipate the old slogan of "small profits and quick returns," a policy which in reducing the rate of profit would greatly increase the total volume of profits—and of wages too. From left to right across the whole spectrum of economic opinion there is not one dissident today from the proposition that what British trade and industry need is more mobility, more fluidity, speedier adaptation. The right profits policy is one which would remove from profits the stigma of monopolistic extortion by breaking down the adhesions and limbering up the ankylosed joints of the "private sector" of the British economy. To clamp special taxes and restrictions on profits will not help towards that end; indeed, it will drive the private sector further into timidity. But if a real profits policy on these lines were pursued—it would be pleasant to be able to point out any signs that the Government intend to do it—a high profits index would mean what it always should mean: a forward-moving, dynamic system moving under good economic leadership towards prosperity.

The Stalin Gambit

We regret that, owing to a misunderstanding about a last-minute correction in proof, the paragraphs of our First Leader of last week, as happened to the stanzas of Goldsmith's "The Prospect," were printed out of their intended order. We apologise to those of our readers who thought our views even less coherent than usual; those who noticed nothing wrong possibly owe us an apology. A limited number of prints of the article in its correct sequence is available.

This is an appropriate opportunity to express, on behalf of our printers and ourselves, regret at the misprints that occur in *The Economist*. The printing trade in London, and most particularly the printers of periodicals, are still suffering from the most grievous shortages of labour and plant, which have been intensified by the agreements recently reached with the Unions. A higher proportion of the contents of *The Economist* is written and set up in type within the 48 hours prior to publication than is the case, we believe, with any other comparable periodical. It is something of an achievement in present circumstances that the paper gets printed at all, and it is inevitable that mistakes should occur from time to time. We attempt to correct those that are misleading, and not merely annoying, and we ask for the indulgence of our readers until normal conditions return.

Defence in Two Worlds

HAD Lord Montgomery been asked, during his recent visit to Moscow, in what sense exactly he was Chief of an Imperial General Staff, he would have found it hard to answer. The present CIGS is not the man to denigrate his own title by explaining that it is archaic; nor would he insist that it means all it says to Soviet statesmen, who must by now have decided that no useful calculation can result from the formula: Australia is to the United Kingdom as Byelorussia is to the Soviet Union. He would have had to explain that in peacetime the Imperial General Staff exists only as an idea in the minds of students of the Defence College; that the brains of "imperial" strategy come almost exclusively from the forces and universities of Great Britain, and the plans from its Navy, Army and Air Force staffs; that whenever the Dominion Prime Ministers meet in London to discuss the Empire, they think of 10, Downing Street as a club where much is said off the record, and nothing ever finally decided, about their greatest common interest—security. So the fighting men are left to do a great deal more planning and preparing than the politicians dare or care to take credit for. In the circumstances of last month, the CIGS might have added a caution to the effect that a Dominion—in Mr Bevin's phrase—"ties itself to no one"; it is automatically brought into war by no alliance or undertaking of the Government in London.

This sketch would have been received in Moscow with polite incredulity, as it once was in Germany, and still is in America. At first sight it looks like a caricature. Only when the lines are thickened, and the shadows rubbed in, and the detail drawn, is a formidable power revealed. The incredulous foreigner might well ask whether nothing has been learnt from the war, how such loose arrangements as those of 1939 can be tolerated, why a Socialist Government is not planning with the Dominions the most efficient organisation of their productive resources for security. He might even ask whether imperial defence was to be one of the last refuges of private enterprise. He would not be far wrong. For the essential idea of the latest thinking on imperial defence is that essential war industries, skilled white manpower, research organisations, and raw material stocks, should be dispersed throughout the Commonwealth.

The very suggestion at the moment sounds fantastic: emigration of skilled workers, when increased production is the target for years ahead; creation of heavy and light Dominion industries to compete with British; emigration of scientists when there are not sufficient scientific students to meet the current needs. Yet the suggestion was quite seriously made, less than nine months ago, by the British Chiefs of Staff. It was presented, as part of an outline plan of imperial defence,

for study by the Dominion Prime Ministers, with the approval of a Labour Cabinet well aware of the man-power problem looming ahead. It was cordially received—particularly by the representatives of Australia and New Zealand—because it offered a sharing of British skill, brains, and man-power for industry, and of authority, responsibility, and planning for defence. Little has been heard of that plan since. The detailed comments of the Dominion Governments have not yet reached London. It is never referred to in current home controversies about defence and man-power, about foreign policy and Britain's declining strength. The usual cosy haze is gathering around yet another vision of imperial co-operation, obscuring indiscriminately what is practicable in it and what is impracticable.

Yet if any question is vital it is this: whether it is safe to continue indefinitely the concentration of skill, productive power and military resources in an island so vulnerable to long-range weapons and new methods of warfare. The first result of dispersal would obviously be to weaken one of the three integrated economies which have proved their power in modern war; but the long-term result might be to establish in Africa and the Pacific new concentrations of power more effective because less vulnerable to an unexpected attack. What choice is to be made and how will it affect policies for emigration of British workers, immigration of foreigners, planning of potential war industries, distribution of fuel and raw material stocks, and the allocation of financial burdens? The question is neither premature nor pessimistic. Whatever security plans are evolved by the United Nations, they will involve risks for the Powers who will have to enforce them. Whatever defence plans are approved by a British Cabinet will affect in a variety of ways its financial and industrial policy, and that of each Dominion.

It would not perhaps matter that Dominion—and Colonial—resources should be temporarily out of mind were the man-power situation in this country not so desperate. A considerable cut in the strength of the regular services, a reduction in the numbers employed in such masked war industries as civil aviation, the importation of foreign labour, all these would be more confidently accepted if the planning of which they are part covered also greater Dominion contributions of men and economic potential to imperial defence, and a great increase in the total number of skilled workers in the Dominions, to be secured by training and alien immigration. Financial as well as man-power difficulties arise from imperial commitments, from the need to keep forces in the eastern Mediterranean, the Middle East, and the Indian Ocean; therefore, the attempt to solve them should take account of imperial resources. An oppor-

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tunity to do so offered itself in the House of Lords last week when the first debate of this Parliament on imperial defence took place. But when Lord Strabolgi rose "to draw attention to the contribution to be made by the United Kingdom and the Colonies to the solution of the problems of imperial defence" he referred to the "contributions of the Dominions" as a separate subject and seemed to suggest that there was no desire on either side of the House to discuss it. Lord Addison was thereby enabled to avoid all reference to broad principles and to confine himself to general assurances that the Army's regular strength would be "substantially lower" than a million men, that the possibility of raising large bodies of troops in the African Colonies was appreciated, that the Royal Naval Reserve would not be abolished and that the salvation of the country if again involved in war would lie in the work of the new Ministry of Defence. It would have been more satisfactory to learn that the Ministry of Defence, even in the throes of reorganisation, was following up the general plan presented to the Commonwealth Prime Ministers and the Colonial Secretary last summer.

It is a striking feature of this plan that it reflects the influence on Service minds of day-to-day contact during war with scientific, industrial, commercial and financial experts. It rises above the narrow conception of strategy as the disposition of armed forces to the broader view of it as the disposition of total national and imperial resources. Interruption of that contact and a waning of that influence may partly account for the

obscurity into which the Chiefs of Staff's ideas seem to have fallen. If so, then the Ministry of Defence should provide for its revival. Lord Montgomery and his two Service colleagues now have a scientific colleague in Sir Henry Tizard. They need yet another—maybe two more—to advise on the industrial and economic aspects of defence and on the problems of civilian and labour organisation in war. How else can the Minister of Defence form an independent judgment of the resources on which he can call or balance the claims of British social policy against the requirements of imperial defence policy?

In the present session of Parliament there will be questions and debates in the Commons on foreign policy, on conscription, on man-power needs, on colonial policy, on defence organisation. Both sides of the House should use these opportunities to ensure that imperial needs and resources are never lost sight of, that no readiness of the Dominions to share the burden of world power is overlooked, that British foreign policy in Europe has the general support of these "middle Powers," which intend anyhow to play the dominating British part in the affairs of the Pacific. Nor should it be forgotten that Britain's chief friends in Europe—the French, the Belgians, the Dutch—have vast imperial territories. Their interests were shown during the war to be bound up with those of the Colonial Empire and their resources must be counted as part of the wealth and strength of western Europe. When these things are forgotten and imperial governments lose their sense of purpose, planning becomes parochial and foreign policy defeatist.

The Smaller Powers and Germany

WHEN the peace treaties with Germany's satellites were discussed in Paris last summer, it soon became evident that the smaller Powers fell into two groupings—the Poles, the Yugoslavs and the Czechs voting on most occasions with the Soviet delegates, the other nations—in particular the Western Europeans and the British Dominions—generally siding with the Anglo-American view. This division was kept within some bounds by the fact that on a number of major issues, the Big Four were already agreed, but the clash came clearly into the open whenever a problem had been left unsettled. And it tended to crop up even in discussions where agreement had been reached by the Great Powers, for some of the "Western" countries, Australia at their head, challenged the right of the Big Four to make decisions binding on the whole Conference and urged that greater consideration should be given to the views of the middle and smaller Powers. The "Eastern" Powers, on the contrary, on most occasions reaffirmed their faith in Great Power unity and their support for the agreements previously reached.

Both the clash over procedure and the division on substance are already reappearing at Lancaster House, where the four Deputies of the Foreign Ministers have almost concluded their hearing of the smaller Powers' views on the German treaty. Once again, the British Dominions are expressing their vigorous disapproval of methods of peace making which leave to the smaller Powers little more than permission to put a rubber stamp on the conclusions of the Big Four. Neither the Canadians, the South Africans nor the Australians have submitted detailed statements of their views on the German treaty and are not prepared to do so until they see some hope of having them seriously discussed. Meanwhile, the Australians and South Africans have proposed that the Moscow Conference should lay down only general directives for the German settlement and that their detailed application should be worked out by special committees on which all the "active belligerents" serve and which would prepare the treaty for the final Peace Conference.

Both the Australians and the Canadians suggest that this treaty need not necessarily be a treaty with Germany in the formal sense of a contract signed by two sides. No German Government exists and it would be unwise to bring one into being prematurely, simply in order to sign a peace. They suggest, instead, that the treaty should take the form of an International Statute imposed on Germany until such time as a central government exists capable of signing a formal peace treaty. In this proposal, Australia and Canada have Belgium's support.

The Czechs, the Poles and the Yugoslavs, on the other hand, have merely expressed their gratitude for being allowed to state their views at this early stage and each Government underlines the need for agreement between the Great Powers as an essential condition of the peace.

The differences on the substance of the treaty are more difficult to define at Lancaster House than they were at Paris. Then, the matters on which the Great Powers differed were lifted into prominence by the fact that they were the exceptions to complete agreement on the rest of the drafts. But in the case of Germany, all is confusion. Nominally, the Great Powers have agreed on a number of policies. They began the process in 1945 at Yalta, carried it on at Potsdam and at the reparations conference in Paris, and added another chapter with the Level of Industry Plan in March, 1946. But it is an open secret that all the Great Powers are ready, and some anxious, to revise all these agreed policies and that, in fact, many of them are already a dead letter. In short, the chief difference between peace making in Paris and the present phase at Lancaster House is that at Paris the Big Four had reached preliminary agreement. So far, on Germany, they are deeply divided.

The attitude of the smaller Powers throws some light on these divisions. With certain exceptions, they have again split into an Eastern and a Western grouping with sharply divergent views. In the political sphere, South Africa, Canada, Brazil, Greece, Norway, Belgium and Holland favour a federal Germany. The Poles, the Czechs and the Yugoslavs favour a centralised unitary state and for the same reasons—that to split

up Germany's historic unity will increase pan-Germanism and revisionism, that the separate federal states will be a cover for aggressive nationalist elements and that a centralised government is more accessible to Allied control.

In the social field, there is more apparent agreement. Most Powers speak of de-Nazification, and Canada, Poland, Yugoslavia, Norway, Czechoslovakia and Holland all refer specifically to the breaking up of the trusts and monopolies which have dominated the German economy. But it is not at all certain that the different Governments have the same process in mind when they speak of "breaking up the trusts." The Poles, the Czechs and the Yugoslavs couple their attack on trusts and monopolies with demands for land reform to destroy the power of the Junkers and ask that all trusts in the hands of "collaborators" (which virtually means the whole of heavy industry and mining) shall be nationalised, whereas the Westerners, such as the Canadians and even the Dutch, see in cartels not so much a malevolent social and political force as a dangerous economic obstacle to private competitive enterprise. Under a common form of words lurks considerable divergence of interpretation, and the Yugoslav delegation made no secret of its belief that Britain and America are supporting the industrialists and the Junkers against "the true interests of the German people."

The division between East and West is repeated over the territorial question. South Africa specifically condemns the Polish annexation of Germany east of the Oder, Australia refers to the Atlantic Charter with its pledge that frontier changes shall be made only with the consent of the people concerned and Canada asks that frontiers should in general follow the ethnic line. The Belgians and the Dutch both seek very small frontier rectifications to their own advantage; they, therefore, do not specifically condemn the enormous transfers of territory which have taken place in the East. But they underline the modesty of their own claims. Poland, on the other hand, demands that the Oder frontier shall be recognised in the treaty, the Yugoslavs specifically support the Polish claim and the Czechs demand a series of frontier changes in their own favour, although on a much smaller scale. The Czechs have an obvious and overwhelming common interest with the Poles, since both have been responsible for a mass evacuation of Germans from their territory. The Czechs' uneasiness can be measured by their demand that the peace settlement shall forbid the expelled Sudeten Germans to form any separate group or organisation which might develop revisionist aims.

The most controversial issue turns on the problem of Germany's economic future and, in particular, on reparations. On this point, the distinction between East and West is somewhat blurred, for most of the smaller nations are determined to receive reparations, and the Greeks and the Norwegians, for instance, are almost as insistent as the Yugoslavs or the Poles. Only South Africa has reached the decision to renounce all industrial reparations. Nevertheless, underlying the general desire for reparations, there are two sharply divergent lines of approach and they, as might be expected, represent a Western and an Eastern point of view.

The "Western" nations—the British Dominions, Belgium, Holland and Norway—are more or less prepared to face the fact that if reparations are to be paid, the German industrial machine must be restored sufficiently to give a measure of prosperity to the Germans and to supply a balance from which reparations can be paid. But they recognise that this strengthening of the German economy might recreate a war potential in Germany. The South Africans, the Canadians, the Dutch and, more guardedly, the Belgians, therefore suggest that this danger can be met in general by integrating German industry in a larger European economy and in particular by setting up a permanent international control in the Ruhr. The Canadians suggest that the larger task of integration could be entrusted to the newly-

formed European Commission. The Belgians specify that control in the Ruhr should be vested in the first place in Britain, France, Belgium, Holland and Luxemburg, but they do not regard this list as exclusive. The other Powers are content to say that it should be "international."

The approach of the Poles, the Czechs, the Yugoslavs and the Greeks simply ignores the problem of restoring the German economy to some degree of prosperity. On the contrary, the Poles and the Yugoslavs denounce the recent Anglo-American decision to make credits available to Western Germany as a first sinister step in the direction of the Allies' loan policy between the wars, when, between 1925 and 1930, according to the Poles, foreign loans to the extent of \$9 per head of the population were invested in Germany, the ex-enemy, against \$1.85 in Poland, the risen friend. The Easterners all insist that the reconstruction of Germany's victims must come first and, even if German recovery is delayed, German wealth must be sent as reparations to rebuild the war-devastated lands before it is used to restore Germany. The Yugoslavs and the Czechs, in particular, wish the reparations agreements reached in Paris to be honoured. There, it will be recalled, all the Powers, with the exception of Russia and Poland whose quotas were fixed at Potsdam, agreed on the percentage of German reparations each should receive, although no global figure was fixed. The Yugoslavs now suggest that at Yalta not only was the sum of \$10 billion allocated to Russia, but a further \$10 billion was agreed for the other Powers; accordingly they demand their promised percentage. They also remind the Powers that agreement was reached at Paris to take reparations from current production, especially coal, to allot German assets held in the Western Zones of Austria and to take over German property invested in neutral countries.

The Yugoslav proposal may receive some support in the West, for the Dutch and the Belgians were signatories of the Paris agreement and however much more alive they may be than are the Eastern governments to the necessity of restoring the German economy, as an essential preliminary either to reparations or to European prosperity, they, together with all Germany's neighbours, to the East or to the West, have a natural tendency to seek to insert in the treaty a number of their own special economic interests. The Greeks ask that Germany should be compelled to buy Greek tobacco for the next twenty years. The Yugoslavs want part of the German Danube fleet in reparations. The Belgians want 6 million tons of coal, 750 million kwh. of electricity, and deliveries of phosphate and salt in annual reparations for the next forty years. The Dutch and the Belgians wish to control Germany's river transport, to prevent any diversion of traffic from the Rhine to the North German ports and to veto German canal building. The Dutch want to prevent German self-sufficiency in food and to forbid high agricultural tariffs. The Norwegians demand control of German trawling, a limitation on the size of German fishing and merchant ships, and a complete ban on German whaling expeditions.

It is difficult to believe that the statements and suggestions of the smaller Powers will do much to clarify the German issues. Their bewildering variety of particular demands will need to be co-ordinated, while the general cleavage in their approach will only reinforce, since it almost precisely mirrors, the divisions between the Great Powers. This is not to say that divergencies are essentially insuperable. Given patience and the desire for understanding, a compromise could be found between extreme federalism and extreme centralisation, between the various versions of "de-Nazification" and even between the question of restoring or not restoring German economy as a preliminary to reparations. But the smaller Powers can make little contribution to that compromise. Either it will be worked out in Moscow or the divisions on Germany will remain.

that would mean abandoning the nationalisation programme. And they cannot embark upon a great campaign of moral leadership because Mr Attlee is Mr Attlee. So all they can do is to stand pat upon the collection of administrative expedients they inherited from the Coalition, as modified by the pressure of events in the last eighteen months, and excuse themselves by the newly-discovered limitations of democratic planning.

They are, in fact—to explore another historical parallel—taking up exactly the same position towards the economic problem that Chamberlain took up towards the war in the winter of 1939-40. It will be remembered that he then boasted that his war policy differed from that pursued in the first war in that it was planned, and his plan was to do everything possible, and to make every effort, short of seriously inconveniencing anybody. Now, as then, the sticking point has evidently not yet been reached, and until it has there is little hope of a change in policy. In April, 1940, *The Economist* wrote of the economic policy that then mirrored the Government's general attitude:

We must pin what hopes we can to the possibility that, by the autumn, the need for a revised policy will be too pressing to be denied, and that by that time, through a change of personnel or some other minor miracle, a breath of realism and courage will have blown through the windows of the Treasury. Then, the prayer was granted in the most literal fashion and, by the autumn of 1940, the Treasury was fully open to the air. Now also, there will be no prospect of a radical escape from things as they are, of any change in the policy of "Crisis as Usual," until politicians are similarly willing to forget their party programmes and their personal ambitions. The sticking point may come this autumn, or it may wait until 1948. But it is surely coming.

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The debate was properly focused on the immediate problems of the next few months. But there were some longer-term implications of which it would be as well to take note. Both sides showed some concern with the concept of democratic planning, and there was obvious heart-searching on both sides of the House. Democratic planning as interpreted by the White Paper is obviously not a very effective or satisfactory system of managing the nation's economic affairs. The Government are almost openly faced with the dilemma of either going forward until their planning is no longer democratic or of going back until some of their followers will say it is no longer planning. It is getting clearer with every week that the present variety of controlled economy, with all its deliberate distortions, can be made to work, only if it is possible to direct labour by compulsion to where it is required. There was a phrase in Sir Stafford Cripps's speech in which he appeared to contemplate

compulsion of manpower not only in wartime but also "as may be necessitated by some urgent economic crisis." But on the whole, the Labour Party may be relied upon to resist conscription of labour as least as strongly as anyone else. But if they do, they will sooner or later, and in greater or less degree, be forced back into the un-socialist arms of uncontrolled markets and the free price mechanism.

In this situation it might have been thought that the tactics of the Opposition would have been to make the dilemma appear even sharper than it is, to launch a counter-offensive against all forms of planning and generally to emulate the "free enterprise" campaign of the American business man. The debate would then have seen a lining-up of opposing forces, some determined to plan at any cost, others determined to scrap all the planning machinery. Instead, there was a most significant attempt, on both sides of the House, to find some common ground and to insist that, if the present attempt at democratic planning were no great success, another attempt must be made. Mr Eccles made this point most clearly.

I am surprised continually at the poor show the Labour Party has made of planning. . . . There must be behind that incompetence some underlying weakness. . . . I am sure that an immense amount of harm has been done by the confusion between planning and controls. Planning and controls in this country are irreconcilable enemies. The better the plan the fewer the controls; the more the controls the less flexibility we have in our economy, and without that flexibility it is not possible for a British Government to plan for abundance. . . . The purpose of planning is to take something off the ration and the purpose of a control is to put something on the ration. The Labour Party have been too afraid of their vested interests to draw up an overall plan. The tragedy is that, under the lead of the Chancellor of the Exchequer, they have been able to console themselves for the shortcomings of their plan by their faith in their controls.

Some encouragement, in a long-run context, can be derived from language of this sort when it is held by rising members of the Conservative Party. It is already beginning to merge from a possibility to a probability that the Labour Government's economic policy will be an open failure, for which they will pay at the polls at the next General Election. If this were to mean a blind reaction to Brummagem Conservatism of the Chamberlain brand, then the long-term outlook for the country would be as dark as the short-term prospect undeniably is. But if a false start in democratic planning were to be followed by a second and sounder attempt to master the economic environment by methods of freedom, then it would still be possible to believe that the British people will yet, through the interaction of their parties, show the world how to solve the major problem of twentieth-century democracy.

Mr Bevin's Brief

PUBLIC diplomacy as practised by Mr Molotov sometimes recalls the Mad Hatter's Tea Party. In Moscow on Monday he welcomed his fellow Foreign Ministers with a speech in which he said they were gathered together to "consider" a number of questions about the settlement of Germany and for "discussion" on the Austrian treaty. Shortly afterwards he proposed that they should begin discussing the situation in China. General Marshall, who has said he will not stay in Moscow more than a month, asked for a day to digest this *hors d'œuvre*; and the afternoon's work ended with unanimous agreement on Mr Bevin's proposal that Prussia should disappear from the map, split up for ever into the present separate provinces.

The procedure is not as crazy as it sounds. The four Foreign Ministers represent empires; their interests rub together over vast areas outside Germany. Misunderstanding

between them flares up more hotly and more often in Germany than elsewhere, but it is always smouldering in the Balkans, in the Middle East, and in China and Japan. Mr Molotov was giving a startling, eccentric but useful reminder that bargaining may be done on the fringes of the negotiations about Germany and Austria; bargaining which began a fortnight ago when he made no objection to the Americans' proposal that they should make themselves trustees over the Pacific islands formerly under the Japanese mandate and so anticipate the Pacific peace settlement. It may be that Mr Molotov, with Mr Stalin close at hand, sees a chance to get away from the piecemeal approach to a post-war settlement, to raise hopes of a wider understanding between the new American Secretary of State and himself, leaving Mr Bevin isolated in his determination to settle German business first.

The British need to get decisions about Germany and

Austria during the coming weeks is more urgent than that of any other Government. Over a third of this country's expenditure on German food and administration has to be paid for in dollars. Failure to carry out the economic unification of Germany, to pool the food and industrial resources of the four zones and the occupying Powers, has created a liability which seriously strains British economic strength. Even the industrial recovery programme planned with the American zone cannot begin to make good the losses suffered until four or five years have passed. Even if the British Cabinet were not vitally interested in the economic recovery of western Europe as a whole, self-interest of the crudest kind would force them to advocate and assist German industrial recovery. It is a tragedy—for which the Russians have themselves largely to blame—that every British and American measure taken to that end has encouraged the suspicion in Moscow that "certain circles" intend to build up the strength of western Germany to the point where it will restore the balance of power on the Continent. Whereas the French have merely doubted the will and ability of the British and Americans to control a revived Germany, the Russians have chosen to believe in a plot to use Germany against themselves. The belief needs no elaborate explanation; it springs from the Soviet conception of politics as naturally as cynicism about Germany springs from French memories of three wars. So long as it persists, the Russian tactic will be to delay a German settlement, to insist on detailed and long-term undertakings to nip German aggression in the bud, and to seek outside Germany opportunities to divide Britain from the United States.

It will therefore need all Mr Bevin's patience and determination to keep the conference moving towards the chief British objective: an agreed provisional economic and political regime for the whole of Germany, which will enable it to pay its way. The French and the Americans have no such vital interest in preventing delay. American policy on Germany reflects an odd mixture of motives. Predominant is the fear of a central German government in Berlin, controlled sooner or later by Communists. Next to it comes a not wholly disinterested anxiety to see Germany contributing to prosperity in western Europe; next to that a genuine belief in the possibility of re-educating the Germans and converting them to the peaceful and democratic way of life. The Americans have plenty of dollars—if only Congress will provide them—and they are under great pressure to speed up the political rather than the economic restoration of Germany, in order to reduce their occupation forces. They push ahead more rapidly with new governments and constitutions in their own zone than with economic policies for Germany as a whole.

The French, too, are in no hurry for a German settlement, unless it produces a regime for the Ruhr which gives them economic supremacy in western Europe, and so lasting security

against German resurgence. Their aim is to keep Germany weak, by one means or another. Communist strength in their own country prevents them taking an active part in the Soviet-American duel and their interests outside Europe do not clash with Russian interests.

Here are reasons enough for expecting no German peace treaty for a very long time to come. What, then, if anything, can emerge to Britain's benefit? First, perhaps, a four-power pact of mutual assistance to prevent German rearmament, on the lines suggested by Mr Byrnes. There could be no more binding guarantee of a permanent American interest in European peace than this; no more concrete evidence for the Russian public—whatever their rulers may choose to think—that there is no Anglo-Saxon plot to throw the weight of western Germany into the scales against the Soviet Union. If anything can create confidence between the Foreign Ministers, this should. Secondly, progress may be made in strengthening the existing Anglo-Soviet alliance, which provides not only for joint action against German aggression, but for co-operation in European reconstruction. This would constitute further evidence of British determination to keep Germany harmless and a possible basis for broaching Mediterranean and Middle Eastern questions later on. Thirdly, a peace treaty may be made with Austria, making possible the withdrawal of troops from the four zones, a truce to the daily frictions of Allied control in Vienna, and in due course an approach to the problem of the Danube. Fourthly, there may be agreement to revise the plan produced at Potsdam for the level of German industry, within the limits of which Germany cannot pay its way. Lastly, detailed instructions may be given to the deputies to continue to work on a draft treaty.

In other words, it is unwise to hope that Mr Bevin will be able to do more than assist in creating an atmosphere of confidence in which the programme of German recovery worked out for the British and American zones can be developed without destroying all hopes of Soviet agreement to later political and economic unification of Germany. Even from this work there will be exasperating, perhaps fatal distractions; disagreement about Germany's eastern frontier, about the Control Council's report on the working of the Potsdam agreement, about reparations from current production, about the elimination of Nazis, the employment of German technicians and the destruction of German armament plants. These will occupy the ministers in the conference room. Outside it there will certainly be distractions. Mr Stalin is unlikely to miss this chance of trying the mettle of General Marshall.

What should be Mr Bevin's attitude to these distractions from the agreed agenda? The Soviet *New Times* said on the eve of the conference that "real progress in international affairs—including a solution of the German problem—is only

27th March, 1947



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Whose Victory in Asia?

IF a Nazi and a Japanese militarist were to-day to survey the countries recently overrun or threatened by the aggressions of the Axis Powers, it is probable that the latter would find more satisfaction than the former in the enduring traces of his defeated policies. In Europe, indeed, there are turmoils and tensions in plenty, but they arise from conflicts among the victors rather than from any post-war activities of former friends or protégés of Germany. The race of quislings and collaborators in what was German-occupied Europe has been virtually wiped out; Franco survives, but he is at least subjected to verbal penalties by the United Nations. In several Asiatic countries, on the other hand, ex-collaborators flourish, or their memory is honoured, in spite of the Allied victory over Japan. The reason for this is the support which the Japanese in their own interest gave to forces of insurgent nationalism in Asia, other than Chinese, and although these forces were of little use to Japan when the tide of war turned and have indeed broken away from association with Japan in defeat, they have given a queer twist to Allied victory from India to the Philippines.

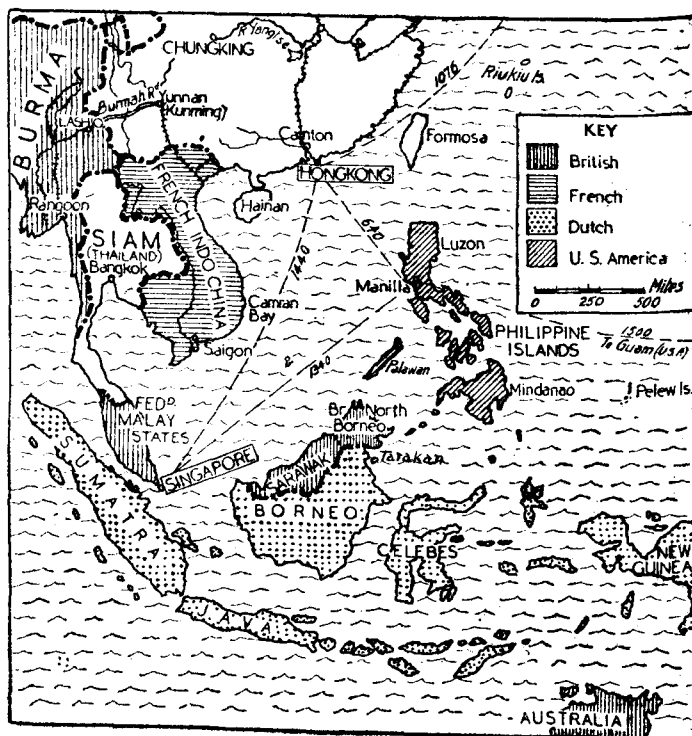
In 1941 there were in Asia east of the Indus and south of Siberia only three independent states—Japan, China and Siam. In India, Burma, Malaya, Indonesia, Indo-China and the Philippines some degree of rule by Western nations was established. It was this world of dependent territories which Japan, an Asiatic Power, invaded, and it was obviously to Japan's advantage to promise independence to the subject peoples and proclaim a war of liberation from colonial rule. Moreover, the fact that the Japanese had already been making war on China meant that they could exploit antipathies against China which existed where Chinese immigration had created minority problems in relation to the native population.

The countries under Western sovereignty were in various stages of constitutional development. The Philippines were the most advanced in progress towards self-government; there was already internal autonomy under a "Commonwealth" government, and full independence (with reservations about American naval bases) had been promised for the year 1946. Burma came next; there was already an elected legislature and a responsible Burmese Cabinet, but wide powers remained to the British Governor and no dated pledge of independence had been given. In India there was provincial self-government, but progress towards responsible government at the centre had been held up. In Malaya, Indo-China and Indonesia the structure of colonial rule had been little affected by the movement towards transfer of authority into the hands of elected native representatives. Moreover, in parts of all these countries, except the Philippines, there was a system of indirect rule through native princes and chiefs; these, long accustomed to external control and mainly concerned about retaining their position and revenues, were obedient enough to the existing regime, but for the same reasons were for the most part ready to transfer their obedience without great reluctance to a power which proved itself stronger.

In no one of these countries, not even in the Philippines, was there any national control over foreign policy. The foreign policies which determined their relations with Japan were decided in London, Washington, Paris and The Hague. It was not the Burmese, but the British, who decided whether the Burma Road was to be kept open or closed; the Japanese had no more say in the Dutch decision to join in applying economic sanctions to Japan after the entry of Japanese troops into southern Indo-China than the Annamese had in the French decision to permit that entry. In the Philippines the economic measures

taken against Japan by decree of the President of the United States were very unpopular with Filipino business interests, for there was a lively Japanese demand for Philippines minerals—iron, copper, manganese and chrome—which were not marketable in America.

There is, indeed, no reason to believe that any of the dependent countries of south-east Asia would have taken economic action against Japan if their native national leaders had had the choice. But the measures taken on their behalf by Western Governments were passively accepted on the assumption that the Western Governments were at least able to protect from invasion and devastation the countries which they ordered to cut off supplies from a great naval and military power. But when the time came, it turned out that neither the Americans nor the British nor the Dutch were able to defend the countries which they had committed to operation of their policies. Their unsuccessful efforts at resistance only brought the horrors of war on to the heads of the population. The one country which remained unscathed in the great forward sweep of Japanese power was Siam, whose Government at once capitulated and joined the aggressor.



That the Japanese were never able to achieve popularity in any of these countries was due primarily to the attitude and behaviour of their troops. Whatever measures might be devised by Japanese politicians and propagandists for winning over Asiatic peoples in the struggle against the West, they were unable to alter the character of an army trained to regard itself as the instrument of a divine authority, to wage war with the utmost ruthlessness and to treat all non-Japanese as inferior beings. Everywhere the man in the street—or in the jungle—became disgusted at the arrogance, cruelty and rapacity of the Japanese soldiers. Moreover, the Japanese were unable, even to the limited extent to which they might have wished it, to bring to the occupied territories anything like the "co-prosperity" of which their propaganda talked.

Nevertheless, the Japanese did attract support by a policy of rewards to anti-Western nationalists. They set up and gave

diplomatic recognition to three formally sovereign independent States—the Philippines and Burma within the sphere of their occupation and "India" represented by the "Government" under Subhas Bose, first in Singapore and later in Rangoon. A fourth State, that of Indonesia, was prepared in the last months of the war, though it was only formally proclaimed after Japan's surrender. In Indo-China the Japanese were content to maintain French authority nominally intact until the spring of 1945, when it became clear that the French administration and troops would turn against Japan at the first opportunity and the Japanese were forced to suppress them; by this time the Annamese revolutionary nationalist movement had become so closely associated with Chinese support that the Japanese could make no use of it, and all they could do was to proclaim the independence of the French-protected kings of Annam, Cambodia and Luang Prabang and take over direct control themselves in Saigon and Hanoi.

The Japanese had not under-estimated the immense importance for Asiatic nationalists of the outward semblance of independence. The Japanese certainly intended to keep in reality the tightest control in future over all the countries of Greater East Asia, and the creation of the new sovereignties did not interfere with the almost unlimited powers of the Japanese army commanders in their respective zones. But the Japanese understood well, what the Anglo-Saxon so often does not, the humiliation of lacking recognised national independence, the injury to pride which is suffered, particularly by the educated section of a subject people, and which tends to rankle to the exclusion of rational calculations of gain and loss. For this reason the Japanese let their puppets have all the outward trappings of sovereign power.

The results of Japanese political warfare can be seen to-day in the political standing of leaders, who either actively co-operated with the Japanese or adopted a neutral attitude. In India, the dead Subhas Bose is regarded in Congress circles as a national hero, while public honour is given to the Indian soldiers who joined his army to fight under Japanese command.

NOTES OF THE WEEK

No Respite for MPs

It does not appear that the present sittings of Parliament will differ in character from those before the Christmas recess. In the two weeks since the House of Commons reassembled, the second readings of the Agriculture Bill, the Town and Country Planning Bill and the Electricity Bill have been held, and the standing committee on the Transport Bill, increased in size to 50 members, has begun its sittings. The Government, it is quite clear, is determined that its legislative programme shall be completed at all costs.

What is the cost? On two occasions this week, the Opposition protested against the way the House is being driven. Mr Eden called attention to the fact that although a debate on the world food situation—at the Government's instance, it is worth pointing out, not the Opposition's—had been fixed for Thursday, the full report of the preparatory commission of the Food and Agriculture Organisation, which should clearly be one of the chief raw materials for the debate, was only available on Tuesday. He therefore asked that the debate should be postponed for a week to allow members time to study the report. This very reasonable request, which was supported by Mr Wilson Harris, an Independent, was turned down flat by Mr Greenwood, whose attitude appeared to be that members should find time, and that the pre-arranged Business of the House cannot, under any circumstances, be disturbed. The second protest was made in Standing Committee on the Transport Bill, which after this week is to sit three mornings a week. As there are some 800 amendments down to the Bill, which is not only highly controversial but also the most important measure of the session, a three-day week is almost inevitable if its committee stage is to be completed, as the Government wishes, by the end of March. But MPs, as Sir David Maxwell Fyfe reminded the Minister of Transport, are not expected to be concerned merely with the Bills they are specially charged with in Standing Committee. They also have to consider the other Bills

The Congress Party itself, which refused all co-operation in the war against Japan and attempted an insurrection when the Japanese were approaching the borders of India, retains undisputed leadership of Indian nationalism, except in so far as it is challenged on communal grounds. In Burma, no politician who remained unequivocally loyal to Britain throughout the war seems now to have wide political influence; the two strongest candidates for power are Aung San, who organised the Burma National Army to fight on the side of the Japanese, but subsequently made secret contacts with the British and turned against Japan in the last phase of the war in Burma, and U Saw, who was interned by the British at the beginning of the war for secret correspondence with Japan. In Siam, the anti-Japanese faction came to power when Japan weakened, but no harm has befallen Pibul Songgram, who declared war on Britain and the United States; he is remembered as the statesman who enlarged Siam's territory and saved the Siamese from the scourge of war which swept Burma. In Indonesia the Japanese protégé, Soekarno, continues to be President of the Republic and men trained by the Japanese formed the nucleus of its army. In the Philippines, those who openly sided with the Japanese have been swept away, but the recent Presidential Election was won, not by Osmeña, who (after the death of Quezon) headed the resistant Philippine Government in Washington, but by Roxas, whose attitude during the war was ambiguous and whose following included many politicians seriously compromised with the invaders. Only in Indo-China is nationalism fairly free from a pro-Japanese past, and that is because there it was the French rulers who co-operated with Japan, while the Annamese sought the protection of China.

It is, indeed, a striking picture that the Asiatic scene presents; from a Western point of view it is hardly a pleasant one, but it is better that we should recognise, without deceiving ourselves, that in each of the countries surveyed above, the late war appeared primarily as a struggle between outside Powers, which it was right for a patriot to utilise according to opportunity for the attainment of national independence.

before the House—not to mention their other parliamentary functions or their own private pursuits in earning a living.

It is not, it should be emphasised, merely the Opposition which suffers from this furious driving on the part of the Government, although it is clearly a more obvious loss to the country if the Opposition is not to be allowed to perform with due care its constitutional function of opposing. Individual members as well, and Labour back-benchers in particular, inevitably feel sore and frustrated when they are pushed along the legislative course, which they neither help to chart nor are allowed to modify, with such speed that they cannot attend properly to their non-legislative functions. It is high time that the Government realised that a member has a wider duty than simply to give silent support to whatever legislation it introduces.

Administrative Break-down?

This over-concentration on new legislation is having its effect on members of the Government as well. In addition to giving legislative form to Labour's policy, they are responsible for the day-to-day work of their departments. But how can Mr Barnes and Mr Strauss give proper attention to their departmental duties when one or both of them has to be in Standing Committee on the Transport Bill three mornings of the week and, after the committee adjourns, be briefed on the amendments to be discussed on the following day? How, in particular, can Mr Shinwell give his full attention to the Electricity Bill and to the serious fuel shortage at the same time? It is hardly surprising that, in the circumstances, Ministers tend to be overbearing in debate, refuse to listen to telling points made by the Opposition, and refuse to make concessions even when the facts of the case and informed opinion are clearly against them. One has the feeling that their

possible by strengthening and developing co-operation between the great Allies." If this means that a four-power pact and a new Anglo-Soviet alliance would make agreement about Germany easier, the sentiment is irreproachable. But if it means that decisions on how Germans are to live in the immediate future must wait on a global agreement of the Yalta kind—in fact a fresh definition of spheres of interest between the Russians and the Americans—it is unacceptable to any British Foreign Secretary in the present situation. His country, too, faces a struggle to live and pay its way; it cannot put off any longer measures to help 20 million famished and resentful Germans to do the same. If the conclusion—or the offer—of solemn engagements to keep Germany harmless, detailed and prolonged to an extent unprecedented in our peacetime history, is not enough to allay Soviet suspicion of British intentions, then Mr Bevin should be ready to pursue a zonal policy with the

Americans, and darn the consequences of Russian displeasure. Mr Bevin may well have to take this line. He can expect little understanding and sympathy for his case from Mr Molotov. The economic crisis facing Britain is different in kind from that which now occupies the Soviet Government. They have no inescapable dollar problem, no need to sell goods to buy food. They can isolate themselves from the effects on Europe of continued stagnation in the German economy. Mr Bevin has to convince them that he will not postpone further the economic recovery of Europe and the saving of £120,000,000 on the British Budget while they insist on guarantees and evidence of British good faith beyond those already offered. He has already given the warning in the House of Commons before leaving: "I should say nothing to saddle this country with increased liabilities." The brief is clear and Mr Bevin should stick to it.

Development or Welfare?

IT is just over seven years since the development and welfare policy for the colonies was inaugurated. On February 20, 1940, a White Paper was published which declared that the sum of £5,000,000 a year for five years would be made available by the British taxpayer to enable the colonies to undertake projects that they could not finance from their own resources. In the succeeding years, this White Paper was followed by two Acts, more White Papers and despatches, as a result of all which the term "development and welfare" has become as familiar to those working in and for the colonies as are the older concepts of trusteeship and the dual mandate.

In the course of the last seven years, too, the scope of development and welfare has been greatly increased. Finance from the United Kingdom can be counted upon at least until the year 1955 and to a total of £120 million during this period. More important, Colonial governments no longer regard the Development and Welfare Fund merely as a means of financing isolated projects such as a new bridge here and a library there. They have been instructed to draw up ten-year plans to promote the advance of their territories all along the line; and for the execution of these plans finance from the Fund is supplementary to what can be raised from their own resources and from loans.

These ten-year plans are gradually being completed, and the table at the foot of page 365 shows the expenditure contemplated in several colonies, distributed under different heads. It will be seen that big expenditure is planned for the social services, in particular the health services and education. This is not surprising in view of the neglect of the social services in the past. The medical and health services of Nigeria, say the compilers of the Nigerian plan "are far below the average in the Colonial Empire and, in some respects, as bad as anywhere in the world." Again, the Jamaican Agricultural Policy Committee, reporting in 1945, stated that "there can be few countries where the over-all state of rural housing is worse than it is in Jamaica." The reason for this neglect is very simple. The colonies could not afford social services because their resources were too small. The purpose of linking development with welfare, therefore, was to encourage the colonies to increase their wealth so that they could eventually support the social services out of their own resources. If assistance had been given by the British taxpayer for welfare projects alone, there would have been no prospect of colonial peoples ever being able to do without that assistance, and "he who would be master in his own house," as the Comptroller-General for Development and Welfare in the West Indies has pointed out, "must be able to meet his bills."

What, therefore, one looks for anxiously in the development and welfare plans that are now appearing is some sign that development will proceed fast enough for the colonies to be able to carry their own burden of social services in the foreseeable future. Unfortunately, this sign is nowhere in evidence. It is not that the problem is not recognised. The residual recurrent expenditure on the various projects at the end of the ten-year period is estimated, and the question of whether the colony's finances will be able to support it is then discussed. But it tends to be regarded as a financial problem only. For instance, the Secretary of State, commenting on the plan for Zanzibar, which allocates more than one-third of the total expenditure to education, pointed out that too little attention had been paid to the development side of the programme, but agreed to the heavy commitments to education provided that the people of Zanzibar are "prepared to bear the additional taxation which will be necessary to provide the finance required." Nowhere does the plan produce estimates to show that the people will be, not only prepared to shoulder this commitment, but able to. At the present time, the people of Great Britain are being told that they are heading for bankruptcy if they continue to demand the same or a higher standard of living without contributing an increased output of goods and services in return. Yet the colonies are being encouraged to plan for a higher standard of living long before it is clear whether they will be able to maintain it or not.

This does not mean that development and welfare should be regarded as mutually exclusive. In the colonies, where the present standard of living is so low that for the average man life is a prolonged struggle for subsistence, it may well be that health and educational services will have a direct effect on productivity. It is certainly premature to assume, as is so often done at present, that the African and West Indian are permanently incapable of doing an honest day's work, until their attitude has been tested in a better environment than is their lot to-day. But against this must be set the fact that every extension in the health services, every success in reducing mortality, will increase the number of people whose needs will have to be met. Unless development proceeds fast enough to enlarge the absorptive capacity of the colonies, it will soon be a question not of raising their standard of living but of preventing it from falling below its present low level.

This danger is at present most clearly apparent in the West Indies, and it has been stressed in every report and survey, official and unofficial, that has been published. In Jamaica, it is estimated that 20,000 adolescents come on to the labour market every year. Even if the object of an intensive system

of agriculture—at present, only one person is engaged in agriculture for every five acres of agricultural land—were achieved, it would be impossible, so the Agricultural Policy Committee declared, for the land to absorb all the available and expected manpower. If an attempt were made to solve the unemployment problem by land settlement, it would only be at the expense of agricultural efficiency, which requires increased mechanisation in order that the output from the land can be raised from its present low figure.

The picture is one of decreasing productivity of land, with ever-increasing expenditure necessary to remedy that condition, and of a rapidly increasing population with increasing demands for the products of the soil.

Jamaica cannot hope, so the committee argued, to pay for all the imports required to maintain a reasonable standard of living for the islanders. The balance must be supplied locally, even though the local costs of production are high.

It is impossible, therefore, to suppose that there can be much hope for increasing the standard of living in the island, unless a determined and constructive effort is made to use the resources of the country for every industrial purpose for which they are suited.

Yet, on examining Jamaica's ten-year plan, what does one see? The sum of £250,000 is allotted to industrial development, and it is declared that "any programme of industrialisation which will be feasible in the immediate future cannot but detract from the essentially agricultural background of the country. . . ." But the plan fails to answer these questions. Can agriculture, which only receives a slightly larger allocation than is given to the health services, support an increasing population at the higher standard of living aimed at and illustrated in the allocations to the welfare programme? If not, at what standard of living can the population be supported? Or, if the higher standard of living is to be pursued, how many people can be maintained at that level, and what is to happen to the surplus?

It is not only in the West Indies that these questions need answering, although they are there most urgent. In the Fiji plan, too, the rapid increase in the population, together with the shortage of land, is admitted to raise a serious problem, but it is dismissed with the statement that the aim of raising the standard of living would consequently be frustrated if there were a substantial and uncontrolled influx of immigrants into the colony. It is true that the economic budgeting required to answer these questions would be virtually impossible in many colonies, where the essential statistics are lacking. The Kenya plan does at least raise them, and it is significant that it is the only one to attempt to scale down the welfare side of the programme to a more practicable size. But until they are answered, how can any one say whether the purpose of the plans will be fulfilled?

The truth is that, as successive Secretaries of State have fully realised, the purpose—raising colonial standards of living—

cannot be fulfilled without a far greater investment of capital than is contemplated in the ten-year plans. It is thus presumably more than a coincidence that the last few months have seen a start in the formation of public corporations, first foreshadowed by Mr Stanley in 1945, to carry out development projects in the colonies. The first is the Cameroons Development Corporation, which will run the former German estates in the Cameroons on behalf of the native peoples and provide welfare services—for health and education—out of its own revenue.

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But this pioneer scheme has been completely overshadowed by the recently published "Plan for the Mechanised Production of Groundnuts in East and Central Africa" (Cmd. 7030). Here at last is the sort of economic planning that is needed to change the face of the colonial empire. Welfare services will accompany the production scheme, for each unit will be a model centre of "improved standards of housing, health, nutrition and welfare." But from the African viewpoint the importance of the scheme lies in the economic development that is envisaged—in the revolution in agricultural technique primarily, but also in the indirect development that will follow from the improved communications and water supplies in the project's areas and from the eradication of the tsetse fly. Stock-farming and local processing industries are among the secondary developments contemplated. It is difficult to decide which is the more encouraging part of the investigating mission's report (it is interesting and significant that of its three members one was chairman of the Jamaican Agricultural Policy Committee)—the vision with which they look to the future and describe the immense potentialities of the scheme, or the hard-headed practical thinking and costing which have gone into the immediate plan for producing groundnuts.

But two things should be emphasised. First, the amount of capital that will be invested in the scheme is £25½ million; the total area involved is 3,210,000 acres; and the farming operations will employ 32,000 Africans. The combined development and welfare plans for the whole of the three colonies concerned—Tanganyika, Kenya and Northern Rhodesia—contemplate a total expenditure of only £47 million. This comparison shows how totally inadequate are the colonies' resources, even when supplemented by the Development and Welfare Fund, to carry out the big development schemes that are needed. Secondly, the £25½ million that will be granted by the British Treasury for the production of groundnuts will be forthcoming because of the world's, including Britain's, shortage of fats. In other words, the needs of the world come first; the needs of the colonies—the urgent crying need to raise their standard of living—are only a secondary consideration. What has now to be decided is whether capital, on the scale of the groundnut plan, can ever be got into the colonies primarily for their own sake.

	DEVELOPMENT £000						WELFARE £000					MISCELLANEOUS £000
	Agriculture	Forestry	Irrigation	Industry	Communications	Total Development	Health	Education	Town and Village Development	Social Welfare	Total Welfare	
Cyprus	571	880	934	250	495	2,880	1,292	1,002	496	...	2,790	280
Jamaica	6,055	†	†	261	11,384	18,105	5,746	3,946	...	1,872	11,564	722
Nigeria	2,998	918	178	110	1,155	5,561	10,439	7,686	8,394	384	26,903	6,184
Sierra Leone	500	96	...	100	2,186	2,039	1,000	721	910	77	2,708	509
Kenya	6,587	459	...	...	6,945	9,332	847	2,435	3,605	35	6,922	1,332
Tanganyika	1,408	268	...	...	6,945	8,621	3,004	1,908	3,284	...	5,193	1,069
Zanzibar	130	...	...	...	19	149	1,598	1,536	1,670	...	4,804	2,700†
Northern Rhodesia	2,294	314	300	...	2,170	5,078	1,173	513	1,448	...	3,134	105
Fiji	226	2	...	...	1,040	1,268	...	...	...	...	...	...

FOOTNOTE: The statistical summaries of the plans have not all been drawn up on the same lines, and it has not been easy to allocate each of the different items to its appropriate heading. In particular, some plans distinguish between irrigation and water supplies to towns and villages, and others do not. When it appears that the expenditure on "water development" is primarily for the purpose of supplying piped water to the inhabitants, it has been allocated to "town and village development."
 * Includes items classified as "miscellaneous" in the plans and other items, such as tourism and fisheries, which are either peculiar to one colony or not large enough to specify separately.
 † Included in agriculture. ‡ Includes £1,500,000 for "rural development," that is, centres for training Africans for both development and welfare projects.

Reconciliation and Divorce

POLITICIANS are apt to fight shy of divorce. It is a subject on which opinions are deeply felt and tenaciously held; from the politician's point of view it suffers from the disadvantage that these opinions run across the normal lines of party cleavage. Strong opinions which the Whips can manipulate are the motive force behind Parliamentary life. When they break loose from party channels they may provoke an outstanding debate in the Commons, but Heaven knows what damage they may do in constituency organisations. This may be one explanation of why Parliamentary action on divorce usually lags some twenty years behind public opinion.

Wars breed matrimonial troubles. The causes are easy to see and the remedies hard to find. In the majority of cases from the last war the damage is already done and divorce is the only remedy—no remedy to the broken marriage, but at least providing the circumstances in which the partners to that marriage may make an attempt to build up again something from their maimed personal lives. The divorce courts, too, constitute an authority, independent of the passions and prides of the parents, which can safeguard the interests of the children of the former marriage. So far as the courts are concerned, what is needed from them is a clean and aseptic surgical operation. Delay and clumsiness are as dangerous there as they are on the operating table. Most fortunately for Britain, that need has been realised in the quarters from which action can be initiated. The Lord Chancellor has used his responsibilities as head of the judicial system with intelligence and courage, and the Committee he appointed in June last has carried his intentions into full effect. The final report of this Committee, commonly known as the Denning Committee, was published recently and no words could be too high to commend its activities. In seven months the Committee has produced two interim reports (on which action has been taken), and has now presented a final report of a quality demanding the closest attention from any thinking adult.

The wreckage of the war can be tidied up. A task of a different order is the problem of the future. Is the family an important social unit? If so, what can society do to preserve it from shipwreck? The answer in the Report is clear. For those who are unmarried, social education in the wider sense. For those who are married, the provision of an instrument, and a technique, that will undertake the task of reconciling differences between the spouses at the point when the prospects for permanent reconciliation are at the brightest. That raises the immediate question: is the State to undertake either task, directly or indirectly, and if so to what extent?

The conclusions of the Denning Committee are that the State is directly concerned. It considers that it is "a function of the State to give every encouragement and, where appropriate, financial assistance to marriage guidance as a form of Social Service." It rejects Lord Merriman's plan, outlined in his recent speech in the Lords, to make an attempt at reconciliation a part of the normal procedure of a divorce application. It considers that such a step would leave the attempt too late in the day for substantial success, and in any case introduce too formal an organisation for such a personal task. It advocates, instead, the extension, and support by grants-in-aid, of the activities of marriage guidance organisations and court probation officers, who are already experienced in this work. In addition, it suggests the appointment of court welfare officers, and details what it considers should be their duties and qualifications. All these reforms can be introduced without the need for legislation.

Thinking on divorce is handicapped by a divided allegiance between the claims of religion and the claims of the social

structure of the State. Roman Catholics and the majority of the Anglican and Nonconformist churches hold the view that a Christian marriage is indissoluble by human agency. Even where they admit of special cases, that fundamental attitude colours their thinking on the whole subject. And, if marriage is indissoluble, reconciliation is not important—in fact, it is irrelevant. It makes no difference to a sacramental marriage if the partners are unhappy or happy, faithful or inconstant. They will answer for these actions, as individuals, in another world to another judge. Here they must work out their individual salvations within the fixed status that their marriage has given them. A friend or a priest may intervene to help. The State has no duty, and no right, to attempt to do so.

Those who do not possess the faith of which a sacramental marriage is part see a marriage that is in difficulties from another aspect. As the Welfare State develops, it is increasing its concern to see every obstacle in the way of the happiness and development of each individual removed. The State is concerned to provide every kind of treatment and support in respect of physical illness. It attempts to abstract insecurity from employment, and so free every individual, and family, from its basic fear. It endeavours to set up a general goal of community effort and community consciousness. It cannot—nor, in fact, does it—leave out of its activities the welfare of such a socially important thing as marriage. But it could go very much further and do so very much faster. If free education, hospital services, compensation for industrial injuries, pre-natal care and supervision are important, surely an organisation to care for a marriage in danger is even more so?

The final report of the Denning Committee deals with every aspect of matrimonial difficulty, including the technique of reconciliation. It is to be hoped that the Government will have enough foresight and moral courage to take action at once on those of its recommendations which can be carried into effect without legislation. Some require legislation. At the end of the present Session the greater section of the Government's electoral plans for socialisation will have been completed. To achieve that rapid conversion of so much of the economic life of the country, the Government have already sacrificed an urgent measure of criminal justice reform. They cannot defer that Bill again. Nor should they defer the question of divorce law reform. A Government does not live, nor do a people, by the bread of economics alone.

In essence, the solution is simple. Freedom to hold a faith or belief implies freedom to allow others to differ—there are limits to that, where the political security of the State is concerned, but this is not jeopardised by the difference between the sacramental and the social view of marriage. Whatever action the State takes, the result must be to leave any acceptance of its aid a voluntary decision of the person seeking it. Compulsion would not only make it ineffective; it would be wrong in itself. On the other hand, those who hold that each marriage must be left to work itself out should recognise that they have no right to force that view on others, or, more important, to use their influence to deny others the access to information and guidance from a public organisation. That influence is used in many ways, direct and indirect; it still remains intolerant, an unwillingness to admit that another opinion might be right.

In the end, this issue will be settled by the man in the street, not by the politician. If the politician dare not lead, he must be driven, and only an informed public opinion can drive. This is the final reason for expressing thanks to Mr Justice Denning and his Committee. They have prepared the brief.

NOTES OF THE WEEK

Washington and Moscow

For the time being the Foreign Ministers have resisted the temptation to turn attention from Germany and Austria to such matters as China and Japan—that is, they have, at any rate, kept them off the formal agenda. Mr Molotov will doubtless let off a firework from time to time, to light up promising by-ways of negotiation outside the conference room, but he is unlikely to find anything to make so much noise and attract so much attention as President Truman's speech to Congress on Wednesday. It combined ideology and realism in a manner which challenges the Communist monopoly of this kind of diplomacy. It is the argument used, rather than the aid for Greece and Turkey proposed, that will have to be answered: "I believe," said President Truman, "it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressure." Even more challenging is the demand that Congress should recognise that "totalitarian regimes imposed on free peoples, by direct or indirect aggression, undermine the foundations of international peace and hence the security of the United States."

The assumption by the Americans of responsibility for the *pax Britannica* at the point where the Russians look out on the Mediterranean and where Europe and the Middle East meet must make Mr Molotov more eager than he was already to find out the full contents of General Marshall's brief.

From the British point of view it is good that Mr Bevin's thesis and that of the Russians on the economic future of Germany already confront one another. Mr Molotov has objected to British delays in destroying potential war plants in their zone, revealing that 676 plants in the eastern zone have already been "removed"—which is not the same thing as destruction. Mr Bevin, who might have retorted with questions about synthetic oil plants in full production under Russian direction, insisted that fulfilment of the Potsdam Agreement and revision of its level-of-industry plan should come first. Both parties could, if they wished, meet allegations of breaches of Potsdam by counter-allegations, each showing what a keen eye its intelligence service keeps on the other's zone. Such skirminshing is inevitable and so far it has sounded less bitter and determined than might have been expected. It is a hopeful sign that the Foreign Ministers will themselves discuss the Control Council's report on conditions in the zones and not shelve the issues by reference to the deputies.

The Conscription Bill

The Government has introduced what may well turn out to be its most difficult Bill of the session, difficult not because it will cause popular resentment on the ground that it is unnecessary, but because the principle of peacetime conscription is opposed by a large section of the Parliamentary Labour Party. The new National Service Bill is likely to be attacked, not only by Labour pacifists but by the back-benchers who hold that, in the present shortage of manpower, it is wrong to have considerable numbers of men in the armed forces.

Yet the Bill goes some way towards meeting all the objections. The provisions for deferment are as generous as had been forecast and make full allowance for the needs of higher education. More important, the Bill is limited in time until 1954, unless extended by Order in Council which will provide an opportunity for reviewing its necessity. Thirdly, it limits the period of service which conscripts will serve to eighteen months as a maximum—it may be reduced—plus five-and-a-half years in the Reserve. Thus, in effect, from the beginning of 1949, when the Bill will come into force, the total size of the armed forces will be considerably reduced, for eighteen months' conscription will yield about 300,000 men and the number of volunteers cannot be expected to exceed 450,000. Thus, at long last the Government has accepted 750,000 as the outside figure at which the armed forces can be maintained. If, as is very possible in these days of over-employment, the number of volunteers falls below 450,000, the size of the forces will be correspondingly less. What the Government's critics should now attempt to drive home is that, since the armed forces will have to cut their establishments, and the country its commitments, in accordance with this outside figure of 750,000 in two years' time, why should they not do so now? And they should ask the Government to show quite clearly what advantage is to be gained by eighteen months' conscription

instead of twelve. Will the benefit to the armed forces of an additional six months' training offset the extra social dislocation that it will cause?

Joint Planning Staff

Sir Stafford Cripps's statement in the debate on Monday that a new joint planning organisation is to be set up and that a man "of very special attainments and experience" is to be made the executive head of it, has been greeted with a hubbub of excitement and applause which events may not justify. The decision itself is necessary and overdue, as the absence of adequate planning revealed in the Economic White Paper has shown, but the appointment of the new man with a joint planning staff under him is probably much more a piece of essential administrative machinery than an altogether new driving force within the political ranks of the Government. Surmise has revolved around a number of figures who achieved fame during the war, but very few of these men have political views which are compatible with the central planning of a Socialist Government—or which would make their decisions acceptable to the present Cabinet. Nor is it probable that Mr Morrison would brook a rival on territory he has made so much his own. A Socialist Beaverbrook to provide the drive, working with a first-class economic administrator to provide the ideas, might well have been an ideal combination for the necessary jet-propulsion; but neither the candidate nor the political atmosphere is available, and it is far more likely that the appointment will be of an ex-temporary civil servant who has had experience of the organisation of production in wartime.

The failure to produce a *deus ex machina* should not, however, be allowed to obscure the rightness of the new decision on a more modest plane. The Government's planning, as revealed hitherto, has been far too limited both in time and space—limited to a few months ahead and split up between a number of departments which seem to have little concern for each other's activities. If the new planning staff produces a policy which looks far enough ahead, which concentrates on the real obstructions to economic activity and which mobilises all the departments in a single strategy, it will have done very good work. But the ultimate difficulty will still remain. To draw up an effective plan may be difficult, but it is child's play compared with the difficulty of getting a Cabinet of politicians to implement it. No amount of new planning machinery will be of much avail until Ministers are prepared to do things that their followers, their constituents and the keepers of their party consciences will equally dislike.

The Great Thaw

Life is once more limping back to normal. Commercial consumers, such as offices and shops, may turn on lights and electric fires with caution during the restricted hours; cinemas are showing full programmes and theatre matinées restarting; hairdressers can give permanent waves. Shorter newspapers, telescoped BBC services, burst pipes, leaking roofs and the menace of floods remain as the aftermath of the great freeze up.

The long-term effects of the crisis cannot be gauged so easily, but they will certainly be serious. The extent of industrial resumption is shown in the unemployment figures. Whereas, on February 26th, 1½ million were recorded as unemployed by the Ministry of Labour (of whom just over one million were "temporarily stopped" as a result of the switch-off), the total had dropped to half that figure by March 5th, and only 323,000 of the total of 780,000 were "temporarily stopped." Nevertheless, the period of uncertainty is by no means over. Discussions about staggering hours, to relieve the electricity load, are still going on, and no definite decision has yet been announced by the Government. Mr Isaacs, however, indicated in the economic debate on Tuesday that the TUC's suggestion for double day shift working would be adopted and that the original proposal for night work would be dropped. In fact, many individual firms have gone ahead with their own schemes for re-arranging working hours on this assumption.

When the respective merits of double day shifts and night work are debated, it is as well to distinguish between present and future advantages and needs. To relieve the electricity load, night

back to Germany since September. But the rate of the British scheme—15,000 a month from Britain and 2,500 a month from the Middle East—is still regrettably slow, although lack of transport is still the principal difficulty. Germany needs these younger men badly for social stability as well as economic reconstruction; the war has left two German women for every man in the middle-age groups. Productive workers are short and dependants overplentiful.

In this situation Germans will regard with suspicion the French Government's suggestion—accepted in outline by the Americans—that their prisoners of war should be given the option to remain in France as free workers. Admittedly, the Monnet plan demands an additional labour force of 1,200,000 in the next four years, and the French were counting on keeping as long as possible the Germans employed in mining, agriculture and reconstruction. But the type of immigration which the French propose is that which is most injurious to Germany, excluding as it seems to do any family units, women or children. Moreover, there has to be added to the number of those "lent" by the Americans who may choose to remain in France another 450,000 prisoners, captured by the French themselves, for whom there appears to be no scheme of repatriation at all. In spite of the fact that there is no sovereign German Government, there are no good legal grounds for the retention of these men, even though the Potsdam Agreement allows their employment on reparations account.

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De Gasperi's Third Cabinet

One cannot but admire the patience and self-abnegation with which Signor de Gasperi keeps a frail barque of government afloat on the yeasty waters of Italian politics. After a twelve days' crisis, he has succeeded in forming his third Coalition, and certainly before him lies a remarkably thankless task. In the immediate future, the Italian Government must sign its peace treaty—a treaty which all parties agree in condemning and which has already caused a marked nationalist revulsion in Italy. And behind the treaty lie all the urgent unsolved problems of Italy's economic life—the ending of Unrra with its relief work for millions, the unbridged gap in the Italian balance of payments, the slow but unchecked rise in prices, the precarious outlook for the import of wheat and coal.

Signor de Gasperi's own party will bear the onus of these difficulties. That a distinguished Independent, Count Sforza, should be at the Foreign Office when the treaty is signed is less important than the fact that the Government which appends its signature to the document will be predominantly Christian Democrat. The Christian Democrats not only have the Premiership. They also control the key Ministries of the Treasury (now fused again with Finance), Foreign Trade and Agriculture, together with the Interior, Education, and Merchant Marine. If disasters befall Italy in the next months, the Christian Democrats are likely to bear the blame.

How will this affect their electoral chances next summer? The Republicans, the *Uomo Qualunquista*, and Signor Saragat's dissident Socialists are directly in opposition, and of these the *Uomo Qualunquista* are almost certain to profit by Italy's frustration over the terms of the peace. The fortunes of the Left wing parties are more difficult to gauge. The division of the Socialists between the followers of Nenni, who support co-operation with the Communists, and of Saragat who oppose it, is certain to lose both wings of the party a measure of working-class support. Signor Nenni's decision to leave only two supporters in the Cabinet and like Signor Togliatti, the Communist leader, to devote himself, outside, to electoral preparations, will hardly offset the confusion and disillusion introduced by the Socialist split. It is therefore likely that the Communists, who have also kept only two minor figures in the Cabinet, will profit most from the fact that, at a time of crisis and discontent, the Christian Democrats are carrying the main burden of office.

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American Withdrawal from China

The decision to abandon the American effort to mediate a settlement between the Chinese Government and the Communists, and to withdraw from China the American military units still stationed there, was one of the first results of the replacement of Mr Byrnes by General Marshall at the State Department. It was a decision due neither to the ordinary process of policy-making in the Department nor yet to any general political views of the new

Secretary of State, but to General Marshall's recent direct personal experience of mediation in China. His experience clearly convinced him that mediation was useless and was only making the Americans unpopular in China. Although the withdrawal of the Marines is an act of policy which has long been demanded by Leftist circles in the United States, and can usefully be quoted in Democratic Party propaganda to "Fellow Travellers" as evidence of the progressive sentiments of the new Secretary of State, General Marshall should not be assumed to have taken his decision out of any sympathy for the Chinese Communists. At first sight Chiang Kai-shek's Government may appear to have been weakened by a withdrawal of American armed support, but it is by no means certain that he does not in reality gain politically from the move. The real intervention of the Americans in China, when they enabled Chiang Kai-shek to take the surrender of the Japanese in Tientsin, Peking and other cities which would otherwise probably have passed into the hands of the Communists, was finished many months ago, and since then the presence of the Marines has hardly affected the military situation; it was never intended to use them for military operations against the Communists, and American public opinion would not tolerate their being so used. On the other hand, their presence in Chinese cities, and their manifest opulence in a poverty-stricken country, have given the Communists a wonderful propaganda opportunity, of which they have taken full advantage. They have denounced Chiang Kai-shek as a puppet of American imperialism, imposing his rule on China with foreign military aid, and have accused the Americans of trying to turn China into a colony, even going so far as to compare them with the recent Japanese invaders. Now that the American forces are being withdrawn and Chinese soil is left once more to Chinese armies to fight over—for the Russian troops have long since departed except from Port Arthur and Dairen—both the Kuomintang and the United States gain in reputation with the Chinese public from their formal divorce.

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The Japanese General Strike

On February 1st Japan was to have been in the grip of a general strike organised partly for enforcement of economic demands, but also partly, as was openly admitted by some of the leaders, for the overthrow of the Japanese Government headed by Mr Yoshida. At the last moment, however, after all attempts at a settlement had broken down, General MacArthur intervened and prohibited the strike, threatening punitive action by the occupation authorities against anyone leading or taking part in a general strike. General MacArthur justified his prohibition on the ground that the general strike was too deadly a weapon to be used in the present "emaciated" condition of Japan, and also with the contention that it would interfere with the Allied occupation. No attempt was made to start the strike in defiance of General MacArthur's order, but the Federation of State Railway Workers' Unions on February 3rd made an appeal against the order to the Far Eastern Commission, requesting an Allied international investigation of the case.

Although there may have been a strong case for American prohibition of a strike designed to paralyse Japanese economic life at a time when Japan is largely dependent on American bounty for its day-to-day existence, larger political issues were certainly involved. The general strike was promoted particularly, though not exclusively, by the Japanese Communists, who only obtained a very small representation in the Diet at the General Election last April, but have captured commanding positions in many of the trade unions which have sprung up in all branches of industry since the lid was taken off labour organisation by Allied directives after Japan's surrender. The Communists have given the trade union movement a strongly political character and have made no secret of their intention of using it to bring about an overthrow of the Government by extra-Parliamentary means; further, their propaganda has taken on an increasingly anti-American tone which the gadfly tactics of General Derevyenko, the Soviet representative on the Allied Council in Tokyo. The collapse of a Japanese Cabinet as a result of a Communist-promoted general strike would indeed have greatly strengthened the Communists and gained credit for their direct-action methods at the expense of constitutional political processes; it is understandable that the American authorities should fear the development of a revolutionary situation which might have a sharp anti-American tendency. On the other hand, the grievances of Japanese labour are many and real, and the Americans, having boasted of the freedom they have con-

ferred on the labour movement, ought not to be too surprised at the turbulence which they have done so much to encourage.

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Renewed Crisis in India

After a period of slightly relaxed tension the situation in India has again become critical with the arrests of Moslem League leaders in the Punjab and the Moslem League Working Committee's fresh decision not to take part in the Constituent Assembly. The acts of the Punjab Government have been marked not only by an extraordinary vacillation—certainly a symptom of the uncertainty and confusion of authority which is now widespread in India—but also by a news black-out so drastic that even *The Times* correspondent in Delhi had to report that the situation in the Punjab was "obscure." The Punjab Government, politically undermined by the recent successes of the Moslem League, appears to be wavering to and fro between conciliation and forcible suppression of the Leaguers. It is unlikely that its action has been sufficient even to clip the claws of the League's political strength, but it was certainly enough to eliminate whatever flavour of moderation might have been found in the resolutions passed by the League's supreme leadership in session at Karachi. The most important of these resolutions, as adopted, condemned the acts of the Constituent Assembly as "ultra vires, invalid and illegal," and gave notice that the League would not recognise any Constitution which it might frame.

The situation has been complicated by the attitude of the Princes, who have empowered a committee to represent them in negotiation with the British India section of the Constituent Assembly already elected, but have laid down basic principles for their participation widely at variance with the Congress doctrine about Indian national unity. The conflict between Congress and the Moslem League naturally strengthens the bargaining position of the Princes, who can use the rivalry of the two parties in order to extract better terms for themselves. On the other hand, the renewed refusal of the League to enter the Assembly, and the doubt about the competence of the Assembly to make an Indian constitution without the Moslems, are causing the Princes now to hold back from any commitments. Both they and Congress are now pressing for an unequivocal British statement on the rights of the Assembly. The British Government is being put in an increasingly difficult position. So far it has apparently recognised the Constituent Assembly, but has issued a warning that it will not impose on the Moslem areas a constitution not endorsed by the Moslem League. This is not ultimately a logical attitude. If the Government holds that the Assembly can only make a constitution for a certain part of India, it must clearly say so; if it holds that the Assembly has all-Indian authority, then it must face the problem of enforcement.

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Spanish Reshuffle

Members of Uno having withdrawn their heads of diplomatic missions from Madrid, Spaniards naturally ask—what next? So does the outside world. Some more effective policy and organisation among the exiles and some less doctrinaire attitude to Franco's opponents of the Right Centre is expected of them. Dr Giral, head of the Spanish Republican Government exiled in Paris, resigned his office at the end of last month, several days after five of the fourteen members of his Cabinet had withdrawn. Politics in exile, with their inevitable non-reality and pre-occupation with party intrigue, make the present crisis rather paradoxical, and the formation of a new Government will probably take a long time. The president, Martinez Barrio, is known to be engaged in negotiations to widen the basis of the Government so as to organise the active collaboration of all Republican parties in exile with the resistance forces inside Spain.

The five Ministers who withdrew from Dr Giral's Cabinet belong to the Socialist party, the trade unions and the anarcho-syndicalist movement. They are Santalo, the Catalan Republican leader, Enrique de Francisco (Socialist Minister of Economic Affairs), Trifon Gomez (Minister for Emigration, representative of the trade unions), Moracio Prieto and Leiva from the anarcho-syndicalist movement. They declared that Dr Giral's policy, although it achieved a considerable success at Uno, had failed to secure the recognition of his Government by other countries.

At their recent party conference in Toulouse the Socialists learned that the various resistance groups active inside Spain had no confidence in Dr Giral. They demanded therefore the widest

possible broadening of the Paris Government. Prieto is known to have recommended less talk about the problem of republic or monarchy and more active steps for the extension of the resistance movement inside Spain, even to the point of enlisting some of the military and monarchists who seem to be dissatisfied with Franco. The Socialists—more so than the Republicans—seem to think that the situation in Franco's Spain is favourable for a broad national resistance movement.

The Communists, who were in a minority in the former Cabinet, naturally found no fault with its head, because Dr Giral inclined frequently to their point of view. Their wish is that the broadening of the Government should be entrusted to the same Dr Giral, who has clearly failed to weld the various parties, trade unions and other representatives of Republican Spain in exile with the resistance movement inside Spain into an effective instrument for the overthrow of the present regime. General Franco himself, knowing that the resistance movement inside Spain is in no state to wage open civil war, is playing a subtle game to keep himself in power, in spite of the fact that the Falange is no longer a reliable political force. If he could assume the presidency of the republic, the way would be open to enlist, either in fact or in name, some of the Catholic political forces, which could then take the place of the Falange.

Franco's regime has probably come to a stage where it could not survive the political drive of an effective national resistance movement. But the Spanish Republicans in exile realise that foreign intervention alone can ensure their success. If President Martinez succeeds in forming a new Government it will soon face the same difficulty which brought about Dr Giral's downfall—its complete ineffectiveness without foreign aid.

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The Snyder-Dalton Letters

Four letters exchanged between the US Secretary of the Treasury and the Chancellor of the Exchequer on the recent Anglo-Argentine financial agreement were published this week. They concern the clause in the agreement with Argentina which provides that if in any year the balance of payments with the

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work is obviously more effective. In fact, it has been claimed that a double day shift will save very little power at the cost of a reduction in the total number of hours worked in a week. On the other hand, the long-term objective of making a more efficient use of machinery can be achieved as easily by a double day shift as by night work and with far fewer social disadvantages. It is true that the unions have not agreed to the double day shift as a permanent arrangement. But, once tried, it may turn out to be less objectionable to them than it appears in prospect.

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Domestic Consumption

How does the switch-on leave the ordinary person in his own home? The economic debate has not made his position much clearer. Sir Stafford Cripps announced that the coal budget was based on the assumption that there would be "continued substantial restrictions on domestic and non-industrial users." These would be achieved by the prohibition of "certain wasteful, unnecessary usages during the summer, such as domestic space heating," and "it may be we shall be driven to the necessity of a domestic fuel rationing scheme."

If there was one lesson which the war brought home, it was that when a commodity was in really short supply, the public as a whole preferred a clear-cut rationing scheme to queues or to distribution on the most-favoured-customer principle. Yet the merits and drawbacks of fuel rationing were thoroughly debated in 1942 after Lord Beveridge had produced his scheme, and it was rejected as being impracticable. If today the Government feels that it cannot add the burden of fuel rationing to an already heavily overlaid administration—not to mention the alleged meter-illiteracy of the masses—the decision will be accepted.

But in that case the alternative should be a big campaign for voluntary saving such as was conducted during 1942-43 and, it is generally conceded, resulted in considerable saving. What is quite wrong is the present method of imposing a blanket prohibition on the use of electricity in certain hours, with severe penalties if the prohibition is ignored. Such a prohibition makes no allowance for variations in individual circumstances; it makes any appeals for voluntary economy virtually worthless; and, now that the supply is no longer cut off, it tends to be more and more ignored the longer it is in force. If Sir Stafford's statement means that the present system is to be retained indefinitely, and its scope widened, the Government should think again. The British public will tolerate rationing and will respond, at least in some measure, to appeals for voluntary saving. But it will not respect an unfair law which cannot be enforced.

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Empire Prepares for Geneva

Delegates of the United Kingdom and Empire countries began discussions in London this week in preparation for the tariff and preference negotiations which will open in Geneva next month. As in the case of the first meeting of the Preparatory Committee of the Conference on Trade and Employment, in London last October, it has been thought desirable to arrange preliminary talks between representatives of the Commonwealth so as to ensure the greatest possible intra-family agreement before beginning discussions with strangers. This is all the more important on the eve of the second meeting of the Preparatory Committee, which will get down to actual tariff and preference bargaining.

The Empire talks are being held in a privacy illumined only by the most innocuous and uninformative of press notices. But it may be assumed that the discussions have left the sphere of commercial ideology, which was largely the concern of the meeting last October, and are now centred on the more practical, mundane affairs of actual tariffs and preferences. The main issue that will have to be decided by the British and Commonwealth delegations at Geneva next month will be the extent to which they are prepared to sacrifice imperial preference in return for tariff concessions from the United States. The British attitude seems to envisage a very considerable whittling down of preferences on the reasoning that anything like the required expansion in British export trade can only be obtained if the United States and other hard-currency markets open their doors much wider to the import of sterling area goods. This is a point of view which is not wholly shared by certain of the Dominions, notably Australia and New Zealand. The object of the Empire talks will be to see how far these differences can be reconciled before the horse trading begins in Geneva.

Sir Stafford Cripps, who opened the Empire talks last Tues-

day, hoped that in meeting the difficulties that faced the United Nations "the climate of agreement" might be more readily reached in the economic than in the political field, and he saw in this "climate of friendly agreement" something which might be more important than the detailed agreements themselves. One can but hope that the woolliness of this observation is not characteristic of the attitude with which the British delegation will be travelling to Geneva; for there they will meet other representatives who will be much more interested in the details of what they will be trading than in any nebulous "climate of agreement."

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European Commission

Whether or not the Big Four representatives at Lake Success all mean the same thing when they talk about an Economic Commission for Europe, they look like setting, on paper, a good example of agreement to their Foreign Ministers in Moscow. They are now drafting the terms of reference for the new body, and Mr McNeil has returned to London from the Economic and Social Council hopeful about the prospects of a working agreement on this far-reaching American proposal. A Soviet representative, Mr Chernyshev, is taking a cautious but not unhelpful part, thanks largely to Polish and Czech insistence on the advantages which this form of co-operation with the Americans may offer.

Three tasks are proposed for the commission: measures to get governments working together on reconstruction in devastated areas; joint study of economic problems and developments; collection and evaluation of information. Such proven bodies as the European Coal Organisation and the Emergency Economic Committee for Europe would be absorbed into the new organisation and their methods of work extended into spheres where national plans clash or overlap and where materials and equipment are scarce. Obviously an expert body of this kind is not always going to agree either with the statistics offered by governments or with the general character of their economic planning. Sooner or later it will run into the same objections in the name of national sovereignty as the Security Council has encountered in its discussion of atomic energy controls. But if powerful and regular American assistance can be secured on no other terms the "planning" governments may find it worth their while to make, in the limited European sphere, concessions which they would anyhow be asked to make within the broader framework of an international trade organisation.

The Americans see in the commission a means of getting European trade arrangements on to multilateral lines and of curbing the restrictive policies of governments to which Congress is unwilling that direct loans should be made. The British see the possibility of getting American support behind a European revival, of involving eastern Europe in closer relations with the West, and of preventing an economic split running down through the centre of Germany. The Russians see a means of coaxing American capital and goods into devastated neighbouring territories—in other words, a temporary substitute for Unrra rather than a permanent international organisation. The French see the chance of getting a European framework within which German raw materials and productive power could be brought under joint control.

There is a good chance of the European Commission coming into existence. Whether it survives or not will depend on its ability to make itself so indispensable that no government, even for the most pressing political reasons, will be able to afford to leave it or remain aloof.

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Nehru-Jinnah Approach

While the night skies of the Punjab are reddened with the arson of communal riots in a score of different places, new attempts are being made to end the deadlock between Congress and the Moslem League over the future of India. The provision in the most recent British declaration for transfer of power to regional authorities, if no central government can be established by agreement in the near future, has put a strong pressure on the Congress Party to come to terms with the Moslem League in order to obtain its participation in the Constituent Assembly. The prospects of unity have thus been improved to the extent that breakdown of the inter-party agreement on the basis of the Cabinet Mission plan has been due to subsequent Congress reservations from the original acceptance. On the other hand, the same provision has also encouraged Pakistan extremists to think that they have only to dig in their toes to get full independence and the reference to "existing provincial governments" has made

it urgent for the Moslem League to capture the provincial governments of the Punjab and the Frontier Province, which, for reasons of local politics and electoral "weightage," they have not so far controlled in spite of their majority in the Constituent Assembly elections for the three "Group B" provinces—Frontier, Punjab and Sind. The recent Punjab disturbances have not been merely manifestations of communal hatred, but have had on the Moslem side the political purpose of breaking the "Unionist" coalition Government hitherto in office; in this they have been successful, but it has not been possible to form a purely Moslem League Government with a working majority in the Provincial Assembly, and the British Governor has been compelled to take charge of the administration—a dangerous situation for the British sixteen months before their final exit.

The most interesting feature of the Congress Working Committee's directives for fresh negotiations with the Moslem League is the proposal for division of the Punjab into two parts, separating the mainly Moslem and mainly Hindu-Sikh areas. This would be a sensible idea provided agreement could be reached on the boundary between the two zones. Unfortunately Congress simultaneously demands that the Interim Government be recognised as a "Dominion Government" immediately, so that a Cabinet in which the Moslem League is in a minority would be recognised as the irremovable, legal Government of all India. This move, which is obviously designed to put the League in the position of rebels, cannot fail, if it is seriously pressed, to exacerbate the conflict.

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China's New Crisis

The fears recently expressed in Nanking that the Foreign Ministers' Conference in Moscow would go outside the European questions on its agenda and discuss Chinese affairs in China's absence have quickly been realised. At the first meeting of the Conference Mr Molotov proposed that the situation in China should be discussed, though no advance notice of such an intention had been given to the other three Powers. The Chinese Government have lost no time in declaring that they cannot agree to the inclusion of China's internal affairs on the agenda of the Foreign Ministers' Council, whether China is represented or not. Mr Molotov's argument is that his request is merely for a review of the decisions taken about China by Britain, the United States and the Soviet Union in December, 1945, at a conference not attended by China. The three Powers then agreed on the need for a unified and democratic China and the ending of civil strife, a formula similar to that previously adopted for Poland, Yugoslavia and other Allied countries torn by political dissensions. Attempts to dictate a settlement to the warring Chinese parties are more likely to involve foreign Powers in mutual conflicts than to gain support or goodwill among the Chinese. Nevertheless, the Chinese civil war is a fact which other nations cannot altogether ignore or isolate, and consultation among them may be of value if it serves to limit the international repercussions of the trouble.

In China itself the fiction of continued negotiation is now finally at an end. The Communist delegation has been ordered to leave Nanking and the lid has been taken off the war since General Marshall abandoned his efforts at mediation. At the moment the Communists are on the offensive both in Manchuria and Shantung, while the Government is confronted with non-Communist revolts and intrigues in other parts of China, including an upheaval in Formosa (which foreign observers expected as an inevitable consequence of the manner in which "liberators" from Fukien took over the island from the Japanese) and a bid for power by the ever-turbulent Southern soldier-politician, Li Chi-sen. In the midst of this confusion, Dr T. V. Soong (who has never been popular in China, but owed his authority to his supposed standing with the Americans) has been forced out of office and General Chiang Kai-shek is for the time being his own Prime Minister. He has weathered many storms but this one is, perhaps, the worst he has yet had to face.

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Mr Dalton and the Universities

Mr Dalton revealed this week two important milestones in the journey towards university expansion—a journey in which he claims, and has so far shown, a great interest. There are advantages in having a don as a Chancellor of the Exchequer, for no previous Chancellor has ever opened the Treasury's purse strings so wide. Before the war the total Treasury grant to the universities was £2,250,000 a year, including both recurrent grants and grants for capital expenditure. Even allowing for the post-war

increases in costs for maintenance and salaries and the rise in the number of students, the size of the new recurrent grants which Mr Dalton announced in the House of Commons on Monday is satisfactory. Next year the universities are to receive all but £10 million and by 1951-52 £12 million on revenue account, which should provide them with a welcome freedom from immediate financial anxieties. There is indeed a possibility that the limitations on capital expenditure which the Chancellor also announced will make it difficult to deploy the full amount of revenue expenditure. The schemes for physical expansion submitted by the universities for the next five years would necessitate capital grants of £40 million for new buildings and £10 million for acquiring sites, existing buildings and new equipment. Although he accepted the need for these developments, he did not think the limitation of resources would permit an expenditure of more than £20 million on new building. Bricks, not money, is therefore going to be the limiting factor over the next five years.

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The second milestone has been a letter from Mr Dalton to the Parliamentary and Scientific Committee on the subject of their report on the universities and scientific manpower, which was discussed in these pages on December 14th. The committee claimed that an expansion from 50,000 students in 1939 to 108,000 by 1951 was essential to give an adequate supply of scientists. Mr Dalton countered that the committee were taking an unduly gloomy view of the output of scientists and that the University Grants Committee considered that a total expansion to 88,000 was all that was practicable over the next ten years. Unfortunately, nothing but a full-dress inquiry can settle the argument about how many graduates of different types the country needs, and such an inquiry is certainly urgent, but Mr Dalton's conservative figures are based on the revised estimates which the universities themselves have submitted, and further pressure may have to be put on them. Why should there be no new women's colleges at Oxford and Cambridge and no new universities? He made the surprising statement that he shared the committee's views on the inadvisability of any new universities at this stage. But why should the vigorous movements in towns like Stoke or York not be encouraged, even if modestly at the start?

He was also unnecessarily vague about the upgrading of technical colleges to university status. It well may be that the one-sided nature of these colleges makes them unsuitable for university status, but something must be done to improve the quality of applied scientific research. It can only be neglected at the country's peril, and it would have been more satisfactory if Mr Dalton could have said something more about its development at existing universities.

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New Farm Prices

There is something rather frightening about Mr Tom Williams's deep satisfaction that the new schedule of farm prices has received the full approval of the National Farmers' Union. In the annual review, which preceded the fixing of the new schedule, it is clear that the farmers' representatives got the better of the bargaining with the Ministry of Agriculture. The main aim of the new schedule is to stimulate the revival of livestock production as fast as feedstuffs become available. Higher prices have therefore been fixed for most livestock products for the year

Commercial History and Review of 1946

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London, W.C.2.

sterling area be unfavourable to Argentina, the deficit may be met out of Argentina's accumulated sterling balances. It did not take long for the doctrinal experts in the US Treasury and State Departments to detect the conflict between this clause and the provision of the Anglo-American agreement of December, 1945, which lays it down that all releases from accumulated sterling balances must, within one year of the effective date of that agreement, "be freely available for current transactions in any currency area without discrimination." Mr Snyder pointed this out to Mr Dalton in a letter dated October 31, 1946. Mr Dalton, replying on December 17th, tried to avoid an acknowledgement of guilt. He wrote that "it is not possible to separate the terms of any agreement . . . from the circumstances of the negotiations, or the facts of the trade with the country with whom the agreement is concluded," and added that since the probability of a deficit between Argentina and the sterling area during the next four years was so hypothetical "further consideration of this question might be deferred until events indicate that there is some reasonable probability of its becoming actual."

These evasive tactics proved ineffective. Mr Snyder came back to the charge and with a touch of acerbity confessed himself "unable to reconcile with the spirit of the US-UK agreement any commitment which under certain contingencies, even though remote, might require action at variance with the agreement." Mr Snyder then asked for "some statement from you indicating that your Government has no intention of including such a clause in future agreements." There could be no wriggling out of this, and Mr Dalton in his reply wrote that he was "happy to give you this assurance," and promised that if the unlikely contingency of an Argentine deficit *vis-à-vis* the sterling area were to arise in the next four years "it would always be our desire to avoid discrimination (at variance with the Anglo-American agreement)."

The correspondence makes it clear that the letter of the Anglo-American Agreement was certainly, and its spirit probably, violated. Unfortunately it also makes it clear how very hard the conditions of that Agreement were and how difficult it will be for Britain to make much progress in compounding with its creditors if it is allowed to pay them off only in dollars or the equivalent.

* * *

Straw for Bricks

Mr Bevan has begun to fill in some of the gaps in the overall framework of his plan for the completion of 240,000 permanent houses this year. The letter he addressed last week to local authorities is illuminating for two reasons; first, because it is frankly stated that the capacity of the building industry to finish houses has been overtaxed by spreading its resources too widely; and secondly, because of its emphasis on the necessity for Government departments and local authorities to act in concert in order to establish a better balance between building proposals and building resources and between the different demands for building work.

Both these statements are open admissions of failures in planning which had long been suspected. In such a huge enterprise there were bound to be mistakes, and it is reassuring that the Minister has been honest about them and set himself to remedy them. But the failure to secure proper co-ordination on a regional level is disturbing for more reasons than the low output of houses. The delegation of authority away from Whitehall and the efficient distribution of resources locally are crucial matters if the present huge bureaucratic machine is not to grind to a standstill. The Regional Housing Officers of the Ministry of Health were appointed expressly to accelerate decisions on the spot and secure proper local co-ordination. But in spite of this there have been bitter complaints of workers being taken without warning from housing work to build government offices, and of the local authorities having incomplete information about the total demand for local building labour. The new procedure for zonal conferences for which the local authorities will be given the whole of the available information about building commitments and building resources for the zone should do much to remedy this, but the failure shows how far the machinery of delegated control has yet to develop to achieve efficiency. Until these conferences are held the further issue of licences to private builders and acceptance of tenders is to be deferred, except in the few areas where labour is under-employed.

Last week's White Paper on the housing programme glossed over the difficulties of planning and co-ordination. The revised procedure should improve local planning, and it now remains for Mr Bevan and Mr Tomlinson to be equally forthcoming about the deficiencies on the side of materials and to propose methods for increasing their output and distribution.

Concerning Honesty

No one will dispute Lord Templewood's fresh plea, made last week-end to the Department of Criminal Science of Cambridge University, for a new penal system on the lines of the Bill he had so nearly piloted through Parliament when war broke out. Nor will anyone dispute the need for the reform of the magistracy, on which a Royal Commission is at present collecting facts, or that something should be done to lessen the inappropriateness of sentences imposed in particular cases. But, although Lord Templewood referred to the root cause of delinquency as moral and the decline of moral restraints, neither he nor others who ascribe the rise in juvenile delinquency to the breakdown of family life during and since the war are quite specific enough in their diagnosis. The plain truth is that from being the honestest people in the world, the British people are becoming completely dishonest.

This does not merely mean that ordinary crime, from big burglaries to petty pilfering, has become much more prevalent. What is disquieting is that whereas, during the war, on the whole the rationing and similar regulations were respected and those who infringed them were regarded as anti-social, today there can be only few who have not offended in one way or another. Those who have not obtained "extras" in this way are popularly considered to be as unfortunate as those who have and have been found out. It must indeed be difficult for magistrates to pass a judicial sentence in such cases—it may not be generally realised that the sentences which can be imposed for such offences are very heavy—when they themselves have guilty consciences. But since this general disrespect of the law springs from the universal shortages and austerity imposed by circumstances, they, and the public as a whole, might spare some pity for those "who steal with nothing left to pawn."

But the Government too has its part to play. Law falls into disrespect when it is bad law, and, as Mr Churchill pointed out last week, measures and methods that were justifiable as wartime emergencies are not justifiable for peace. Clearly, rationing and other controls must continue. But reliance on the *agent-provocateur* to catch out and punish a few individual offenders against regulations which are respected by none will alienate public opinion more than ever. Law, in a democracy, can only prevail when it has popular support, and the sooner the Government gives proof that it intends to reduce the maze of ill-understood regulations the better.

Shorter Notes

The chairman of the European Coal Organisation recently pointed out that Poland, with the new coalfields taken over from Germany, was supplying only seven per cent of the pre-war imports of Europe, compared with the ten per cent it contributed before the war. The figure of seven per cent excludes agreed deliveries to the Soviet Union. These facts have to be borne in mind in considering the latest production and export figures from Warsaw for 1946. Exports reached the figure of 13,548,000 tons which is compared with 11,669,000 tons in 1938; but they include deliveries to the Soviet Union. The total amount of coal sold last year was 47,782,000 tons and production in 1947 is estimated at over 57 million tons. Of this increase, 5 million tons will be exported. The effect on Europe's annual deficit of 52 million tons will, therefore, be small. But the later possibilities of expansion should be considerable as present Polish production is unofficially estimated at little over half pre-war figures.

Reference was made in both the last two weeks to the action of the Ford Motor Company in America in reducing the price of its cars as a gesture against inflation, and a depressing contrast was made with the steadily and steeply rising costs of British cars. This week the British Ford Motor Company announces, not indeed a reduction, but a pledge to keep its present prices steady for as long as possible. The contrast between American and British policy is still visible. But even passive existence to the upward trend of costs and price is praiseworthy.

Another attempt to reform motor taxation is to be made. The Joint Committee of the Automobile Clubs are putting forward a proposal for a flat-rate licence fee of £5 per annum plus an extra 3d. a gallon on petrol. They claim that this would not lead to any reduction in revenue and that there is now substantial unanimity in the trade in support of the proposal. The suggested reform would certainly be a great improvement. But whether Mr Dalton will be willing to abandon the new cubic capacity tax so soon after its start can only be doubtful. It is a pity the motor trade did not see sense at the first opportunity.

Letters to the Editor

Second Thoughts on Planning

SIR,—May I ask the hospitality of your space just once more for a brief comment on the further criticism of the £300 million fund in your article on "Second Thoughts on Planning"?

You argue that it was "inexcusable" on the part of Mr Silkin to take only 15 or 16 years' purchase on the grounds of the speculative nature of the asset to be acquired. Your reason is that the original Uthwatt calculation is already supposed to have removed the speculative element.

Are you not forgetting there the distinction between the riskiness of income from development rights to *landowners as a class* and the *individual owner*? Even if the total income may be fairly safe to owners as a class, the individual's *share* in it may still be extremely uncertain—and the compensation is paid to individual owners, not a fictitious class.—Yours faithfully,

H. W. SINGER

The University, Glasgow, W 2

[Surely the process of sharing out a global sum, which discounts speculation, ensures that the individual owner's share is also purged of its speculative element.—EDITOR.]

M. Bierut and the British Council

SIR,—May I raise some points on the Note published in last week's issue of *The Economist* entitled "M. Bierut and the British Council"? You give a biography of the Polish President which bears all the marks of having emanated from the Polish emigrés in London and which, as a result, is distorted by the political outlook of these groups. It is true that M. Bierut was relatively unknown before he took office, and it was inevitable that a number of biographies should have been written about him. But *The Economist* must surely be concerned with the accuracy of its facts.

You write that M. Bierut's "past career has not been free from a certain ambiguity of allegiance which causes some Poles to raise their eyebrows. Bierut, like Dzierzhinsky and Menzhinsky, was one of the Poles who took part in the Russian revolution." This statement must cause anybody with some inkling of Russian and Polish affairs to raise his eyebrows. At the time of the Russian Revolution, Bierut was an obscure official of a Polish Co-operative in his native town of Lublin, which was then under Austrian occupation. He remained in Poland, holding modest positions in the Co-operative movement, first in Lublin and then in Warsaw, all the time up to 1927. The placing of his name in a besides that of Dzierzhinsky or Menzhinsky, though it may in a sense be flattering to President Bierut, will startle any student of the Russian Revolution. Incidentally, many Poles did really take part in the Russian Revolution, and their careers have, nevertheless, been quite free from "ambiguity of allegiance." Before 1918, and even some time after, Poles took part in Russian political life in the same natural way in which Irishmen used to participate in English politics. I know at least one Minister of the former Polish Government in London (and now still a leader of the "irreconcilables" here) who was the chairman of the Soviet of Orel, already after the Bolshevik Revolution.

You further write of M. Bierut that "in 1923 he came from Russia to Poland as an organiser of the Polish Communist underground movement, but soon had to flee the country and spent several years in Austria and Czechoslovakia. Returning to Poland in 1932 with a Soviet passport he was arrested and sentenced to a long term of imprisonment, but, claiming Soviet citizenship, he was exchanged for a Polish political prisoner held in the Soviet Union." The truth is that before 1927 M. Bierut lived in Poland, as I have pointed out, and was active in the near-Communist MOPR (which was an organisation for the relief and assistance of political prisoners); and because of this he was several times imprisoned. Finally, he went into exile in 1927. He lived abroad for three years; and spent some time also in Russia. He returned to Poland in 1930 (and not in 1932) and was imprisoned again five years later (in 1935) at the height of the Pilsudskist terror. Far from claiming Soviet citizenship and being released on this ground he spent the years from 1935 to 1939 in Polish prisons in Warsaw and Rawicz.

You stated that "subsequently he held an important post in the

NKVD and . . . took an active part in the killings and deportations" of Poles. But at the outbreak of the war M. Bierut was employed by a Workers' Housing Co-operative in Warsaw. During the tragic exodus of Poles from the capital, which was ordered by the Government during the siege of Warsaw, M. Bierut left Warsaw to find himself in the Soviet-occupied Eastern Poland. Subsequently "the important NKVD agent" can be traced in a group of Poles who themselves were recruited for labour to the Ukraine. He was lucky to get the job of a book-keeper in a Polish working community near Kiev. A year later he was back in German-occupied Poland. In his native Lublin, and later in Warsaw, he took part in Communist and near-Communist underground organisations. From 1940 till the second half of 1944 he never left German-occupied Poland for a single day. It was his underground activities in those years, as well as his genuine devotion to his party, that earned him his prominence in the present Polish regime, rather than an imaginary career in the NKVD.—Yours faithfully,

YOUR FORMER POLISH CORRESPONDENT

The Twilight of Ministers

SIR,—May I add a footnote to your correspondent's interesting extract from the erudite work of the Silkin Memorial Professor of Political Mechanics? On looking through an old file of the *Manchester Guardian*, found among my grandfather's papers, I came across an account of the second reading of the first Town and Country Planning Bill, a measure to which I suppose the Professor owes his Chair. The Parliamentary correspondent, in reporting the Debate, reproached Mr. Silkin for reading his speech "every word of it," and he went on to prophesy that "the next stage on this road will be the circulation of Ministers' speeches beforehand." That was exactly a century ago (January 30, 1947), or eleven years before the date (1958) by which, according to the Professor's account, the time-saving expedient of printing Ministers' speeches in Hansard before they were delivered had become firmly established.—Yours faithfully, GILBERT WALKER

Selly Park, Birmingham. January 30, 2047.

Crisis in French Empire

SIR,—With reference to the article of your Paris correspondent, entitled "Crisis in the French Empire" and published in your issue of January 11th, I should like to make a few comments.

1. He says that "the French conquered the Annamese Empire, which stretched in lush and antique opulence . . ."; he could perhaps remember that in spite of that "opulence," the Annamese peasants were at that time constantly being attacked by looters, especially in the North, and happened to be protected against them by the soldiers of Gallieni and Lyautey.

2. He seems to describe the Viet-Minh as a purely nationalist movement, having the support of the whole population of Indo-China; this is misleading. The Viet-Minh cannot claim to speak for all the peoples concerned, and this is not surprising for anyone possessing an even superficial knowledge of the history of the country and of the racial and social differences which exist there.

3. Your correspondent states that "the activities of the Viet-Minh against the Japanese were widespread." It would be very interesting to have more detail as to these activities, as your correspondent, in holding this point of view, contradicts what has already been said on the subject by many other reliable British reporters.

And since your correspondent speaks about the relations between the Viet-Minh and the Japanese, why does he ignore the fact (which on the contrary is only too well-known) that the Viet-Minh was put into power by the Japanese during the spring and the summer of 1945, and helped by them in many ways, not only between March and August 1945, but even after the Japanese capitulation? This has been pointed out by many British observers.

4. As to the violation of the agreement of March 6, 1946, your correspondent puts all the blame on the French; however,

beginning April 1st. By this means it is hoped that a substantial increase in pig and poultry output will be achieved starting in 1948-49; beef and mutton production will take longer to restore.

The prices for cereal crops harvested next autumn have been raised above their original level, partly with the idea of encouraging much-needed spring sowing. The weather has been so bad, however, that it is most unlikely that the Government target of two and a-half million acres of wheat will be reached this year. Next autumn the Government intends to attempt, for the second time since war ended, the discontinuation of compulsory cropping orders, which are distasteful to farmers. It points out, however, that owing to uncertainties about overseas supplies of feedstuffs, it is necessary to plan for a higher degree of self-sufficiency than before the war, though below the wartime peak. To assist the reaching of these targets, the Government has fixed 1948 prices for the principal crops at levels which are no less remunerative than this year's prices, but the acreage payments for wheat, rye and potatoes are to be abolished and to be replaced by an equivalent increase in guaranteed prices. The incitement to grow these crops on unsuitable land is thus reduced, but their profitability on suitable land is correspondingly increased.

The Government's purpose is to give generous enough inducements to raise livestock production and to maintain, without the spur of compulsory controls, a fairly high tillage acreage. The long-term dangers of measuring the satisfactoriness of a price schedule by the degree of approbation it receives from producers are too obvious—to anyone except, perhaps, Mr Williams—to need repetition; but the need for expanding livestock production in this country is so urgent that the Government may be able to justify its policy by results. That remains to be seen. The danger is that higher prices will not be an effective encouragement to the producer to overcome the physical difficulties which stand in the way of higher livestock production; instead they may serve to compensate him for a low turnover.

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Less Food at Higher Cost

The higher prices awarded to British farmers will mean another increase in the high cost of food subsidies. The supplementary estimate of the Ministry of Food, which was debated in Parliament last Friday, shows an increase in the Ministry's trading deficit of nearly £50 million for the financial year ending on March 31st. The original estimate gave a deficit of £232½ million, the revised estimate is £281 million, or over 20 per cent higher. The melancholy fact is that less food has been received for a considerably higher cost. It is not the Ministry's fault that the original estimates for individual items were badly out, although Dr Summerskill was irresponsibly light-hearted about the discrepancy. Expenditure on cereals, for instance, shows an actual saving of £25 million, owing to the sad fact that the anticipated supply has not been available. Most other items show unexpected additional losses. There have been higher Dominion prices for butter, higher Cuban prices for sugar, and much higher Argentine prices for meat; indeed it appears that to get an existing meat contract carried out an extra sum of £7 million had to be paid to the Argentine Government, a payment about which Parliament is demanding further information. The increase in bacon prices must have been fabulous to convert an anticipated credit into a £5 million loss, since the ration has been kept on a much lower scale than was budgeted for.

Part of the Ministry's additional expenditure is due to changes in stocks, and the remainder is shared in equal proportions between home and imported supplies. If overseas food prices continue to accompany domestic farm prices in their upward spiral, the financial outlook for the coming year is exceedingly grim. Unless something is done, food subsidies will cost a great deal more during the coming year, since last year's increases in domestic farm prices, let alone the further increases authorised for this year, have not yet made their full impact on the Ministry's trading account, while higher prices have recently been negotiated with Denmark, Canada and other overseas suppliers. If, as is devoutly to be hoped, the supply of livestock products steadily increases, the cost will be still greater.

If Mr Dalton is in earnest about checking inflation, he has no course but to compel a modest rise in food prices and prune the subsidies. The Government cannot forever delay this action out of fear of causing a cycle of wage claims. The cost of food, in relation to earnings, is a good deal lower than before the war, yet the normal alternative outlets for expenditure are very scanty. It is agreed that the pruning of subsidies must proceed gradually, and instead of an all-round cut, suitable individual items—of which eggs might be an example—should be decontrolled. For

one thing, this would facilitate staff reductions at the Ministry. It is bad enough having less food at greater cost, without also having more controllers doling it out.

* * *

Right and Left in Hungary

The American Note, delivered to the Soviet chairman of the Allied Control Commission in Hungary on March 5th, denounces "foreign interference in the domestic affairs of Hungary, in support of repeated aggressive attempts by Hungarian minority elements to coerce a popularly elected majority." It states that in the opinion of the United States Government, the charges against Bela Kovacs, former secretary of the Small Farmers' Party, of taking part in "subversive anti-Soviet terrorist groups," and of organising "espionage directed against the USSR," are unwarranted. Finally, it protests against the unilateral Soviet action, taken without consulting the American and British representatives. The British Government has delivered a Note expressed in similar terms.

The Americans' attitude is justified in so far as no evidence of Kovacs's guilt has been supplied to them, and there do not therefore seem adequate grounds for such drastic action as his arrest by the Soviet authorities. It is true that the Minister of Justice, the Socialist Riesz, a lawyer of some standing, has declared himself satisfied, but he has not stated his reasons. The Americans are also fully justified in objecting to the failure of the Soviet authorities to consult them. This is just one more example of the intolerable situation in which the Western Powers, though formally associated with the Soviet Union as victors, are in practice ignored and insulted.

The wide political implications of the American protest are, however, less certain. American and British observers who treat the whole conspiracy as a "frame-up" are making assumptions that are not proved. The evidence already revealed at the trial now taking place in Budapest shows that there was a real conspiracy. It is also fairly certain that elements of the Extreme Right in Hungary were in contact with Hungarian exiles in the western zones of Austria, remnants of the Hungarian Nazi army of Szalasi who fled there in 1945 and who have enjoyed a surprising degree of liberty since that time. It is only too probable that these exiles were themselves in contact with "Anders' Poles," who have for long indulged in many parts of Europe the Polish national talent for subversive plots and the Polish national hatred of Russia. Charges of this kind must, of course, be substantiated, but they should certainly not be lightly dismissed.

Whether, in fact, the Hungarian Communists are at present aiming at creating a dictatorship is by no means clear. Neither the economic nor the political situation in Central Europe is particularly favourable to them. Anti-Communist and anti-Soviet feeling is undoubtedly widespread in Hungary, and the action of the Western Powers will encourage both the Extreme and the moderate Right to resist demands from the Left, in the belief that they will receive effective backing. Whether it is wise to encourage this belief at present, and whether it will benefit the "non-Marxist" democrats in the end is an open question. Hitherto, in spite of enormous economic and political difficulties, Hungary has been able to preserve a remarkable measure of political freedom. It is surely desirable that every effort be made to save this freedom, to prevent a "show-down" in favour of either the Communists or the Extreme Right, even if there is provocation from either or both of them.

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The Corfu Strait Appeal

The British appeal to the Security Council about the mining of two British destroyers in the Corfu Strait last October, has run, as was to be expected, into heavy political weather. If this were a case before a court of law, the issue would be simple enough. The mines raised in the minesweeping operation were examined by British naval experts, together with a French observer, and found to have been laid not more than six months previously; they could not, therefore, have been mines laid by the Germans during the war. The minefield stretched for three miles close to the Albanian shore of the strait, on which the Albanian Government, in the words of the British accusation, maintains "elaborate and vigilant defences"; it is held, therefore, that it must have been laid either by the Albanian authorities or with their connivance. Even in time of war the laying of a minefield without warning is an offence in international law; much more so in time of peace. The question whether British warships had the right to pass

through Albanian territorial waters in the Corfu Strait is quite distinct from that of responsibility for the minelaying; the passage was certainly justified by normal international usage, but even if the British case were unsound on this point, it would have been illegal for Albania to bar passage with an unnotified minefield.

In the theory of appeal to the Security Council, it was the task of the Albanian representative to refute the charge brought and the duty of the members of the Council to consider the case in a judicial spirit. But the speeches of the Albanian representative and of Mr Gromyko, who supported him, were marked by the most fantastic irrelevancy; hardly any attention was given to the evidence and every aspect of British policy towards Albania over the last three years was brought under review. The familiar line-up in the Council was at once manifest. It was clear that the Soviet Union regarded the case simply as a move in Balkan power politics, and was determined that Soviet prestige and influence in the Balkans should not suffer from failure to protect a Communist-controlled Government in trouble with a Western Power.

There was a peculiar irony in Mr Gromyko's argument that the case should never have been brought before the Security Council because the incident did not threaten peace. The incident has not threatened peace and security precisely because Britain has used the procedure of appeal to an international authority instead of that of ultimatum and naval bombardment which in other days would have been the natural consequence of such an incident. But it is possible on very different grounds to question the wisdom of Britain's appeal to the Security Council. Could not this case have been brought before the Court of International Justice? If this is not a strictly "justiciable" issue, it is hard to see what is. By bringing it before the Security Council, which is a political body, the advantage of a purely legal procedure has been lost.

* * *

Argentina Blows Cold

The Soviet-Argentine economic flirtation seems to have ended. The Soviet trade mission to Buenos Aires, after a year's work, has had little success and its leader left for Moscow last week. The chances of success were never great; the motives for its arrival were primarily political, and its commercial activities smacked strongly of sharp practice.

At first General Perón's attitude, on the morrow of his election, seemed to favour both the mission's political and its commercial aspirations. The Soviet delegates responded with the rosiest visions of great trade between the two countries. Thousands of lorries and tractors (apparently Lend-Lease equipment), farm machinery and aero-engines would be sent to this new "champion of the workers." A factory would be built in Argentina to produce the "Molotov" car more cheaply than any other could be sold there. Bids made by other countries were overbid, and their bargaining points out-bargained. The Combined Food Board was embarrassed in its relief programme. Argentine exporters were encouraged to disregard their contracts with other countries. All this was gratifying to Argentina, which wished to exploit its position as a supplier of essential and scarce raw materials. But there was still no sign of the "unlimited possibilities" of Russo-Argentine trade being realised. A shipload of newsprint came from Finland, some coal from Poland and from Russia some caviare for the General.

Meanwhile relations between Argentina, the United States and Britain improved. The real goods and regular markets they could offer became increasingly attractive. The Soviet mission, having served its purpose of strengthening Perón's hand, was ignored. The political mission, however, remains. Perón's materialistic demagoguery provides little margin for its activity inside the country, and the present good neighbourly relations between Argentina and the United States limit its influence on foreign policy. But its mere presence remains important.

* * *

Regionalism in Africa

Within the last ten days amended proposals for the closer organisation of the East African dependent territories of Kenya, Tanganyika and Uganda have been published and the second meeting of the West African Council has taken place. Both represent, in different degrees, an effort for closer collaboration among the African colonies.

The first flush of enthusiasm for regional organisations in the colonies has now passed. The advantages of close collaboration between colonies which are territorial neighbours (as in East Africa) or have common strategic or supply problems (as in West

Africa) were much more apparent during the war. Old rivalries and suspicions are re-asserting themselves, and many people in the colonies see less reason to-day for co-operation in running common services and for consultation on matters of common interest now that their security is no longer threatened.

Since the visit of the Secretary of State to East Africa amendments to the East African scheme have been made as the result of strong local criticism. The idea of a High Commission and a central assembly with control over certain inter-territorial services has been preserved, but alterations in the method of representation on the central assembly have been made, and it is suggested that the whole scheme should have a trial run for four years. The ball has now been passed to the local Legislative Councils. Local opinion is being fully consulted before any constitutional changes are made.

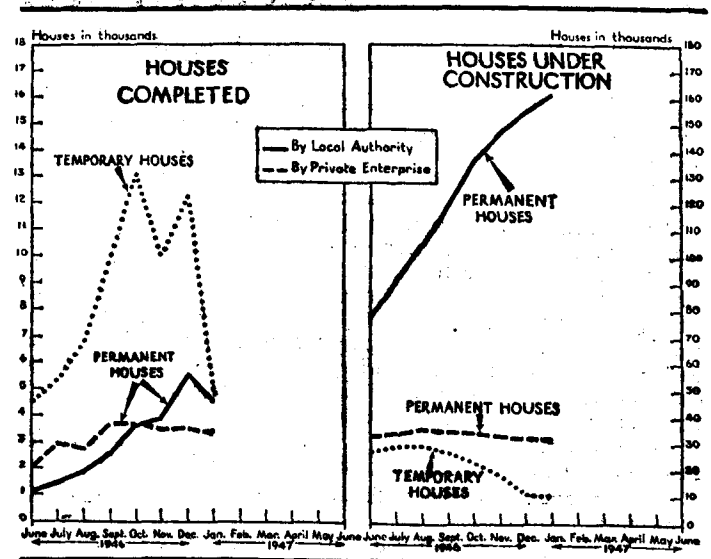
The two-days' meeting of the West African Council, which consists of the Governors of Nigeria, the Gold Coast, Sierra Leone and Gambia, has been presided over by the Parliamentary Under-Secretary of State. Civil aviation, meteorological services, higher education and common legislation covering such subjects as customs duties and income tax have been discussed. But there seems little indication of the West African Council fulfilling a forceful rôle in its present form, since it can be driven but little faster and further than its individual members wish to go.

Vigorous regional organisations can be built up only gradually as legislative councils grow in experience and develop a sense of responsibility. Administrative efficiency may call for a more rapid rate of progress towards inter-colonial federation, but it would be wrong to push it along faster than local opinion is prepared to make it work.

* * *

Houses in January

As might have been expected, there was a sharp fall in the number of houses finished during the month of January. As the weather during the whole of February was worse still, a very serious hold-up in the building programme will certainly emerge when the February figures are published next month. Building work is always very susceptible to weather changes, and the direct results of the freeze-up will be generally expected. What is not yet known is the effect of the coal crisis on the output of building components, and delays in building may continue for months owing to shortage of bricks, tiles and all the other necessary materials and equipment which should have been produced during the past weeks. The margin was already so slender that delays in deliveries will be very serious.



Detailed figures are given in the *Records and Statistics Supplement*. The completion of permanent houses built by local authorities fell from 5,464 in December to 4,517 in January; houses completed by private enterprise fell from 3,536 to 3,434 between these two months. The fall in the number of temporary houses completed during the month was much more striking; only 4,764 temporary houses were completed in January compared with 12,771 in December. Some fall was expected owing to the ending of the temporary house programme, but not as sharp a one as this.

The effects of the weather were also felt on other housing work, particularly conversions and war-damage repairs. During the

he states himself, in a previous paragraph, that apart from the very definite attack of December 19th (which he does not deny) the guerillas did not cease their activities after March 6th. Does he realise that, in failing to stop the irregular activities of the guerillas, the Viet-Minh has committed a violation of the afore-said agreement?

5. Speaking about the position of the French Socialist Party on the Indo-Chinese problem, your correspondent ignores the fact that the Socialist minister concerned, M Moutet, when leaving Paris, was ready to negotiate with the Viet-Minh, but, after having visited Indo-China, declared that it was in the existing circumstances impossible to do so. This omission in his article is all the more surprising as M Moutet's declaration made a very strong impression in France.

6. In his last paragraph your correspondent says that "It is a measure of their [the French authorities] embarrassment that they have suspected foreign intervention wherever French authority is threatened," and he gives as an example the supposed "intervention" of the British in Syria and Lebanon. There also he should make a more precise statement as it would be interesting to hear that the fate of Lebanon and Syria has never been of any concern to any British citizen in any way.

Yours faithfully,

JEAN LEQUILLER

26, Montpellier Place, London, S.W.7

The Industrial Organisation Bill

SIR.—In its article on the Industrial Organisation Bill, *The Economist* of February 1st makes two statements which I should like to be allowed to qualify a little. One is that "it is more efficient capital equipment rather than beautifully designed consumer goods which the British economy requires." The second

is that design in capital goods like machine tools means only functional design and fitness for technical purpose.

The first statement suggests an unnecessary antithesis. If the better design of consumer goods were no more than an added amenity for the citizen at home, it might fairly be placed second to the needs of capital re-equipment. But improved design is a big factor in reaching our export target. It plays its greatest part in those markets where the standard of living is highest, among them the dollar countries. Mr Dalton, when President of the Board of Trade, estimated that design played some part in rather more than half the ranges of commodities exported before the war. It would be a pity if, even inadvertently, *The Economist* implied that good design was something of a luxury. Dollars are just as useful if earned by well-designed textiles or domestic metal goods as by switchgear or lorries; the improvement of design makes no claim on the import programme and very little on manpower.

As to your second point, it is true that, in the saleability of producer goods, appearance plays a smaller part than in consumer goods. But its part is not negligible. Other things being equal, good form and finish appeal to the technical buyer; even when other things are not equal, there is evidence that British machines have suffered in the past by not looking as shapely and attractive as competitors of inferior performance. Apart from saleability, the effect of the form and colour of machine tools, looms, and other plant on the worker's attitude of mind is a factor not to be overlooked. Output rates are affected by more things than "pressure per square inch or revolutions per minute." The Council of Industrial Design has found many of the leaders in the engineering industry well aware of the importance of design, in the wider sense, and ready to take systematic steps to improve it.—Yours faithfully,

S. C. LESLIE,

Director, The Council of Industrial Design

Tilbury House, Petty France, S.W.1.

Books and Publications

Soviet Impact

"The Soviet Impact on the Western World." By Professor E. H. Carr. Macmillan and Co. 116 pages. 5s.

The title of Professor Carr's new book perhaps over-emphasises one aspect of the problem he is really concerned with. His actual subject is as wide as the crisis of "Western democracy," and the chief elements and symptoms of that crisis had developed even before the Soviet experiment began, or independently of it. But it is enough to list the points of the analysis to realise how complex are the causes and effects.

Professor Carr's argument runs approximately as follows. On the political plane, Soviet influence has led to a sharp realisation of the "imperfections of bourgeois democracy." The Soviet experiment has made the Western world aware of the possibilities and the techniques of planning and has induced it to retreat from *laissez faire*. In international affairs, the Russians have taught the West to attach new importance to the economic background of diplomacy, to mass propaganda and to the half-forgotten truisms of "power politics." The fading of individualistic traditions and a semi-conscious acceptance by the West of the totalitarian standards of mass civilisation reflect the "ideological impact" of the Soviets. Now and then Professor Carr gives more than a hint of his awareness that in all these matters the Soviet impact has been a secondary factor. But sometimes he is apt to forget his own reservations and to treat it almost as the primary factor. This over-emphasis may serve a useful purpose, because the deeper, enduring Soviet influence on the West, apart from current diplomatic controversy, is only too often ignored.

Professor Carr is certainly right in giving a warning against some of the current errors in the treatment of Bolshevism. One is to regard Bolshevism as "a specifically Russian phenomenon, without significance for Western civilisation." Another is to treat its impact as that of "an alien and unfamiliar Eastern ideology." "Bolshevism," says the author, "has Western origins and a framework of reference in Western thought and life. It lies . . . in the main stream of European history." Professor Carr has documented this assertion of his thoroughly. Generally speaking, most of his statements about Russia are very well documented—his knowledge of the inner history of post revolutionary Russia

is almost unique in the academic world, where most of the experts on Russia tend to stop mentally at 1917.

For all its stimulating provocativeness and brilliance, Professor Carr's reasoning has quite a few striking flaws. He seems to attach equal importance and positive value to the chaff as well as the grain of the Soviet experiment. Understandably impatient with the failures of *laissez faire*, the shibboleths of "bourgeois democracy" and prejudiced ignorance of the Soviet experiment, he readily accepts the remedies of planning, as they have been developed in Russia. He also implies that a planned economy must necessarily go together with the totalitarian outlook. Does not Professor Carr draw overhasty generalisations from Russian experience? Even his theoretical definition of planning seems to be exclusively too tied down to the Russian background. Thus, he states that "the essence of planning is the assignment of priorities in the allocation of scarce resources." Planning is thus seen only in the content of an economy of scarcity. A theoretical definition ought not to overlook the possibilities and implications of planning in an economy of abundance. Indeed, the Socialist will argue that the real advantage of planning, such as prevention of slumps and overproduction, would become fully apparent only if the method were to be applied to an economy of abundance. He may further argue that successful planning of and for plenty is unavoidable in an economy of scarcity. To see in the single party state one of the lasting or epoch-making elements of the Russian revolution is therefore perhaps as wrong as it would have been, say, a hundred and forty years ago to see in Fouché's police state one of the lasting achievements of the French Revolution. The real legacy of the French Revolution has been epitomised in *Egalité, Liberté, Fraternité*, and not in the police state to which it immediately gave birth. History may still make a similarly discriminating assessment of the legacy of the Russian revolution.

In his all too brief conclusions Professor Carr is concerned with the response of the Western world to the Soviet challenge. Here he is less provocative—and more vague—than in the analytical chapters. "The prospect," he says, "is probably not an out-and-out victory either for the Western or for the Soviet ideology, but rather an attempt to find a compromise, a half-way house." But he does not attempt to give a concrete outline to its structure and lay-out.

Rambles Among the Social Sciences

"Political Economy in the Modern State." By Harold A. Innes. Ryerson Press. 270 pages. 21s. (Obtainable from Hatchards Ltd.)

PROFESSOR INNES' title suggests many possibilities. The modification of economic theory by its political setting; the contribution of that theory, modified or not, to the art of government; the decline of the competitive economy; such are a few of the themes which might be treated under that head. In fact, he would have done better to call his book *An Economist at Large* and leave it at that. For this is no consecutive treatise but a collection of essays and addresses, published and unpublished, written over the last dozen years for a variety of purposes and occasions and covering subjects as various as the role of the University, transport and tariffs, the Canadian fur trade, the economic importance of gold rushes, and relations between Russia and the West. Professor Innes is a connoisseur in borderlands, intellectual as well as geographical, and the points where ideas and techniques meet and interact are the landmarks of his exploration. But he brings no cosmography back with him. The title essay, for instance, is less a study of political economy, in the modern state or elsewhere, than a stimulating but quite inconclusive study of the mental climates prevailing in Western Europe and America since the seventeenth century, in which no coherent thesis is discernible—at least after the second careful reading.

Incoherence, indeed, is Professor Innes' besetting sin. With notable liveliness of mind, with impressive erudition, with an ant-like industry in the assemblage of facts, he suffers from an extraordinary lack of organisation. Facts and quotations are less marshalled than hurled pell-mell at the reader, who is never certain whether the juxtaposition of two statements is meant to imply a casual connection, an illustrative parallel, a whimsical contrast or the chance neighbourhood of two items in Professor Innes' card index. Coupled with a style even more atrocious than is normally to be expected of North American academics, this characteristic goes far to make his essays totally unreadable.

This would hardly matter if their content were negligible. But they are, in fact, highly stimulating and packed with significant and out-of-the-way information; several of them deal with subjects regrettably unfamiliar to the English reader, and they abound in original and fertile cross-references, linking ideas hitherto unconnected. The papers on Unused Capacity provide a striking case in point, connecting as they do the movement of immigration with the nature of Canada's outward trade. So do the two essays on the newspaper, which treat of the interconnections of papermaking technique, advertising, the ethics of reviewers, publishing finance, mail orders, the lumber trade, the length of novels, and the climate of public opinion. The wealth of knowledge, the boldness of interpretation, and the far-ranging alertness and curiosity which these papers display make one feel that to be one of Professor Innes' students must be an exhilarating, even if exhausting, experience.

Manchester Guardian

"C. P. Scott, 1846-1932: The Making of the 'Manchester Guardian'." Frederick Muller, Ltd. 252 pages. 12s. 6d. net

THIS volume commemorates the centenary of the birth of C. P. Scott, editor of the *Manchester Guardian* for over fifty years. It is rather a history of the *Guardian* itself (including the periods before and after Scott) than a biography of its famous editor. This is entirely fitting, for no editor ever lived more completely for, and in, his newspaper than did C. P. Scott.

Among the illustrations to the book is a reproduction of the "prospectus" of 1821, announcing the forthcoming issue of "No. 1 of a New Weekly Paper to be entitled *The Manchester Guardian*." It opens with these sentences:

It may be safely asserted that no former period in the history of our country has been marked by the questions of a more important character than those which are now claiming the attention of the public. To anyone who regards for a moment the conflicting views and wishes of the commercial and agricultural interests—the considerations which may arise out of the existing laws for the regulation of our currency—the present and anticipated pressure of the National Debt and Taxation—this statement will be sufficiently apparent.

These words are an example of the repetitiveness of history. Despite their slightly archaic ring, they are as apposite today as they were a century and a quarter ago, and they would equally well have served to introduce the infant *Economist* one hundred and three years ago.

The life of Scott is told with admirable skill in a long chapter by J. L. Hammond, the author of the official biography. The rest of the book consists of chapters by members of the staff

of the *Guardian* describing the growth of various of its "features"—literary and dramatic criticism, the Sports Page, commerce and finance, and so on, and partly of a selection of Scott's own writings. These extracts are of particular interest in that he wrote very little under his own name, and few readers of his paper had, therefore, any means of judging the quality of the editor's own contributions. They include the signed article on journalism, which appeared in the centenary number of the *Guardian* in May, 1921—the article containing the famous passage defining the purpose and duties of a daily newspaper:

A newspaper is, of necessity, something of a monopoly, and its first duty is to shun the temptations of monopoly. Its primary office is the gathering of news. At the peril of its soul it must see that the supply is not tainted. Neither in what it gives nor in what it does not give, nor in the mode of presentation must the unclouded face of truth suffer wrong. Comment is free, but facts are sacred.

In his leader writing Scott is revealed as a first rate craftsman developing his case skilfully and persuasively in short, telling sentences, yet with few of those arresting phrases which ornamented the work of the chief leader writer of the latter part of Scott's reign over the *Guardian*, his own son-in-law, C. E. Montague.

Shorter Notices

"The Times' Review of Industry." 1s. monthly.

The first number of "The Times' Review of Industry" is of a more convenient and attractive format than its parent, "The Times' Trade and Engineering Supplement." The contents of the February issue cover the same wide range of industrial topics, and include articles on noise in industry, the position of British coal exporting concerns, and a contribution on the re-equipment of the Lancashire cotton spinning industry. The *Review of Industry* also includes the industrial and trade reports which were a feature of the *Trade and Engineering Supplement*.

"The Building Societies Act, 1939." By C. G. Garratt-Holden. (The Building Societies Institute—Franeay and Co., Ltd.) 48 pages. 2s.

This booklet is a reprint of a memorandum issued in 1939 by the Building Societies Association, to which has been added the Building Society Rules. It is a valuable and authoritative source of reference for Building Society managers and could be studied with advantage by Building Society investors and borrowers.

From The Economist of 1847

February 6, 1847

Lord Palmerston is in some respects the most unfortunate of men. We sincerely believe no statesman ever more ardently desired to maintain the peace of the world, or used more unremitting exertions to do so; and not without great success. But the noble lord's mode of securing peace has often looked so much like "threatening war," that it is not difficult to understand how his lordship has got the false character which he has. If the country has, for several years together, under his management of the foreign office, "smiled in peace and plenty;" . . . yet, even then, people have generally imagined there was something in the shape of a drawn sabre, and an empty scabbard, suspended over the country. Notwithstanding which, his lordship . . . has often succeeded in maintaining peace at critical moments.

Again, Lord Palmerston, we believe, is, personally, one of the most indefatigable ministers who ever held the foreign seals. The extent of the work which his lordship does personally is almost incredible. Yet he has the unhappy knack, while working hardest, of obtaining the character of neglect, and, what we are sure his lordship least means, of a want of respectful attention to his duties to foreign ministers.

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DEALINGS WITH THE FIRM OF DOMBEY AND SON. NO. V.

We think Mr. Dickens ought to be indicted for cruelty, not to animals, but to his readers. He has for the last four months inspired them with interest and love for a charming creation of his fancy, and in the present number he introduces death ruthlessly, to destroy the object of so many pleasing sensations. We know not how he will answer for the many thousand tears which he has caused to be shed during the last three or four days, nor how he will supply the vacant place made in the list of his *dramatis personæ* by the death of poor Paul Dombey. Our only hope is, that Miss Tox is not the person by a union with whom the great Dombey is to obtain the object of his ambition—the son-partner of his house.

month only 19,000 families were rehoused compared with 29,000 in December. So far 344,487 families have been rehoused since March 31, 1945—a total which looks considerably better than the total of 164,032 entirely new houses which have been built in the same period.

Seamen's New Deal

One of the most far-reaching and comprehensive industrial agreements ever made has been settled by the representatives of seafarers and shipowners on the National Maritime Board. After nearly 18 months' hard work, protracted by the incidence of the ILO Maritime Conference, agreement has been reached, without resource to any arbitration or Governmental assistance, with effect from April 1st, the date on which the wartime Merchant Navy Reserve Pool ceases to operate.

The agreement constitutes a genuine new deal for a body of men whose conditions of work and pay, compared with the importance of their services, used to present nearly as lamentable a picture as those of the miners. Increases in monthly rates, new provisions for holidays and for leave in lieu of Sundays spent at sea, merely consolidate wartime gains. The real novelty lies in the security of tenure given by the two-years contract which puts any seaman covered by the Board's authority "on the strength" either of an individual line or of the shipping industry itself, together with the provision of "efficient service pay" which, with its annual increments, gives an incentive to steady service. The gap in the National Health Insurance provisions which, up to the introduction of special wartime legislation, penalised any sailor unlucky enough to suffer sickness or injury abroad, has now been permanently closed. The establishment of the new grade of "engineer assistant"—ranking higher than a petty officer—circumvents the bulkhead blocking the engine room staff's promotion, while the setting up of wages scales for cadets and apprentices should encourage newcomers. All these improvements are expensive, but the expenditure is likely to prove a good investment for British shipping.

The improvement of "conditions" in the physical sense must wait on the building of new ships; on sea as on land, war has put the slum-clearance programme heavily in arrears. But union circles are confident that the heavy drain of men from the service which followed the ending of wartime compulsion will be satisfactorily halted by the new seamen's charter.

Letters to the Editor

The Case for Deflation

SIR,—While there appears to be a growing body of opinion that an indefinite continuation of the present excess of purchasing power over the supply of goods is undesirable, there is some confusion over the means by which purchasing power can be deflated.

The inadequacy of present supplies of consumer goods is largely due to the necessary diversion of a large part of our limited resources to the construction and reconstruction of capital assets. The amount of annual net investment required for this is certainly over £1,000 million, and probably over £1,500 million. This means that the country is committed to saving at least twice as large a proportion of the national income as in 1938, whereas the proportion that individuals would save voluntarily is probably smaller than before the war.

The equating of the supply of savings with the demand for investment goods could be carried out in several ways:

- (1) By open inflation, with prices rising faster than money incomes.
- (2) By a quite improbable increase in the rate of voluntary savings.
- (3) By an indefinite continuation of the present system of controlled inflation, under which people are prevented, by a system of price controls and rationing, from spending as much of their incomes as they would like. One great disadvantage of this system is that, with the government's present limited powers, it is difficult to direct resources into the uses where they are most needed, and to prevent their diversion into uses outside the scope of the present system of controls. If this system is continued, therefore, some extension of the field over which government power is exercised will probably become essential.

Shorter Notes

Contrary to some reports which had forecast the retention of summer time throughout next winter, the new Summer Time Bill was not amended in the House of Lords. Summer time will consequently come into force on Sunday, and end on November 2nd, with a period of double summer time from April 13th to August 10th. In subsequent years, the period and the amount of summer time will be decreed by Order-in-Council. In moving the second reading of the Bill, the Home Secretary said that the amount of fuel saved would be negligible—about 150,000 tons—but that the measure would enable a more effective use to be made of the fuel available through the staggering of working hours.

For the first time it has been found possible to plan coal exports from the Ruhr three months ahead. Exports will be increased by 50,000 tons in April and by 200,000 tons in May. This will be particularly welcome to the French, who will appreciate quick fulfilment of Mr Attlee's promise to M. Blum that the cuts in their allocation of German coal made four months ago should be restored as soon as possible. For the first quarter of this year they are to receive 362,000 tons, for the second quarter 500,000 tons. This means further progress towards reducing the present French deficit of 300,000 tons a month.

So far, of the 20,000 men recorded as deserters from the armed forces, only 842 have responded to the Minister of Defence's announcement towards the end of January that voluntary surrender would be taken into account when sentence was passed and that family allowances would be payable from the time of surrender. Possibly many deserters have been hanging back in the hope that more favourable inducements would be offered. This hope has now been dispelled by the Ministry, which also confirms March 31st as the date after which those surrendering cannot expect to receive the present inducements. But the fact that so many deserters are still at large shows more than anything else how little they fear being caught and how inefficient the system of tracing them must be. If anything more were needed to emphasise the ineffectiveness of the identity card, this surely is it.

(4) By a restoration of the price system by means of a monetary deflation and rise in interest rates. This, if carried far enough, would bring demand into equilibrium with supply by enforcing a reduction in the rate of investment, especially in durable assets, and thereby slowing down the rate of replacement of assets lost in the war. It would also probably cause a financial crisis and severe, if temporary, unemployment.

(5) A preferable form of deflation would be the deflation of money incomes by high direct taxes coupled with a reduction in government expenditure. The resulting budget surplus would bring the national rate of saving into accordance both with investment plans and with the present artificially low rate of interest.

(6) High direct taxation, at least on its present basis, has an adverse effect on the incentive to produce. It would be better to achieve the necessary budget surplus by means of a rise in prices paid by consumers without a corresponding rise in prices paid to producers. This would bring the money value of the available flow of goods and services into balance with money incomes. It could be achieved:

- (a) By a decrease in subsidies.
- (b) By an increase in purchase tax on those non-essentials of which the supply is insufficient to meet the demand at existing prices. When supplies of such goods begin to be freely available for immediate delivery, it will be a sign that taxation is high enough; when unsold stocks begin to accumulate, it will be time to consider tax reduction.
- (c) If the proportion of resources now employed on the production of some non-essential is regarded as excessive, the industries concerned could be compelled to release resources by penal rates of purchase tax.
- (d) Where it is technically difficult to levy purchase tax on the products of over-expanded industries, it might be possible to obtain the same results by taxing the resources

employed—e.g., by taxing them a given proportion of their wage bills.

If by a combination of the foregoing expedients it were possible to achieve a substantial budget surplus, it would become practicable to carry out a considerable relaxation of the controls without either a rise in interest rates or a risk of inflation.—Yours faithfully, F. W. PAISH

London School of Economics, London, W.C.2

SIR,—You have described the inflationary menace of the present time as "seven billions of incomes that press upon six billions of goods." May I suggest that the source of the trouble is not an excess of incomes over production, but the reinforcement of incomes by a disproportionately large stock of money and bank credit ready for spending at a time when long arrears of spending have become a matter of urgency.

Incomes are generated by production, and the total of incomes is equal to the total of output of goods, services and capital outlay. So long as consumers do not spend more than their incomes, demand just disposes of output, and there is no inflationary effect. It is when they draw on reserves of money, and spend more, that stocks of goods are depleted; orders given to producers who are working to capacity cannot be met without delay, and prices threaten to rise. When prices rise, incomes and output reckoned in money units rise with them.

Controls are being relied on to prevent prices from being raised—prices charged by retailers to consumers, prices charged by producers to wholesalers and retailers. In your article printed in the *Financial Times* of February 28th you pointed out that the elimination of the threat of inflation might get rid of a great part of the controls, and you now suggest in your article on "Expedients and Policies" (March 8th, p. 314) that what is needed is heavier taxation.

The extinction of spending power from the proceeds of taxation is indeed an important anti-inflationary instrument. But how long is it going to take to extinguish the excess of spending power? The excess is a matter of thousands of millions. Taxation at the present time is of almost unendurable severity. Could a surplus of £500,000,000 possibly be squeezed out? Even if it can, are we to rely on the precarious defence of controls for, say, five years against a danger which is now immediate and imminent?

It was with such considerations in mind that I have felt moved in recent years to urge resort to a forced loan assessed on holdings of currency and bank credit, such as has been applied in Belgium and some other countries since the end of the war.—Yours faithfully, R. G. HAWTREY

29 Abchurch Lane, London, W. 8

[The danger, which Mr Hawtreay sees, of an attempt by the public to spend the hoards of currency and credit they have accumulated from their past savings is a real one, though at present still contingent. What is very actual is that the total of personal money incomes greatly exceeds the supply of goods, because the State is running a vast deficit. This discrepancy is not too large to be removed by policy. Incidentally, we did not advocate heavier taxation on balance, but a deferment of any cuts.—EDITOR.]

Books and Publications

The Middle West Comes of Age

"Mid-West at Noon." Graham Hutton. Harrap, London, 1946. 18s.

THE best thing about Mr Hutton's book is that it has at last been written. It was long overdue. It is a singular fact that the Middle West is in many ways a darker and more unexplored continent than Africa. The states which make up the Middle West contain more than 40 million Americans; yet because they are lost in the anonymity of a great union, they are known most vividly through the distinguished American novelists who are attracted from the vogue for literary expatriation. These are the writers who have created the general ideas which the term Middle West summons up to the mind; but between that extreme and the other, represented by the famous survey "Middletown," there is very little outside the history text-books.

To his task Mr Hutton brings immense reserves of enthusiasm, sympathy, insight and knowledge. He is as knowledgeable and as interested in the diverse streams of immigrants which settled the Middle West as he is in current relations between the sexes; in the cult of the average and standardisation of life as he is in the industrialisation of the region; in the impact of international forces on the inherent "insulation" of the Mid-West as he is in

Expedients and Policies

SIR,—In the article "Expedients and Policies" dated March 8th you speak of the need for "adjusting the incidence of taxation in such a way as to reduce its deterrent effect" on production as far as possible. Might I suggest that a method of carrying out such a policy would be for each unit of production to fix a weekly target and to pay a bonus for all output over and above the target figure. The following conditions would have to be observed:—

(1) The target must be fixed after joint consultation between management and workers, and would have to bear some relationship to output over previous weeks. In fact, the average of the past few weeks might well be accepted as a suitable target.

(2) The bonuses must be graduated so that the larger the increase of production the higher the rate of bonus.

(3) The bonus should be exempt from PAYE so that the worker in making an increased effort should not feel that he is being "penalised" in any way. The Revenue would not be the loser by this proposal, as in order to qualify for the bonus the worker would earn more wages and thus pay more income tax. He would, however, feel that he was being offered a special incentive for his increased production which would have, I believe, a profound psychological effect.

This suggestion would have the result of gearing increased production to increased wage earnings in a rough-and-ready sort of way, and I know of no reason why it should not be made generally applicable to industry. The Treasury would surely not oppose it if it could be proved that as a result of its introduction we should get the increased production on which our economic survival now depends.—Yours faithfully, C. A. LIDBURY

19 Buckingham Street, Adelphi, London, W.C.2

Design in Industry

SIR,—Mr Gordon Russell's interesting point that "design, like peace, is indivisible," was strikingly illustrated during the war when all the American technical military equipment with which I came into contact was invariably of much neater appearance and layout than the corresponding British product—though both were designed, often experimentally, under conditions of extreme urgency. The American designer evidently regards neatness of appearance as an integral part of his product's utility.

The opposite outlook, which is currently doing us so much damage, is nowhere more apparent than in the British motor industry. Egged on by the unctuous trade journals and by mechanically-minded diehards, the motor industry, with only two exceptions I can think of, is busily exporting cars hardly distinguishable in style from 1938 American models. Inevitably our manufacturers will eventually follow the American trend; because it happens to be also supported by practical considerations, but meanwhile all the out-moded protuberances that disfigure our car bodies are passionately defended on grounds quite different from those which historically occasioned them.—Yours faithfully, H. A. FRIEDHOUSE

33 Whitehall Lodge, Pages Lane, Muswell Hill, N.10

the physical surroundings which helped to create it. To almost every subject he brings illumination and information—as when he compares the Middle Western lag in amenities with the conscious sacrifice of consumption goods in Russia under the five-year plan. In the Middle West it was unconscious—but the effect of sacrificing the improvement of social conditions to capital formation has been the same. Mr Hutton has also a remarkable gift for making the reader see the prairies and feel the violence of the alternations between the hard, bitter winters and the baking, relentless summer heat; he has a very acute eye for what it is in landscape and architecture that is peculiarly Mid-Western. Most of all, he is fascinated by the fact that the Middle West is still in a process of becoming. Nothing has jelled; the greatest questions are still there to be answered.

The spreading industrialism of the Mid-West is gradually amalgamating with the industrial West. Inevitably, as sectional barriers break down, a greater uniformity of life among these nineteen states will result. Will they abandon or retain the faith in the individual which is the most characteristically Middle Western approach to life? What will happen to the party lines now that big business no longer holds the reins and labour unions are an accepted part of the civilisation? It is Mr Hutton's contention that the Middle West, despite all the very natural tempta-

AMERICAN SURVEY.

Coming Labour Laws

(From Our U.S. Editorial Staff)

THE new Republican Senate is now beginning to give some indication of what it proposes to do about labour legislation. Just before the election, a Gallup poll was based on the question: Should the Congress elected in November pass new laws to control labour unions? Twelve per cent of those polled were undecided; there were 66 per cent who said yes, against 22 per cent who said no. That was before the coal strike in December further hardened public opinion in the conviction that something ought to be done. It is therefore hardly surprising that of the first 200 Bills on all subjects introduced into the Senate as soon as the new Congress was organised, 30 should have been on labour (there was also a number of resolutions and joint resolutions). Hearings on those Bills are already well under way.

The Bill (S. 55) introduced by Senator Ball, for himself, Mr Taft and Mr Smith (all members of the Senate Labour Committee) and tentatively called the Federal Labour Relations Act of 1947, and those of Senator Morse (S. 73) and Senator Ellender (S. 404) (likewise Labour Committee members) all have as their first purpose the establishment of a Federal Mediation Board. The Board could proffer its services, either on its own motion or at the request of one or more parties to a dispute, whenever a dispute threatened to cause a substantial interruption of commerce. If mediation failed the Board should try to induce the parties to accept arbitration. The Bureau of Labour Statistics is instructed to keep a file of all agreements and arbitration awards, open to inspection as data aiding in the settlement of disputes. Further clauses of the Ball-Taft-Smith Bill make the "checkoff" (deduction of union subscriptions from wages by the employer) illegal, require joint control of trust funds, forbid the unions to organise foremen and other supervisory employees, make the unions liable to suit for violation of contracts, declare boycotts illegal as combinations in restraint of commerce, and require the registration of labour organisations as a basis for certification under the existing National Labour Relations Act.

Other Bills that have been introduced would outlaw the closed shop, forbid industry-wide collective bargaining, prevent the collection of funds under the recent portal-to-portal pay suits, amend the National Labour Relations Act (the Wagner Act) to permit employers to give employees their views on labour matters, to redefine bargaining units so as to discourage large union aggregations, to transfer parts of the National Labour Relations Board to the Department of Justice, to redefine "employee" with a view to preventing strikers from voting in subsequent plant elections.

These are the asking bids in the Senate. In the House, some 50 measures have been introduced largely parallel in content. On the other hand, Senate Joint Resolution 22, introduced by Senator Murray, would implement President Truman's suggestion in his message on the State of the Union, that a Com-

mission should be set up to study the whole matter, and that action should be deferred until a report is available.

So far practically all the private witnesses, employers and corporation counsel, before the Senate Committee on Labour and Education have testified to industrial support for the general tenor of the major bills. Mr Schwellenbach, the Secretary of Labour, as anticipated, supported the Murray resolution and opposed the chief provisions of the other Bills. He pointed out that the period just ended was a time of exceptional stress and reorganisation; that legislation passed now will be permanent legislation, and that a thorough Commission approach is therefore doubly desirable.

Meanwhile the U.S. Chamber of Commerce announced that it favoured the application of the anti-trust laws equally to labour and business organisations; the elimination of jurisdictional disputes; the outlawing of secondary boycotts; and voluntary arbitration rather than arbitration by a government tribunal. The Chamber opposed the appointment of a Commission of inquiry as suggested by President Truman, industry-wide bargaining, the closed shop and the establishment of a Federal Mediation Board. Similarly the National Association of Manufacturers has produced a ten-point programme, in which opposition to the closed shop is prominent. And the chairman of the NAM Board, at a New York forum on the economic outlook, recently charged the new Republican Congress with selling out to organised labour with the election of 1948 in view.

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From now until a passable Bill is achieved by both Houses, the process of bringing down the asking bids will be at work. The men's clothing industry has already appeared to support industry-wide bargaining and the closed shop; the desire for industry-wide bargaining by this collection of small firms which feel themselves individually weak may be paralleled by some large firms which normally deal centrally with a considerable number of branch plants.

Labour will appear on its own behalf, but the various unions will also leave no stone unturned in convincing the employers with whom they have contracts that one aspect or another of the Bills would be impractical, and letting the political pressure be applied from the management side.

This is definitely the strategy of the Congress of Industrial Organisations; how far the major units of the labour movement will act in concert is yet to be seen. Mr Murray's invitation to the AFL, issued in December, for unified action against "a deliberate and monstrous movement underway to cripple if not destroy the labour movement of this country" was countered on January 31st by the AFL's executive council with the proposal of organic unification of the labour movement and the appointment of Mr John L. Lewis as one of the five-man committee to negotiate if the CIO cares to.

There seems to be a change over the last weeks in the national atmosphere, and the wind is not blowing so strongly against labour as it was. Some people attribute this cynically to an incapacity of the public to keep interested in an issue in the absence of a crisis, and these prophesy public regret at any relaxation when the next crisis comes. Another view is that more and more people, including many who in November and December said "there ought to be a law," are remembering that law can be effective only where there is underlying consent, and are further remembering that the phrase, "the public

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

must step in," really means a Government agency.

Once before, the Government, after a wave of strong popular feeling, undertook to cope with a prominent pressure group on the same issue that is the basic issue to-day. The monopoly exercised by the railroads produced the Interstate Commerce

Commission; the monopoly of other corporations, the Anti-Trust Acts. Big labour is now behaving very much as big business did then. In the end, though the railroads failed, they succeeded in operating reasonably well under the ensuing not-too-drastic legislation.

Learned Society

(From Our U.S. Editorial Staff)

AMERICA'S economists and statisticians have just put themselves on display at the concurrent annual meetings of the American Economic Association, the American Statistical Association, the Econometric Society, the Institute of Mathematical Statistics and the American Finance Association. The display was more than a little revealing. The quantity of the profession is large indeed, its prosperity is evidently at historically high levels, its stamina is quite remarkable, and its orientation, at least to observers with a world viewpoint, is curious.

The meetings are of course intended to some degree to be all things to all people, and this must be realised in interpreting them. For the young college instructor, the stepping stone to a better salary increment and a promotion in grade may be an invitation to read a paper before this gathering of his peers. For the intellectual whose pursuit of his daily bread keeps him in some remote place off the beaten track, exposure once a year to the varied old and new interests of his fellows forestalls the freezing of his own intellectual processes. Then, too, there is the urge to meet people for direct exchange of views outside the formal sessions. On the bread-and-butter level are the operations of the "slave market" where many seeking jobs complete dossiers, listing their progress toward the Ph.D. union card, their honours, prizes and awards, and other qualifications which might endear them to the heart of a college dean desiring to add to the lustre of his teaching staff, or to a possible government or business employer—though the emphasis is academic. Finally, a very few business men stray into the rarer atmosphere, hoping the oracles may give them some perspective on their own operations.

Great physical stamina was demonstrated by the scope of the sessions. Sixty-four meetings were held in five days, and 60 of these were within three days. One hundred and ninety-six papers were presented—too many to reflect credit to a group whose business is teaching—and were delivered in a colourless and scarcely audible monotone. Seventy-eight formal discussions of the 196 papers piled Pelion on Ossa with dissertations on the papers they were criticising.

The preponderantly academic orientation of the meetings and something of the present academic frame of mind can be shown by a few more figures. Two-thirds of the sessions were presided over by professors and 84 of the papers were by those connected with educational institutions. Government servants took the chair at 10 of the meetings and provided authorship of 65 of the papers. Private business, though a large employer of analysts and the object of much of the analyses, had sparse representation; only five sessions were guided by business personnel and only 22 papers delivered by this group. Furthermore, many of these 22 were by persons connected with trade associations and statistical organisations; only a handful of direct employees of business concerns were on the programme. Labour union representation was also very sparse. If the programme was representative of an attitude, the academicians accept the bureaucrats and want to hear from them and from other academicians, but they are sceptical of any non-governmental voices.

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The mental orientation of the analysts is toward the narrow and the technical, at least as represented by items on this programme. At least a third of the sessions were devoted to complex statistical and mathematical matters—to the multiplying little chapels where each group which has heard the call worships its own particular gods of technique and method. The new

idol with the largest following is that of econometrics with its regressions, its ratio analysis and its model-making.

The next most popular field in number of sessions—but perhaps not in attendance—dealt with methods of teaching economics to undergraduates. The fact that universities and colleges are swamped with ex-soldiers obtaining education under the "GI Bill" and that there is muttered questioning of the understandability and adequacy of the teaching in an era of the subject's high importance, stimulated attention. Consciousness has been growing among professional educators—and perhaps among the citizenry—that precise analytical research into the number of variations that may dance on the head of an assumption—or even into some aspect of more immediate interest—is not necessarily the ultimate qualification for a good teacher.

A very poor third in programme space was the prediction of the immediate economic outlook—though attendance at these sessions was large. Major vocal sentiment seemed to be that 1947 should be a "good" year, but there also seemed to be strong acceptance of the view that the boom phase cannot be expected to be perpetual.

At least one new economic specialty was prominent: emphasis on the use of psychological surveys to obtain more knowledge of the well springs of human behaviour and of the irrational aspects of human motivation. Such techniques, spurred by the success of opinion surveys in forecasting election results and demand for commercial products, were used extensively during war savings campaigns to gauge public response to Treasury financing and to some degree by other governmental organisations; the current "liquid asset" studies by the Federal Reserve Board are carried on by this technique. Here seem to lie great potentialities for a merging of the resources of statistics, economics and psychology.

Other problems of the day were touched upon but with less emphasis, at least in programme space: housing and housing finance, public debt, atomic energy, prices, money and international economic relations.

The small programme space given to international matters, the low attendance and the attitude of the speakers all combined to give an unhappy flavour to those concerned with world relationships. The major meeting, entitled "International Trade Organisation" was presided over by Mr Thorp, the Assistant Secretary of State, and was addressed by Mr Clair Wilcox, chairman of the American delegation to the recent London ITO meeting, and by other distinguished experts. Even though the session competed with eight others held simultaneously, it ought to have been better attended. Mr Wilcox's assertion that if the present effort to end restrictionism should fail, the conditions of the 1950s would make those of the 1930s look like pure free trade was a striking note. Professor Schultz of the University of Chicago pointed forcefully to the basic contradictions between the foreign commercial policy of the United States and its domestic commitments and pressures. A very well attended and enthusiastic dinner meeting heard the convention's most distinguished visitor, Sir Henry Clay, in a magnificent address, outline the unhappy position of England, and its outlook, and express the hope—though as one without confidence in its fulfilment—that America would soon come to occupy England's nineteenth-century rôle as the ultimate market for the world's goods.

As revealing as what the programme did contain were some of the things it did not. In other years the position and outlook

tions to remain aloof from international affairs, is no more isolationist than any other part of the country, less so, indeed, than the Great Plains or the Far West; and that it has moved more rapidly in the direction of international collaboration than any other region—perhaps, though Mr Hutton does not say so, because it had further to go. The conversion of Senator Vandenberg is a heartening symbol of this process.

But despite the revolutionary changes of the past fifty years, the people of the Middle West are still on the move; as Mr Hutton very well says:

Their great energies are as yet divided, as their minds and loyalties are confused. In this confusion they are not singular. They are singular only in the wealth of assets with which they can solve their problems.

The book blows away a lot of the hoary legends that have grown up about the Middle West: that it is uncultured, agricultural, backward, xenophobic. In fact, it is rapidly losing its identity as a region. In years to come Mr Hutton's book may be as valuable as the surveys of British architecture undertaken before the blitz.

"Midwest at Noon" has many virtues, but it would be idle to pretend that it is suited to be a reference book. It is a heady stream of sociology, politics, geography, personal reminiscence, description, history, analysis. A more rigorous discipline would not have been amiss. But if one has the time and patience to master its massive chapters there are very few phases of Middle Western, and American, life on which Mr Hutton is not both illuminating and stimulating.

Industrial Capital in India, 1938-9

"Industrial Capital in India, 1938-9." By M. V. Divatia and H. M. Trivedi. N.M. Tripathi Limited, Bombay, 1947. 91 pages. Rs. 5.

THE authors of this careful and ingenious statistical estimate have made an admirable attempt to provide a measure of the "real" fixed and working capital employed in factories using power and employing 20 or more workers, for India as a whole, in the year 1938-9. Incidentally they demonstrate how, by the use of indirect methods of estimation and the application of data supplied in other countries, and for India in allied fields, more meaning can be wrung from the existing but all too scanty Indian statistical material.

The first three chapters explain clearly the objects and methods of the inquiry, and give in a series of tables the estimates made for the four main groups of industries. Chapters IV and V discuss in more detail the salient features of the estimates for particular industries, and groups of industries, and the extent and efficacy of the checks and modifications adopted to test and increase the accuracy of the results attained. Throughout the work great ingenuity has been shown in devising checks of accuracy, especially by applying, wherever possible, several methods of estimation to the same industry. It is remarkable what close agreement has been achieved between the results attained by different methods. Chapter VI discusses uses to which these estimates might be put.

The final estimate itself—i.e. Rs. 675 crores, $\pm$ 6 per cent, in 1938-9—fills an important gap in our knowledge; whilst the construction and structure of this total figure provides information which might be used to help to assess (a) the nature of the existing structure of industry and territorial distribution of industrial capital in India; (b) the efficiency of existing industrial firms; (c) the extent of the wartime accumulated demand for replacement of capital equipment; and (d) the capital requirements for the fulfilment of particular industrial plans or targets. Above all, the inquiry shows how substance and concrete content might be given to the vague aspirations and ideal targets represented by the ever-growing number of economic plans for India.

Public Investment Survey

"Public Investment and Full Employment." International Labour Office. P. S. King. 347 pages. 10s.

THIS study, the third in the ILO's new series of *Studies and Reports*, provides an authoritative account of the public investment policies followed by a number and an analysis of the theoretical and practical problems arising out of them. (The term "public investment" is preferred to that of the old "public works.") The survey begins with an historical and theoretical study

of the unemployment problem and of the relations, past and present, of public investment and unemployment policy. The next section deals with the principles of counter-cyclical financing as applied both by central and by local governments; the next with the technical, legal and administrative aspects of the matter. The fourth section, entitled *The Lesson of the Thirties*, adopts the historical approach, studying in some detail the policies actually followed during the Great Depression by the United States, the United Kingdom, Canada, Australia, New Zealand and Sweden. The final section looks forward to make a similar survey of the post-war employment problems confronting a number of nations—Australia, Belgium, Canada, Sweden, Switzerland, the United Kingdom, the United States and a group (including India and Latin America) labelled "capital scarcity countries"—and of the policies which they appear likely to follow. A final chapter summarises the whole and sets out the agreed recommendations of the ILO's International Development Committee; and forty pages of appendices—texts of resolutions, statistical tables, charts and definitions—complete this encyclopædic work.

As a source book and work of reference it maintains the high standard of previous ILO publications. As a book designed for consecutive reading, as against consultation, it suffers like its predecessors from the unwieldiness which is inevitable when matter for at least three volumes is compressed into one. Could not the ILO take to publishing its *Studies* in sub-series, split into volumes of ordinary length? These would stand a better chance of being read by the ordinary citizen, and thus contribute more widely to that growth of informed public opinion the fostering of which is one of their purposes.

America's National Wealth

"National Product since 1869." Simon Kuznets. National Bureau for Economic Research, New York. 239 pages. \$3.00.

PROFESSOR KUZNETS'S latest report adds impressively to the edifice of his past work on the American national income and its components. Like its predecessors, it consists almost entirely of tables,

whose interpretation is left to the reader, the text consisting of technical elucidations of the statistical methods and sources used. To summarise its findings is of course impossible; the book has no thesis, but is purely a work of reference for statisticians, economists and historians. One or two significant points are, however, worth indicating even in a brief review. Thus several tables indicate the greatest rise in the national income, both as a total and per head, during the decades 1869-1888, with a severe slowing down as the twentieth century is reached and, of course, an actual reversal during the 1930's; others evaluate the upward trend of productivity, which turns out to be about 1½ per cent per annum on the upward slope of the trade cycle.

The components of the national output—perishable, semi-durable and durable consumer goods, net capital construction and consumption, and claims against foreign countries—are separately analysed. Other tables deal with land values and service expenditures; analyse consumers' spending as disclosed in a series of departmental inquiries; and summarise war expenditure. Not all of these tables are, of course, equally solidly based; some rest on assumptions (regarding continuity of conditions, similarity in spending habits, etc.) which the author admits may not be justified, others on regrettably small samples. The reader is most scrupulously warned against these shortcomings, both in the text and in the Director's foreword. The general reader is, in fact, warned off altogether.

The striking thing is, however, not that the evidence is occasionally inadequate or that statistical series covering the same period should differ, but that that evidence and those series should be available at all on anything like the necessary scale. Working in this country, Professor Kuznets would have found himself paralysed from the start. The raw materials for his massive compilations—particularly this one, with its range of nearly sixty years—are simply not available. It is one of the minor mysteries of national tradition and temperament that the Americans, with their deep-rooted dislike of controls and their comparatively makeshift Civil Service, should for many decades past have been willing to spend time, trouble and money on the collection and tabulation of economic facts and figures on a scale which not even a Labour Government bent on planning has seen fit to demand.

Communist China

"Report from Red China." Harrison Forman, Robert Hale. London, 1946. vii. + 247 pages. 15s.

MR FORMAN is an American journalist who paid a six months' visit to the Communist-dominated areas of North China during the autumn of 1944. His experiences were of the now rather stereotyped pattern, he had lengthy interviews with Chinese Communist leaders, and his hosts took him on a conducted expedition. He describes what he saw in a vivid and interesting fashion, and the careful and discriminating reader of his book will glean a good deal of useful information about conditions in the Communist areas and the political objectives of the Communist Party.

But while Mr Forman was always on the alert for any stage management or propagandist reports when he was dealing with officials of the Chinese National Government, his critical faculties seem to have deserted him as soon as he made contact with the Communists. In consequence, most of his chapters are simply reproductions of Communist stories about labour heroes and dauntless guerrillas. Mr Forman repeats the most far-fetched yarns with a faith and naïveté which make extremely amusing reading. He accepts Communist "statistics" without question, such as the 92,000 battles which they asserted they had fought during the seven years 1937-44, an average of over 30 "battles" a day. The relations between the Communist armies and the peasantry are presented as one long love feast.

There is an element of light comedy, apparently unsuspected by either the author or his informants, which pervades this work. The battalion of colonels and majors who were being drilled as privates, the cave "university" at Yen-an, where the married students are forbidden by the regulations to cohabit except on Saturday nights, and the exchange of gifts on festival days between the Japanese garrisons and their Communist foes are examples in point. Perhaps the best of all is the portrayal by Japanese Communists of the "tortures and iniquities" inflicted on new recruits to the Japanese Army; these included being made to crawl under a bed and imitate a cuckoo. Has Mr Forman never heard of ragging freshmen in an American university?

AMERICAN SURVEY

Mr Truman's Recovery

(From Our US Editorial Staff)

IN the months of 1945 after Mr Truman became President his popularity in the country was very great and commendation widespread. By the latter part of 1946 the condition was reversed: less than one third of the voters approved the way he was handling his job as President, according to a sample poll, and his party went down to resounding defeat, losing control of both the House and the Senate. Now in early 1947 another reversal is under way. His popularity has risen far (though it is well under the 1945 high) and is still rising; the opposition is on the defensive and not a little confused.

These shifts are interesting evidence of the continued mercurial nature of American politics and public opinion. But there is a still more interesting and significant aspect: the domestic prestige and authority of the executive have been much, if not fully, restored. The government is on a far better domestic base to face the Moscow conference and the world crisis than a few weeks or months ago.

How this alteration has come about is not altogether clear, though evidently many developments have contributed.

The ineptness which the Republicans have so far exhibited is clearly one of these. Billed last autumn as something like Superman come to save the country from a disintegrated administration, they simply have not performed that rôle. On the stage they have exhibited only disorganisation and have subjected their supporters to disappointment after disappointment.

Probably the most outstanding disillusionment has been their position on the budget and taxes. Having confidently promised in the election campaign vast reductions in expenditure, taxes

and debts, they have thus far seemed to be at a loss to know how to deal with the \$37.5 billion budget the President presented to Congress. The tax cuts have not come and on March 15th, as the taxpayers sent in their cheques, they still seemed far away.

The position many Republicans took in the reciprocal trade discussions have been no less than shocking to many of the voters; and although the party itself has yet no official position, so outstanding a member as Senator Vandenberg has seemed to threaten to espouse restrictionism when the Act is subjected to Congress next year. The House Republican leadership is clearly at odds with that of the Senate, and this week it has been revealed that the Republican Senators newly elected last autumn are in revolt against the autocratic procedure of the Senate Republican leadership and are resentful of being treated as "little boys." In short, after some two months, the Republicans have yet to score on any point.

But the Truman recovery by no means wholly results from the greater ineptitude of the opposition: it has certainly been aided by a substantial list of solid accomplishments. Beginning, perhaps, with the spate of annual messages, which gain in impressiveness with the passage of time, the record has been rapidly extended. The appointment of General Marshall as Secretary of State was viewed as extraordinarily good at the time, and lustre has been added to it since. The appointment of Mr Lewis W. Douglas as ambassador to the United Kingdom has brought almost universal acclaim; Mr Douglas is properly regarded as one of the most able, hardest working and fairest

From The Economist of 1847

March 13, 1847

We have [in the United States] quite a variety of temperance societies, some of which combine benefits in cases of sickness and death, with total abstinence. There are Sons of Temperance, Daughters of Temperance, Temples of Honour, Washingtonians, and a host of others; and last, though not least, the coloured people are coming to the rescue, and are forming societies, with the agreeable appellation of Brothers of the Fountain. One of the leading physicians of this city . . . last week had a brilliant evening party of 250 individuals, at which neither wine nor any alcoholic liquors were used.

It is estimated that not fewer than 800,000 persons in the United States have joined and belong to temperance societies, and a great number besides abstain from intoxicating drinks who do not belong to any society. Out of this immense army of water drinkers there are probably 100,000 persons who, previous to their reformation, did not obtain a suit of new clothes once in three years, and whose families were equally ill clad, but who now get one or two suits a year . . . and whose wives and children have likewise experienced the same advantages and improvement in their comforts and appearances. It is not an unfair calculation to say that 4,000,000 dollars a year are now spent in clothing which formerly went into the pockets of distillers, brewers, tavern keepers, and conductors of dram-shops . . .

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A correspondent sends us the following simple mode of testing the purity of sulphate of ammonia, as at this season large quantities of this highly-fertilising manure is used, and which is sold adulterated to the extent of 30, 50, and even 70 per cent.

Heat a shovel or any plate of iron to redness, and place upon it a portion of the salt of ammonia; if the salt be pure the whole will go into vapour; if adulterated, the impurity will remain on the plate of iron.

for interest rates has been prominent, but there seemed to be acceptance, at least implicit, that this is a settled matter. Monetary policy was likewise a notable absentee, and the subjects of labour relations, taxation and competition appeared only incidentally and inconspicuously.

The responsibilities resting upon the profession were clearly put to the meeting by Dr Nourse, chairman of the President's Council of Economic Advisers, and by Dr Goldenweiser in his presidential address to the American Economic Association. Both said that present conditions required the economists "either to put up or to shut up."

American Notes

War Powers for Peace

In a message to Congress this week, President Truman requested the extension of certain controls authorised by the Second War Powers Act, which expires on March 31st. Seven main provisions of this omnibus bill have already expired or been replaced by permanent legislation. The authority which the President wishes to see extended relates in the main to those priorities and allocations essential for the fair sharing of short commodities inside the United States and between the United States and the rest of the world and the carrying out of American relief shipments.

The domestic controls which it is proposed to continue are few: those over the distribution of grain, to meet the export target of 10,500,000 short tons, over sugar, rice, and molasses, and over the sharp shortage of railway facilities. Both self-interest and American international obligations require continued allocation of fats and sugar, and import controls over meat and dairy products, and other protein foods. Allocations will also continue to be necessary for a short list of imported industrial materials, such as cinchona bark, rubber, manila, tin, and antimony. Export controls over automobiles and tractors are included.

In some instances, as Mr Truman was at pains to point out, the continuing of allocations is of positive benefit to the United States, insuring supplies to domestic industries. But it is far from certain whether this will induce Congress to approve the self-restraints in the international market which it has triumphantly abandoned at home. In some quarters it is prophesied that the only controls which will be continued are those over tin, natural rubber, uranium, and antimony. Already there is vigorous opposition from the sugar industry to continued control over its raw material and a demand that the American housewife should enjoy 10-15 pounds more sugar a year. The President has urged Congress for a speedy decision; but if the past is any guide, the results of this first specific test of the economic intentions of the new Congress will not be known until late in March.

The Budgeteers' Retreat

(From our US Editorial Staff.)—Since Mr Truman sent his Budget message to the Congress in early January proposing total federal expenditure of \$37.5 billions for the fiscal year 1948, a hasty and not very orderly retreat has been in progress by most of the groups whose election slogan was "cut government spending." An examination has confirmed Mr. Truman's statement that a high proportion of the total is untouchable—or touchable only by doing violence to the demands of some major pressure group. This, the Republicans seem to have decided, they are as unwilling to try to do as the Democrats. Consequently, they are busy seeking to escape from what many believed were promises to make a major cut in taxes and at the same time to make a start toward repayment of the national debt in a large way. The excise taxes are apparently to remain as the President requested and the hope many had for Mr Knutson's 20 per cent cut in personal income taxes has glimmered almost to extinction. The Republicans' first major encounter with Mr Truman and responsibility has therefore not been a happy one. Perhaps it will teach them hereafter to prepare their case a little more studiously before shouting from the housetops.

Students who have examined the budget with some care and who have at the same time given some attention to politics think that Congress will have a hard time indeed to get expenditures in the fiscal year 1947-48 below \$35 billions or to make a cut as much as 10 per cent in the expenditure proposed by the President. And the realisation of even this moderate saving probably requires that there be no consequential business recession

or unemployment in the next 18 months. Some few stand still on "principal" or emotion and demand that expenses be cut to \$25 billions or less and that Congress and the administration find out how to do it, but their admission that they do not know how and have no suggestions leaves them little audience.

One of the possibilities in the situation is that the government's informational and especially its statistical services will be mauled. "Needless statistics" is a good goat—and there is no pressure group to be offended. The savings would of course be small, but the "cut spending" groups, caught short by inadequate preparation of their case, must try to save some face. Probably there is no more unfortunate place to cut, since the elimination of statistical activities during the war has already brought a considerable void and since new information to see what the wartime shifts in this vast and complex country have been is needed for many purposes. But the statistician may have little support for his plea and in the bargain may be charged simply with joining the line of those chanting "cut everyone—except me."

Airways on the Spot

Despite fresh peaks in freight and passenger traffic for 1946, the domestic airline companies have met with an abrupt reversal of fortune during recent months, and there is now general agreement within the industry that fares must be revised to keep pace with rising costs. According to one responsible spokesman, the whole industry is now operating "in the red," and some of the major undertakings have been forced to secure loans to tide them over the present critical period. Moreover, the recent series of crashes has brought a general demand for revision of safety standards and regulations, and a full-scale Congressional investigation is now in progress.

At first sight, 1946 was yet another good year for the airways. The number of revenue-paying passengers rose by nearly 80 per cent, to 13 millions, and revenue mileage rose by more than two-thirds to 6 billions, while express and freight shipments came up by 60 per cent to 37 million ton miles. All operators reported a substantial increase in route mileage and seating capacity. Unfortunately, managerial optimism outran the near-term traffic prospect, and ignored the rising trend of labour, material, and service costs. Equipment purchases and development costs soared above budgetary estimates, and lucrative airmail revenues fell as demobilisation proceeded. And while the safety record, for 1946 as a whole, was better than ever before (1.24 passenger casualties occurred for every 100 million passenger miles), the last few months brought nine crashes on scheduled flights, and more than 70 civilian deaths.

For the time being, the average payload is below the "break-even" point. In 1945, the industry recorded net operating revenues of about \$43 million; in 1946, there was a decline to well below \$5 million. Over the year to September last, 16 companies recorded net profits below \$3 million, the comparative 1945 figure being nearly \$16 million, with Transcontinental and Western (TWA) sustaining a heavy net loss through strikes and technical troubles with its fleet of Constellation craft. The general slump on Wall Street, and the decline in traffic made it quite impossible for managements to carry out autumn plans for share issues. Pan American borrowed \$40 million from a banking syndicate, TWA secured a similar amount from insurance funds, and is now seeking further accommodation from the Reconstruction Finance Corporation, and several other lines are seeking temporary loans.

These troubles will be surmounted. So far as safety regulations are concerned, the Civil Aeronautics Administration will, probably, now secure from Congress an annual appropriation more in keeping with its task of standardising the best type of service equipment to assist bad weather control of airports. But wage and service costs are still rising, and it is becoming more and more apparent that the 1945 decision to reduce passenger rates to 4.5 cents a mile was a little premature, to say the least. Restoration of the earlier rate may retard expansion, but it would leave no ground for the present suspicion that some managements have at times neglected the risk factor in their records.

Crisis in the Schools

Since 1939, 350,000 teachers have left the American public (that is, state) schools. The plight of the teacher under inflation is similar to that of all white-collar workers under inflation, but the effects on the educational system are serious enough to make

this a special problem. As more than one-third of the pre-war teaching staff have left their profession for better-paying jobs, standards have declined. Over-age and under-qualified teachers are at a premium; many of those left in the schools are forced to take on after-hours work to augment their pay. The teachers' colleges are half-empty, while other colleges are turning away applicants. The unhappy story of the private schools is being repeated, with less excuse, throughout the country.

The lesson of last year's strikes in industry has sunk in. Strikes, or threats of strikes (in New York the phrase "mass action" saved injured professional dignity) have brought better rates in some instances, mainly in the big cities, where education is on a mass-production basis and the teachers' lobby counts for votes. But in teaching, the inroads of inflation have only aggravated existing ills. In wealthy New York City, the average salary is \$4,100. But the national average is \$2,000, and at the other end of the scale ten states pay an average salary of less than \$1,000. Negro teachers in the South may receive as little as \$300 a year.

The publicity and lobbying campaign now being carried on by teachers' organisations is a sign of the changing times. But salaries are only half the battle. In 1940 New York was spending \$157 a year per pupil, while Mississippi spent \$31 per pupil—yet many of the Southern states spend a greater proportion of their revenues on education than the wealthier units. To finance an adequate educational system for Mississippi might easily absorb the whole of the state's income.

Federal aid for education has long been recognised as the only solution if there is to be anything approaching equality of educational opportunity between a boy born in New York and another born in Mississippi. A long-pending Bill would appropriate \$300 million for this purpose. This would only mark the beginning. To maintain a national salary scale of \$2,340 for college-trained teachers (and an untrained daily labourer starts at \$1,700 under Civil Service rules) would absorb many times this figure. Even this modest Bill is bitterly opposed as the opening wedge of regimentation of text-books, thought, and teachers, particularly in the South, where the freedom to teach white supremacy and to abominate Darwin is still highly prized. Senator Taft is an advocate of limited assistance to state educational funds. The existence of a Republican Congress makes it possible that the growing crisis in education may yet be considered a national problem.

For Small Business

The Democrats have quickly lost another round in their struggle to curb the growth of special Congressional committees. As reported last week, the Senate majority voted early in January for re-establishment of the War Investigation Committee, despite individual Republican pleas that such actions were directly opposed to party pledges in respect of the Congressional Reorganisation Act. The Senate (again by a narrow majority and against a handful of Republican protests), has now voted for maintenance of the Small Business Committee, at the expense of Senator Tobey (Republican of New Hampshire), who declared with some vigour that under the Reorganisation Act, the work of the Small Business Committee should be transferred to his own Banking and Currency Committee. The new chairman of the Small Business Committee will be Kenneth S. Wherry, of Nebraska, who is also party whip in the Senate. Since both parties were quite willing to continue the work of the Small Business Committee in one form or another, there is probably plenty of evidence to support Senator Tobey's view that renewal of the special committee has been arranged as much for its support to the professional career of Senator Wherry as for its probable contribution to the cause of the small business man.

Though individual Republicans express increasing concern over the concentration of manufacturing industry in the United States, there was no general enthusiasm for President Truman's recent call for vigorous enforcement of the anti-monopoly campaign, and no evidence that Democrats themselves could be brought to share the crusading fervour apparent in the White House and the Justice Department.

Present evidence, indeed, suggests that the small business man may soon get even less assistance than before. The Reconstruction Finance Corporation, for example, has made some useful contributions to small business in the post-war periods, and its authority has been somewhat strengthened by powers transferred from the Smaller War Plants Corporation, under which RFC can arrange more liberal credits, arrange for surplus property deals on terms which favour the small man, and assist small firms when bidding for government contracts.

There is an even chance, however, that this agency will disappear in the general scramble to reduce the size and scope of Federal operations. Liquidation of the RFC has become more likely following a proposal from Senator Tobey that the Federal Reserve Banks shall now replace it as the prime guarantor of small business loans. Under the proposals, the Reserve Banks will guarantee approved loans for small business up to 90 per cent of outstanding commitments, and will not need to work under existing restrictions which confine such credits to reinforcement of working capital for "established enterprise." These proposals are supported by Mr Marriner Eccles, chairman of the Reserve Board, and look like going through Congress. But the weight of the big battalions of industry suggests that there may still be room for an independent agency where private finance is lacking.

Rail Rates Again

Monopoly charges may soon attract more attention in Congress, where House and Senate committees are now examining proposals designed to relieve the railroads and all common carriers from possible charges under the Sherman Act in respect of rates and service agreements approved by the Interstate Commerce Commission. If such immunity is granted, the Justice Department will be forced to abandon charges it is now making against rate agreements covering a great part of the main freight services in the west, and dating back to the early days of the New Deal. These charges are scheduled to come before a Nebraska court during April, and it is interesting to note that they will concern many of the business interests of Mr Averill Harriman, now Secretary of Commerce.

The carriers can claim powerful backing for their cause in Congress. Last year Senator Reed (Republican, Kansas) pushed his proposals through the Senate Commerce Committee, although the Bill was abandoned in the summer scramble for adjournment. This year, the Committee has given priority to the Reed Bill, which would leave the railroads open to anti-trust action only where rate and service agreements were obtained "by the employment of coercion, duress, or intimidation." A similar Bill has been put forward in the House by Representative Bulwinkle (Democrat, North Carolina). Passage of the Reed-Bulwinkle legislation would, of course, leave rail rates subject to the jurisdiction of the ICC. But, in the view of the Justice Department, the broad structure of rates can easily conceal restrictive measures. Passage of the Bill by Congress will present Mr Truman with yet another delicate political problem.

Apart from such relief measures, the railroads are now determined to make a fresh bid for higher freight rates, although the 17.6 per cent advance became effective only on January 1st. In their view the rate increase, which would yield about \$1 billion on the 1946 traffic level, will be less than sufficient to safeguard their financial position when business activity falls below its present record peace-time level. Despite the more conciliatory tone of labour leaders, they are worried by the threat of further wage claims. The claim for further relief is based on the fact that this was the first permanent adjustment of freight charges since 1939, that wage rates have since risen by 50 per cent, and that material and other costs are substantially greater.

Rent Ceilings

At the eleventh hour last week, a firmly expected order from the Office of Temporary Controls was cancelled. This order, it is believed, would have authorised an increase in rent ceilings of 10 per cent, and a companion-piece would have alleviated the hardships of landlords whose income, but not costs, are controlled by Federal law. By cancelling the order, Mr Truman determinedly returned to Congress the thorny problem of what modifications should be made in this ideologically outmoded, but popular remnant of a controlled economy.

At the hearings now being conducted in the Senate, the main drift of the Republican majority is toward a reluctant extension of controls for a year or fifteen months, with an immediate concession to the landlords in the form of 10-15 per cent rise in ceiling rents. Controls would apply only to existing units; there is a strong feeling both in Washington and in states which have their own laws that to apply ceilings to new projects would discourage building of new apartments and houses for rent. Theoretically, the majority of Republicans and some Democrats would like to consign rent controls to the oblivion which now covers the main body of controls; but 60 million tenants—among whom many Congressmen must be counted—are a formidable body to offend.

of public figures and his competence has been demonstrated in private, public and international capacities. The Hoover mission to study and to report on Europe so as to assure objectivity and bolster the bipartisan conduct of foreign affairs has been very well received. The rescue of the International Bank from the condition of serious deterioration which had followed Mr Meyer's resignation has been felicitous. The team of Mr McCloy as President, Mr Black as the American executive director, and Mr Garner as Vice President has almost instantly restored confidence in the institution in all quarters except the extreme left, and the addition of Mr Graham Towers, Governor of the Bank of Canada, as that nation's executive director further increases confidence.

But it is not the quality of these major appointments alone, important as they are, that is the full story. The President has fully and gracefully accepted the clearly expressed wish of the electorate to dismantle government controls, even though he has obvious reservations, and the Price Office Administrator, the most unpopular of the lot, is going fast. Mr Truman's acceptance is contrasted with President Wilson's attitude in a similar situation. The public also was clearly annoyed with organized labour. Mr Truman found Mr Lewis and his United Mine Workers out on a limb and skilfully sawed it off: the government's sweeping victory in the Supreme Court has benefited the President's prestige. The Presidential conferences with the press, which earlier had brought unhappy results, have taken a wholly different and far better tone. And the impression grows that the government is much clearer—and wiser—about

foreign policy. Thus, while the Republicans have failed to score, Mr Truman has done so repeatedly.

Whether this rather chance collection of developments is purely fortuitous and perhaps implies little for the future, time alone can reveal. Mr Truman's record of earlier months causes not a little scepticism about whether he has changed basically or is having a run of luck—though even the sceptics are willing to hope. Furthermore, major problems are upon the President, or looming, to subject him to rigorous tests. The Moscow Conference is one. Greece, and all the related matters which the new phase of world crisis presents to America, are another. Domestically, the problem of work stoppages and labour legislation is not solved; the present quiescence is generally viewed as precarious. And the new violent upsurge of commodity prices, reported more fully in an accompanying Note, threatens not only labour, but other forms of equilibrium.

The Republican showing so far likewise is not to be taken as final. A two-month period is by no means conclusive, and does not make a summer. Their poor and slow start does not yet determine the history of this Congress—nor of the Presidential race next year, in which they are still given the odds. But regardless of the many ifs which the future always presents, the major restoration of the executive's prestige for the present state of affairs is certainly fortunate. One big if does not have to be faced: what would have happened had the British crisis and the Moscow Conference occurred at last year's low point of the executive's esteem?

The Vandenberg Tariff

IN terms of foreign policy, the "Vandenberg line" has for some time provided a clearly-demarcated boundary beyond which the Administration cannot venture, unless it is prepared to abandon every hope of continuing bi-partisan support. Now, under the lead of Senator Vandenberg, the boundary lines are being drawn in respect of economic policy, and the result of recent negotiations between President Truman and the Republican Party leaders is the "modification" of the reciprocal trade agreements programme, confirmed by Executive Order in the closing days of February.

This new phase in tariff policy follows intense pressure within the Republican Party for outright repeal of the Trade Agreements Act—which, in any event, will expire next year unless renewed by Congress. The Republican leaders proclaim the new agreement as a considerable concession to Democratic policy, and Mr Truman has welcomed the "compromise" by declaring that the provisions of the Executive Order "do not deviate from the principles outlined by Mr Cordell Hull, the former Secretary of State."

It is more than a little difficult, however, to determine the nature of the concessions made by the Republican Party. The Trade Agreements Act will stand for its present term, and with benevolent formality, the party managers declare that the Geneva talks next month can go forward without any interruption. But the "escape clauses," which are now part and parcel of the trade agreements programme, can nullify any concessions made by the US delegates at Geneva, or at any subsequent conferences. Behind those delegates, with their formal power to reduce existing rates by as much as 50 per cent, there now stands the Tariff Commission, ready to determine "if such concessions threaten serious injury to domestic producers," and a government pledged to invoke the clause by which the American producer can secure the withdrawal of any reduction which seems likely to make him meet the test of competitive costs. The procedure may be a little more enlightened than the earlier log-rolling in Congress by each and every pressure group, but the practical consequences, in a world which is crying for a revolution, rather than a revision, in US tariff policy, will not be very different.

According to many Republican spokesmen, the Cordell Hull

policy of bilateral tariff negotiations left a weak and weaponless United States to struggle against a flood of imports, which form a constant menace to the American producer—a view which scarcely serves to reinforce Washington's well-meaning reassurances in respect of new procedure. But it is important to remember that the Hull policy followed directly from the excesses of the Hawley Smoot Act of 1930, and that its successful development was based, certainly not upon the need for fostering imports, but upon the realisation that a Mormon apostle and an Oregon lumberjack were not, after all, the best available experts for tariff policy. Before the war, the corridors of the State Department became something like a Wailing Wall for repentant officials, eloquent in their denunciation of Congressional procedure, and convinced, not so much that Messrs Hawley and Smoot had damaged the interests of foreign nations, but that they had ruined the prospect for American exporters.

Since 1934, no drastic changes have taken place in the Chinese wall of the American tariff. Mr Hull himself declared time and again that export considerations dominated every phase of tariff negotiations. The precise measurement of concessions made from 1934 onwards is not an easy task. But it would be generous to assume that, over the entire range the tariff barrier had been cut by more than one-quarter, and more than generous to assume that over the range of dutiable imports, the *ad valorem* rate could be assessed at less than 40 per cent. The ultimate goal of the Hull programme was certainly a measure of freer trade within a pattern of unconditional most-favoured-nation treatment, and a ban on all forms of discrimination alleged to be harmful to American enterprise. And there was certainly a retreat from the most vicious forms of log-rolling, and a new barrier against the rising structure of tariffs in the depression years.

In the bilateral negotiations, however, Mr Hull took the greatest care always to work within the pledge that tariff revision would not be allowed to injure domestic industries. The meticulous re-definition of products and commodity groups became a process by which the American Government matched principle and practice with the exclusion of all commodity grades which might bring any substantial benefit to outside

parties, and the State Department did not hesitate to employ every possible device that could be used to buttress the tariff—quantitative regulations, quarantine restrictions, health laws, etc. Perhaps one of the best examples of Mr Hull's caution was the Anglo-American Trade Agreement of 1938, in which, perhaps, something like \$100 million of UK goods were concerned and, in respect of which, the State Department spent months in the patient reclassification of import groups. In those years, the Hull policy no doubt served a useful purpose. To-day, a far more revolutionary lead is wanted, and the United States Government has met the demand by declaring that Mr Hull went too far.

There can, of course, be no possible guarantee that some imports will not damage American producers, or that some American businesses will not suffer as the result of tariff cuts. But the extremely small part played by imports in the American economy is more than a sufficient answer to such individual pleas. The Tariff Commission itself, in 1945, surveyed almost the entire range of imports in an effort to estimate the changes that might follow the revision of tariff rates in post-war years. The dollar estimates then given are not very valuable indicators to-day, since they were based upon an assumption of post-war price levels not more than 10-15 per cent higher than in 1939. But as an indicator of the respective share of trade between home produce and imports (assuming a 75 per cent advance in *per capita* income from that year) they offer a useful ready-reckoner:—

PRODUCTION AND IMPORTS (Billion Dollars)			
	1939	Post-war Duties down by	Post-war Duties up by
Output for home market	41.2	50%	50%
Imports (foreign value)	2.0	74.9	76.7
		4.4	3.2
Imports (% of home output)....	5.0	5.9	4.2

The limits of the Hull policy, on the best available evidence, would thus represent an increase in the ratio of imports to home production of less than one per cent. Can it, therefore, be assumed that the Tariff Commission will in fact operate more or less in line with the earlier policy of the State Department, which, it may be remembered, was also acting in due consideration of the possible injuries that might be brought by tariff cuts? Unfortunately, there is no evidence to support such a view. The State Department may have been bound quite rigidly by the pressure of interested parties, but once decisions were made, it was never subject to the clamour which will now greet the Tariff Commission on every occasion that domestic trade shows some signs of falling away, on each occasion that an individual business finds that it has fallen below its sales quota, or upon any day when an American producer finds himself at a temporary disadvantage through the technological progress of foreign competitors, operating well within the limits of "legitimate" bidding.

It has always been recognised in Great Britain that no conceivable change in American tariff rates could, by itself, bridge the "dollar gap." But given a bold and imaginative policy in Washington, the assistance that might be given by tariff changes alone would not be unimportant in a world now threatened with a more constant, and more damaging, dollar shortage than ever before. Moreover, the revision of tariffs forms only one factor in that dollar problem. The authority of the US Department of Commerce has underlined the need for the United States to:—

Maintain domestic trade and employment "at a high and reasonably stable level."

Make large-scale loans abroad.

Reduce tariff barriers.

Stimulate imports by conservation measures, and by contra-cyclical stock-piling programmes.

It must not be forgotten that the groups, which earlier this year called for outright repeal of the Trade Agreements Act and which seem likely to press their present advantage a year hence, were those which, in the main, have also fought against every measure which might tend to stabilise the domestic

American economy. Even those among them who refrain from denouncing the World Bank, as yet another drain for American dollars, will be among the last to press for practical measures designed to correct that dis-equilibrium between foreign lending and the balance of payments, which is quite inevitable without some Federal direction. They regard stock-piling programmes simply as a bonanza bonus for every domestic producer of high-cost, uneconomic resources.

The Vandenberg tariff, when judged by the practical working needs of 1947, and when related to the world-wide dominance of US manufacturing capacity and industrial power, is no less pernicious than any earlier schedule approved by the Congressional lobbies, and is the worst possible introduction to the Geneva talks next month. President Truman may retain his sturdy faith in the leadership of the United States "for freeing world trade," but if he does so it can only be due to the fact that he has not begun to appreciate the implications of the Executive Order. The search for compromise and bipartisan agreement quite certainly cannot provide the minimum requirements for the restoration of world trade on such a basis as this.

American Notes

The Debate on Greece

The United States this week is very conscious of standing at an historic crossroads. Ever since the note was received explaining that Britain could no longer sustain the burden of financial aid to Greece, the President has been discussing with the leaders of both parties to what extent the United States should step into the breach. On Wednesday Mr Truman went in person to request from a joint emergency session of Congress (the first since the railway strike last spring) a grant of \$400 million to bolster up the economies of Greece and Turkey, and to propose the sending of American personnel to both countries to supervise the spending of the money. A loan to Hungary is also being discussed. America, Mr Truman said, does not condone everything the Greek Government has done or will do, but the very existence of the Greek State is threatened by terrorists. The United States must give support to all free peoples resisting outside pressure; direct or indirect aggression undermines peace and thereby the security of the United States. It is a pity that the speech had to be so highly coloured, but presumably Mr Truman's advisers felt it was necessary to touch the anti-Russian spring to secure the support that would not have been forthcoming for a measure represented to be purely humanitarian.

In the American press and in Congress, some very big phrases are being used to describe the situation: the emergence of a global foreign policy, a fateful decision, an historic turning-point for America. Isolationists declare it marks the road to eventual war; the internationalists welcome it as the fulfilment of American destiny. On both sides of a debate which cuts across party lines, the imagination has been seized by the grandeur of the alternatives. The United States feels that this is the great decision between isolation and involvement. In the dismay and sense of shock with which the proposal has been greeted is a measure of the degree to which America, up till now, has felt that it was not really involved in the affairs of Europe; that it was still free to pull up stakes.

The proposal to underwrite the governments of two small far-off countries as a step in world political strategy would have been inconceivable in the United States before the war. But does the proposal involve anything very different in practice from what the United States has been doing since the war? The truth is that the United States has been involved up to the hilt in the Middle East, but that until now it has been possible to maintain a public pretence of no commitments. That the crisis is largely

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THE WORLD OVERSEAS

Famine in Russia

THE latest communiqué of the Gosplan on the results of the first year of the Fourth Five Year Plan contains a highly dramatic piece of information—the story of the devastating drought that swept the plains of the Pruth, the Don, the Dnieper and the Volga in 1946. News about the calamity was known even before. The Press had hinted about it; Mr. Zhdanov spoke about it gravely on the anniversary of the Revolution; and more recently an open letter of the peasants of the Kursk region to Mr. Stalin shed some light upon the plight of the countryside. But the tragic dimensions of the drought have only now become known. In a few sparingly worded sentences the Planning Commission describes the progress of the drought,

which commenced in early spring [the end of March, 1946] in Moldavia, rapidly spread to the South-Western districts of the Ukraine and then swept all the regions of the central Black Soil Zone, including the northern regions of the Ukraine. By the middle of May the drought spread to areas on the right bank of the lower reaches of the Volga. Such drought had not occurred in the territory of the USSR in the past 50 years. The territory affected is larger than that stricken by the drought of 1921, and nearly as great as the area affected by the drought of 1891.

The two dates evoke ominous memories. In 1921 nearly 25 million people suffered from famine. Cases of cannibalism were recorded on the Volga. The disaster found Russia exhausted after seven years of war, revolution, civil war and intervention. The drought struck exactly those areas that had previously suffered the greatest devastation. In this respect, the situation now is very similar. The drought has spread, in the main, over the lands formerly occupied by the Nazis. The drought of 1891 was even more severe; but its consequences were perhaps less disastrous because the economic organism of Russia was at that time less exhausted. Even so, the calamity initiated a period of misery and social ferment which sapped the strength of the Tsarist Empire.

How is Russia going to take this new blow? The Planning Commission hastens to mitigate the shock of its announcement by drawing a distinction between the present situation and that of 1921. It states that "the gross harvest and the marketable grain output in 1946 were incomparably higher than in 1921." The difference is attributed to the superiority of mechanised, collective farming over the old forms of agriculture. In addition, there are the newly developed granaries in the Soviet East, especially those of Western Siberia and Kazakhstan, where last year's grain crops are reported to have been 50 per cent higher than in 1945. This report may or may not conflict with another, published in *Pravda* only a few weeks ago, according to which the sown area beyond the Urals is now smaller than it was before the war. The Planning Commission may have over-emphasised the hopeful features of an admittedly grave situation in order to boost the morale of a sorely tried people; but it would certainly be wrong to dismiss the whole statement as mere propaganda. The food administration can now certainly draw on granaries in the East which were not open to its predecessor of 1921.

Fat and Sugar Shortages

It is also almost certain that the war stocks, at least of bread, which were accumulated in the thirties, have not yet been entirely exhausted. This seems to be borne out by the preparations for the abolition of rationing that were announced early last year and were later cancelled only after the extent of the drought had become quite clear. But it is not known how big those reserves really are. Only rough guesses can be made about the 1946 grain crop on the basis of hints in the Russian press. It would be very surprising if the total crop exceeded 50 million tons—which is 50 per cent of the average harvest of the last pre-war years. It may be considerably lower. If properly distributed—and the "if" is a big one—the year's crop and such reserves as are available may be just enough to tide the country over till the next harvest.

What is certain to be much more disastrous is the already existing fat famine. The drought has spoilt the crop of oleaginous plants in the Caucasus, especially of sunflower seeds, which were

expected to mitigate the extreme shortage of animal fats. The rehabilitation of the sugar industry in the Ukraine, which produces the bulk of the country's sugar, has suffered a severe setback through the loss of the sugar beet crop. The Russian meat rations have long been almost as low as the German rations are now; and prospects for the near future are bleak.

It is a tragedy that Unrra relief in the Ukraine and in Byelorussia is coming to an end just at the time when those devastated lands are about to feel the full impact of an unexpected calamity. The great mass of Ukrainians and Byelorussians inevitably feel that they are entitled to continued assistance from more fortunate Allied nations; they contrast the withdrawal of that assistance with the much-publicised scheme of British and American credits for Germany; and they see themselves as the victims of a treacherous game in Western power politics. The view expressed in some quarters that Russia's plight may be the Western Allies' opportunity and that this is the right moment for hard bargaining, in which relief ought to be held out as a reward for far-reaching political concessions, is almost certainly based on a miscalculation of the mood in Russia and of the probable Soviet reactions to such a policy. The Kremlin may or may not be inclined to diplomatic conciliation. But the one thing almost certain to cause a definite stiffening in its attitude vis-à-vis the West—and a stiffening for which there would be genuine popular support in the country—would be an attempt by any Power to derive political benefits from Russian or Ukrainian starvation.

Lessons of 1921

The story of relief to Russia during the 1921 famine contains a lesson and a warning. At that time the Western Powers attempted to make relief conditional upon the recognition by the Soviet Government of the Tsarist debts to foreign creditors which the Bolsheviks had refused to honour. A conference of twenty European nations that took place at Brussels in October of that year addressed an offer to that effect to Moscow. At another conference, held in Paris, the Western Powers demanded effective control over the distribution of food inside Russia. Both demands were rejected by Lenin, who was then issuing desperate appeals for help to the peoples of the world, in which he admitted frankly that his "Government was not in a position by its own means to save the starving population from death." Mr. Stalin's Government is in an incomparably better position. It has not made a similar confession of impotence; and it has no need to make one. Far from producing Russian concessions, political bargaining over relief would only inflict on Russia a grievance and a wound likely to rankle, just as did the memory of 1921, over the life-time of a generation.

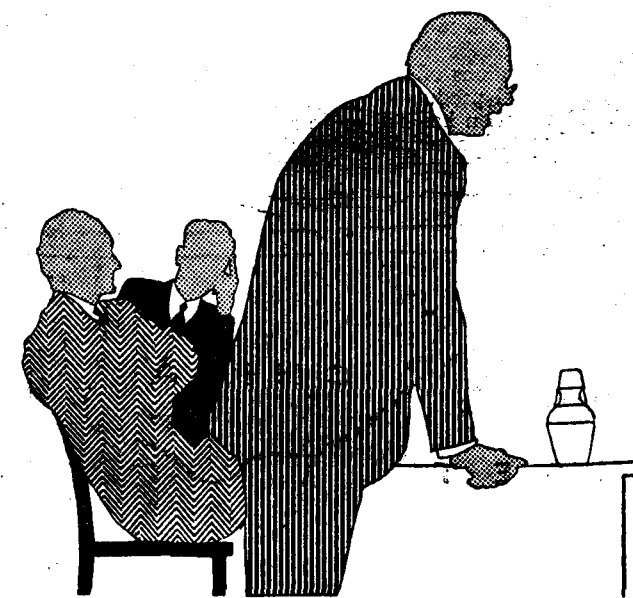
The comparison between 1921 and 1947 implies also a sad reflection on the moral and political standards of 1947. In spite of the attempts at bargaining over relief made in 1921, two relief organisations then hastened to the rescue of the famine stricken areas—the League of Nations' Relief Organisation headed by that great humanitarian Nansen, and the American Relief Agency, headed by Mr. Hoover. Russia then was not a member of the League. Its Government had not yet been recognised by the Western Governments. Mr. Hoover was the spokesman of the most extreme anti-Soviet tendency in American politics; and he was still prophesying that "no resumption of production was possible in Russia under the Bolshevik regime." The Soviet rulers were ostensibly everybody's foes and nobody's allies—the "defection of Brest Litovsk" was fresh in Allied memories; and the last shots in the wars of intervention had only just been fired. Yet the strength of humanitarian feeling was still great enough to make Mr. Hoover's ARA play the most active part in relieving the famine on the Volga. To-day, while famine may be stalking the famous battlefields of the recent war, the plains of Stalingrad, Kursk and Kharkov, Unrra teams are packing up and leaving. The Russians may be pardoned if they find Western charity very cold.

North of India

[BY A CORRESPONDENT]

ONE of the attributes of a sovereign state is to have frontiers. Between long-established states frontiers have usually either been fixed by specific treaties or have been defined by traditional usage with boundary posts and customs barriers. Where there is no agreed or recognised frontier, it is not a question of changing a boundary line, but of making one where none existed. In certain parts of the world there are undemarcated frontiers because the neighbour states have been unable to agree on a line, but such a state of affairs seldom persists for long except in wild and inaccessible regions of no economic or strategic importance. There is, however, one contingency which is particularly liable to produce undefined and disputed frontiers; this is when a new state is formed. If a state is a new creation, it cannot legally claim treaty rights and boundaries belonging to an earlier state which it replaces. The new state must seek new agreements with its neighbours—a task which may not prove at all easy.

Such a situation threatens soon to confront the new sovereign republic of India, which the Constituent Assembly in Delhi is now constructing on paper. Independent India is likely to have considerable difficulty with problems arising almost everywhere along its northern land frontiers from Persia to Burma. Not only do three independent neighbouring states—Afghanistan, Nepal and China—have latent claims on what is now recognised territory of "India"—that is to say, India subject to the "paramountcy" of the British King-Emperor—but most of the frontier is fringed with "Indian States" and "Tribal Areas" bound to the Government of India by treaties and agreements which lapse with the end of the British connection, unless they have been meanwhile re-negotiated with the new regime in Delhi. The British Government has taken its stand on the principle that rights of paramountcy based on specific agreements with princes and tribes cannot be transferred along with authority in British India except by voluntary adhesion. For the greater part of India this constitutional point is formal. For the frontier states, however, who are directly exposed to influences from outside India and can take advantage of their marginal position, the position is quite different.



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Such considerations apply, above all, to the states and tribal areas of the North-West Frontier and Baluchistan. The system of political relations throughout this region is highly artificial, having been evolved by the British rulers of India through a long series of expedients and adjustments. The "frontier" under this system is not so much a line as a zone, with the tribes and principalities forming buffers between British India and Afghanistan.

The Afghans see no reason why conquests made by the British, or even by the Sikhs, should be inherited by Mr. Nehru and/or Mr. Jinnah. The minimum Afghan aspiration is the recovery of Peshawar. Afghanistan has a useful army which was not deterred from making war on Britain alone in 1919. The Moslem League promoters of Pakistan, however, have no intention of bringing in the Afghans, for the Moslem lowlanders are not at all keen on being looted by their poor and predatory co-religionists. But Congress-Moslem tension is nevertheless preparing the way for Afghan-Pathan penetration into India. If Pakistan were to be set up in the Punjab and Sind and had to defend itself against Congress attempts to suppress it, how could it defend its rear against Afghans and frontier tribesmen, if indeed it did not call them in to its aid—at a price which would in the end almost certainly be much higher than Moslem League politicians bargained for? If, on the other hand, there is no Pakistan and Indian federal unity is somehow preserved, the Pakistan agitation has already reached such a point of intensity that Moslem extremists are likely to look to Afghanistan as a base for the struggle against what they will regard as a Hindu Raj. In any case, it appears probable that north-western India is going to be a region of great political instability.

Unstable Kashmir

In the extreme north of India the State of Kashmir presents a special problem. A recently constructed polyglot realm, owing its survival and expansion to clever policy during the Sikh wars, with a Hindu ruling dynasty and a Moslem majority of the population, Kashmir has very little prospect of surviving long in its present form. But the heritage of Kashmir is one to arouse the most bitter rivalry. The Moslem League, relying on the Moslem majority, hopes to get it for Pakistan, to which, as part of the basin of the Indus, it would geographically belong. Congress has made

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psychological does not make it any easier for the Administration and the internationalists in the Republican party to overcome the scruples of the idealists, the prejudices of the isolationists, or the cheese-paring of the economy bloc. In any other country, however, the build-up which the proposal is receiving in the press could only be accorded to a declaration of war.

* * *

The Judgment on Lewis

The Supreme Court, in a 7-to-2 decision, has upheld the conviction, on the grounds of contempt, of Mr John L. Lewis and the United Mine-Workers. The \$10,000 fine on Mr Lewis was sustained, but the \$3,500,000 fine on the union was reduced to \$700,000 on condition that the strike call issued in December is withdrawn. The Court has thus ruled that nothing in the Norris-LaGuardia Act or in the War Disputes Act invalidated the injunction secured by the Government. But on this crucial issue the Court was sharply divided, Justices Murphy and Jackson, Frankfurter and Rutledge dissenting. Justices Murphy and Rutledge dissented *in toto*, Justice Murphy arguing that Congress did not intend private labour disputes to be adjudicated by the courts. Justices Black and Douglas joined Justice Rutledge in condemning the fine as excessive.

The decision of the Court does not settle the original problem: whether the union has the right to terminate the contract it had signed with the Government. This is still before the lower Court, but the issue has become largely academic, for when the Smith-Connally Act expires on June 30th the Government must return the mines to the owners. It is unlikely that Mr Lewis will take the risk of calling a strike on March 31st—his previously appointed deadline—when by waiting three months the Government contract will be a dead letter. What Mr Truman has achieved by employing the injunction is to postpone a coal strike from December to July—a not altogether trifling achievement. The naive hope that the decision of the Court might modify the demand for restrictive labour legislation has now proved illusory. It has merely given Congress a further breathing-spell.

Negotiations for a new coal contract had been suspended until the Supreme Court should announce its decision. But there are no signs as yet that the owners have agreed on a common front, or that they are prepared to accept the health and welfare fund which they have refused, in the past, to take over from the Government. In this they are supported by growing opposition in other industries to the creation of similar funds.

The unprecedented peace with labour of the past three months may be about to dissolve. The hope that declining prices would soften labour's wage demands has been disappointed. The rise in the cost of living, particularly in food, and the threatened statutory rise in rents, provides an unfavourable situation for the negotiations in steel, rubber, telephones and railways.

* * *

Soaring Prices Again

From Our US Editorial Staff.—Last autumn, when the pros and cons of price decontrol were being hotly debated in the United States, Americans were frequently reassured with the prediction that, while decontrol would produce a sudden spurt in prices reflecting long-delayed readjustments, the economics of abundance would soon assert itself and exert downward pressure on the price structure. Until five weeks ago the prediction was uncannily accurate. Prices rose sharply immediately following decontrol, but it seemed evident to most people that agricultural prices had reached their peak in November, and the general trend was almost steadily downward until the first week in February.

The beginning of February saw a sudden reversal of these trends. A wildfire advance in prices, chiefly of farm and food products led by such major commodities as wheat, cotton, and hogs, raised the BLS index of wholesale prices from 140.3 on February 1st to 146.4 on March 1st. This represents an increase of 4.3 per cent in a month, and the trend of basic commodity prices indicates that a further accelerated increase of 2.0 per cent occurred in the week ending March 7th. Wheat, at \$2.87 a bushel, is close to its all-time high in 1920, and rye, at \$3.93 a bushel, has set an all-time record. Among the industrial group, lead, at \$15 a pound, has hit an historic peak.

The reasons advanced for the upsurge vary from delayed shipments resulting from the weather and equipment shortages, to the impact of the Hoover report, government purchases, and higher sights for exports. In the case of many commodities special factors

are at work. The record price of hogs, for example, which indicates pork chops at \$1 a pound, is a belated effect of the senseless slaughter during last summer's price control interregnum.

Current price trends raise at least three basic questions which events must answer. The first is their possible effect on current or prospective labour negotiations in steel, automobiles, transport, rubber, and coal. The second asks whether monetary policy can continue to stand pat when the value of the dollar is depreciating at a rate of more than 50 per cent a year. The third wonders whether 1948 may not reflect the fact that Mr Truman may have been a better prophet than his opponents at the time of decontrol last autumn.

* * *

Wall Street's Course

The Federal Reserve Board's index of industrial production is still reaching new peace-time peaks, the January level of 188 (1935-39 = 100) comparing with a December figure of 181. Steel ingot operations have been running for some time at more than 90 per cent of rated capacity, automobile output has recently regained a weekly level of 100,000 cars and trucks—the best since 1941—and crude oil output, another key indicator, is maintaining the high daily average of nearly 5,000,000 barrels. Autumn fears of a sharp deflation in farm income for the current year have vanished, temporarily at least, as advancing grain prices reflect new crop uncertainties, and the still-clamorous demand for US grains in overseas markets.

Under such conditions industrial profits are running at high levels. The gross national product details, recently released, give the following outline:—

	1939	1944	1946
Gross business income	21.6	48.3	45.5
Depreciation and reserves	7.0	8.7	8.5
Profits before taxes	14.6	39.6	37.0
Less Taxes	10.4	29.7	25.0
Net business profits	4.2	9.9	12.0
Distributed	3.8	4.5	5.0
Saved	0.4	5.4	7.0

The very conservative dividend policy at this level of income may have acted as something of a brake on security values, but dividend payments have for some time exceeded the best levels, attained in the pre-war years, while equity prices are still some way below the 1937 peaks. Despite all the favourable news from September onwards, the Dow Jones industrial average has never pushed far above the 180 mark without inviting a bout of liquidation such as occurred last week, and is still far below the early 1946 top of 212.50.

Not many days ago Wall Street sustained its worst selling session since last November, and the market found a ready excuse in news from abroad—more especially in terms of British difficulties, and of the problems thus posed for US foreign policy. The news that Mr John Lewis found the Supreme Court decision mild enough to encourage a new bout of aggressive declarations was also a gift to the bears. But these factors do not explain the wariness of Wall Street throughout the winter months. Present indications notwithstanding, the market is apparently convinced that, at some time in the fairly near future, business activity and profit margins must decline.

* * *

Ordeal by McKellar

After a hearing lasting five weeks, the appointment of Mr David Lilienthal to be chairman of the Atomic Energy Commission has been approved by 8 to 1 by the Senate members of the Congressional Committee. Senator Bricker provided the one dissenting vote. Mr Truman's four other nominations to the Commission and the appointment of Mr Carroll Wilson as general manager were approved at the same time. Presumably the committee vote forecasts approval by the Senate as a whole, though Senator McKellar predicts the "damnedest fight ever." It is one of the oddities of the American system that Senator McKellar, though not a member of the Atomic Energy Committee, was permitted, by senatorial courtesy, to monopolise the hearings, mustering every accusation that frustrated malice could devise against

Mr Lilienthal, his ancient enemy in the Tennessee Valley Authority. Weeks were spent attempting, and failing, to prove that Mr Lilienthal had tolerated the activities of Communists in the Authority. Even the sinister fact was brought out that some seventy-odd years ago Mr Lilienthal's parents were born in a part of the Austro-Hungarian Empire which later became Czechoslovakia, and notoriously pro-Russian.

The red herrings of Mr McKellar's grudge fight were less damaging to Mr Lilienthal than the last-minute decision of influential and so-called moderate Republicans like Senators White and Taft that the candidate was "temperamentally unfitted" by his New Deal past and because of insufficient respect for the wishes of Congress. Nevertheless the defendant (and how else can one refer to Mr Lilienthal?) mustered an impressive list of character witnesses from the industrialists and scientists associated with the development of atomic energy.

It is disheartening that the effort made in passing the McMahon Act to free atomic development from military control has not been able to free it from partisan politics. This is surely a prime case for the bi-partisan approach. The nature of the hearings is bound to have a discouraging effect upon the recruitment of scientists and administrators—already one of the major obstacles faced by the Commission. The Army regulations which affronted so many of the most distinguished scientists who worked on the atom bomb may prove to have been less disastrous than the effect of the past five weeks. Great public servants are rarer in the United States than in Britain. After an ordeal like Mr Lilienthal's one wonders that they survive at all.

* * *

The Decline of Tammany

Mr O'Dwyer, the Democratic Mayor of New York, has added one more triumph to his record by forcing the resignation of Mr Edward Loughlin, the leader of Tammany Hall. For the past eight months Mr O'Dwyer has withheld all patronage from Tammany in an effort to destroy its underworld connections. Tammany, founded, like the Republic, in 1789, is the oldest and the most notorious of the city machines which provided the raw material for Lincoln Steffens's "Shame of the Cities" at the turn

of the century. In its long heyday it was invulnerable, firmly rooted in the affections and loyalties of the poor and bewildered immigrants who depended on Tammany not only for blankets and food and coal, but for extra-legal help in coping with the hardships of life in a strange city. Three powerful Democratic Presidents, Cleveland, Wilson and Franklin Roosevelt, were frustrated in their attempts to break the power of Tammany.

This does not mean that as a hunter of tigers, Mr O'Dwyer is more redoubtable than they. He may have administered the *coup de grâce*, but Tammany was already very nearly toothless. It suffered a setback from which it never recovered in the scandals which finally forced Mr James J. Walker to resign as Mayor. Under the New Deal it was cut off from Federal patronage, and its pickings during the LaGuardia Good Government era were slim. But it is also true that the soil in which it had flourished for so long was becoming sterile. The Immigration Acts after the first war put an end to the stream of immigrants who gladly traded their votes for trifling favours from the "Wigwam." Today the former immigrant and his sons and daughters are better able to look after themselves; they are less willing to pay the price of a benevolent and corrupt despotism.

The pattern of city migration has also undermined Tammany. Its strength has always been in Manhattan, and failed to cross the water. But like almost every other large city, New York's population has been moving steadily outward. Manhattan is now a hollow shell politically, compared to the massed forces of Brooklyn, the Bronx, and Richmond, the other boroughs that make up New York City. These great satellites pay no allegiance to Tammany.

These boroughs have their own bosses. The effect of the good government movement in New York has affected their scope of operations. But a report from Mr Robert Allen, in a book entitled "Our Fair City," which brings muck-raking up to date, finds no grounds for believing that the shame of the cities has lifted very much since Steffens's day. American cities are still corrupt because Americans are still unwilling to take the trouble to give them clean government. Conditions in McMinn County, Tennessee, which recently was the scene of a veterans' revolt, suggest that rural counties, and small towns as well, are not immune from that corruption which Lord Bryce detected sixty years ago to be the chief weakness of the American system.

50 Years of American Banking Service in England

On 1st March, 1897, the Guaranty Trust Company of New York established its first London Office in Plough Court, Lombard Street.

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a determined effort to capture its people for the Congress cause by giving a lead to popular discontent; this was the aim of Mr Nehru's spectacular intervention in Kashmir affairs a few months ago. Finally, Afghanistan is interested in Kashmir and especially in its western borderland which adjoins the Swat and Kunar valleys and would be involved in any reshaping of the north-west frontier.

From Kashmir eastward to the Burma border the great range of the Himalayas provides India with a natural frontier which still interposes a virtually impassable barrier against invasion from the north. But the range itself is the homeland of a warlike, independent state—Nepal. The Gurkha kingdom was one of those formed by military adventurers on the dissolution of the Mogul empire; it has always had a strongly military character. Nepal provides recruits for the famous Gurkha regiments of the Indian Army; as Nepal is not part of India, these troops are, strictly speaking, foreign mercenaries serving in India. The subsidy paid for Nepalese support in the 1914-18 war and the pay and pensions of the Gurkha mercenaries are important factors in the economy of Nepal, and their future under the new regime is uncertain; the Indian Government may have neither the will nor the financial capacity to continue the subsidy and may wish to include the Gurkhas in an Indian national army in a way not acceptable to Nepal. Congress nationalists regard the Gurkhas as simply a part of the Indian people and are not disposed to agree to the sovereign independence of Nepal which Britain has formally recognised. Nepal, on the other hand, is very likely to take any opportunity afforded by disorder or disunion in India to renew the expansion which the British Raj has for so long held in check, and its geographical position gives it a chance of sudden irruption into some of the richest and most densely populated areas of India.

North of Nepal, beyond the Himalayas, is the sparsely inhabited high plateau of Tibet. Its international status is peculiar. In the nineteenth century it was reckoned a part of the Chinese (or rather Manchu) empire and was subject to a loose Chinese control. After the Chinese Revolution of 1911 the Tibetans refused allegiance to the new Chinese Republic and drove out the Chinese garrisons. Britain continued to recognise Chinese "sovereignty" over Tibet, but gave diplomatic support to Tibetan autonomy, and civil wars in China prevented a serious Chinese attempt at reconquest. The Tibetan Government in Lhasa has direct contact with British and Nepalese representatives, but China has long been dissatisfied with this state of affairs and is anxious to control Tibet's foreign relations. As Tibet has never been internationally recognised as an independent country and British interest in it will disappear with the transfer of sovereignty in India, China may well at any time succeed in reasserting its authority in Tibet. One result of this would be dispute over the frontier of Assam, for, though a boundary has been agreed between the Indian Government and Tibet, it was never recognised by China. There is also a great stretch of undemarcated China-Burma frontier to the east of Assam, and during the war

a Chinese Government spokesman claimed the whole Hukwaung valley as belonging to China. Hitherto nobody has worried about such uncertainties, for the wild forest-clad highlands of the easternmost Himalayas have not been under any effective national administration and arguments about frontiers have been academic. But the making of the Ledo Road during the war has brought Assam into a new relation with northern Burma and, with the Chinese province of Yunnan, and frontier questions in this region are now no longer so academic. China at present is hardly in a condition to pursue a very active foreign policy, and Chinese territorial aspirations on India's north-eastern rim cannot be compared in immediacy with the pressures to be expected from Afghanistan or Nepal in the event of disunity within India, but in the long run they can be a cause of much trouble.

Some of the possibilities mentioned in this survey may never come near to realisation, and indeed there would be little ground for expecting any important upset of the *status quo* on India's northern frontiers, if there were the prospect of a strong, united India to take over from British rule. But India's internal strife has already gone to such lengths that it is difficult to see how all the latent tendencies to disintegration can be overcome. Inward disruption, if it occurs, cannot fail to give scope to marginal military factors long repressed by British power, notably the Afghans and Gurkhas, and the political map of India might quickly be altered out of all recognition. The fact that Indian civilian politicians have been blind to these possibilities does not prove their unreality. Only the actual course of events can put Indian nationalist theory to the test of success in the political unification of a sub-continent.

Problems of Italian Reconstruction—IV.

Crisis in Foreign Trade

[BY OUR SPECIAL CORRESPONDENT]

THE Italian economy has been precarious for the last 50 years at least. Since industrialisation began it has supported a steadily growing population on a meagre agriculture and an almost total lack of industrial raw materials. The maintenance of an (admittedly low) standard of living has depended in the main upon importing vital raw materials such as coal, iron ore, pig iron, petrol, cotton and wool and selling the finished manufactured products abroad. Since the end of the war, everything has conspired to make this basic economic transaction excessively difficult. The dislocations of war have reduced Italian productivity. In 1946, industrial production was restored to only 65 per cent of 1938. Devastation has had to be made good, and the process has absorbed materials which might otherwise have been used for export. War has decimated the mercantile marine. In 1938, Italy had 3,720,409 tons of merchant shipping and of its annual

NATIONAL INDUSTRIAL POLICY

● The present inflationary tendency can be arrested and reversed only by common sense and action. Mounting costs and rising selling prices harm everybody. Their effects upon export trade are pronounced.

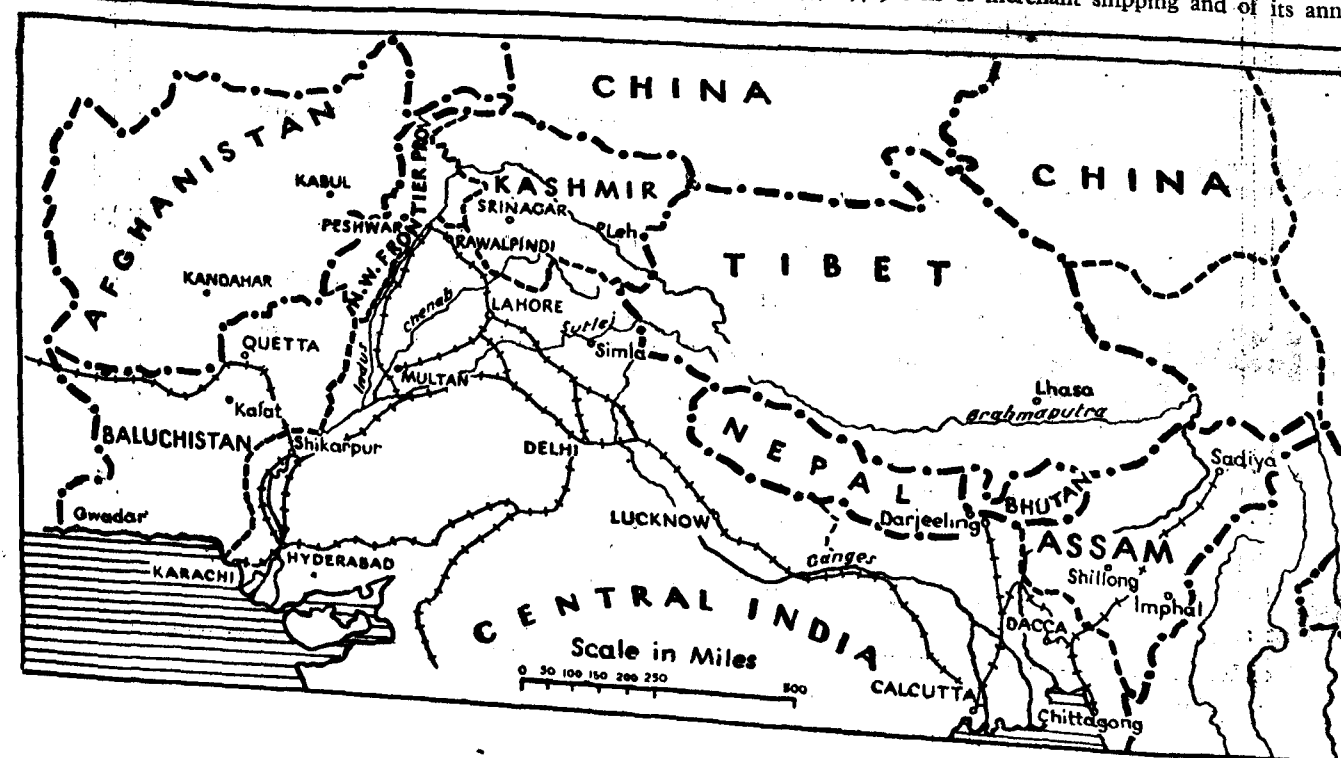
Ford has always applied the principle that higher wages and a higher standard of living for all depend upon lower costs and lower selling prices through increasingly efficient large-scale production.

WHEN POST-WAR SELLING PRICES OF FORD VEHICLES WERE ANNOUNCED, THIS FORWARD VIEW WAS TAKEN AND DESPITE SUBSTANTIAL RISES IN COSTS OF SUPPLIES THE COMPANY HAS SUCCEEDED IN HOLDING DOWN ITS PRICES AT HOME AND FOR EXPORT.

The tendency is for the cost of supplies to rise, but the Company hopes to avoid any increase in the prices of its products.

The Company also hopes that its suppliers and its employees will support, each to his own ability, its attempt to establish a pattern of efficiency that will contribute to the future prosperity of the nation.

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imports of some 20 million tons, 16 million tons were carried in Italian bottoms. In May, 1946, total tonnage had fallen to 579,301. Fifty Liberty ships are being added to this figure, and during 1947, the Italians should dispose of about 1,000,000 tons. But this reduction of the merchant fleet to nearly one quarter of its former size means that they will have to spend an extra \$110 million in freight charges. (The size of this figure is also due to the necessity of bringing coal all the way from America at a freight rate as high as \$12 a ton. Before the war, Italy bought coal only in Europe.)

The outcome of the war has further upset the Italian balance of payments by depriving them of their foreign assets, interrupting the flow of remittances from emigrants abroad, putting an end temporarily to tourist traffic, imposing a still unspecified lien on all Italian property abroad, and, in the shape of reparations, placing a burden on future current production whose effects cannot yet be measured. To these internal dislocations must be added the external dislocations of the world market. Italy's pre-war trade was to a great extent with Central and Eastern Europe. There the Italians sold the bulk of their processed foods, textiles and mechanical goods. Now Germany, the great food market, has disappeared. The Balkans have not recovered sufficiently to trade. The result of these limitations may not be felt immediately, for in the present seller's market, Italian industry can sell anything it produces. The immediate problem is the fact that the vital supplies Italy wants to buy in return for its exports—wheat, coal and oil—are in short supply and can on the whole be bought only with "hard" currencies. For instance, when the Italian Trade Mission visited London in December, their problem was not to boost the sale of Italian goods in Britain, but to find some British supplies upon which to spend Britain's accumulated debt to Italy of about £20 million. But coal, iron ore, timber, hides, alloys are as scarce in Britain as in Italy. The problem of foreign exchange, therefore, resolves itself inevitably into the problem of dollars, and the Italians find their short-term and their long-term interests in collision. In the long run they need to develop their markets in Europe and the Mediterranean, for the United States is directly competitive with them in industry and offers only a poor and jealous market for farm produce. But in the short run, the need for dollars makes it necessary to press every possible sale in America.

Confusion in Controls

Working in such an unfavourable atmosphere, the most efficient Governmental machine might falter. The Italian machine is not efficient for, like everything else, it is suffering from the consequences of war, liberation and a prolonged political purge. It is short of experienced men and the men with experience are often enemies of the whole idea of control. The point can be illustrated from the development of exchange control. Since the spring of 1946, exporters have been permitted to retain 50 per cent of the foreign exchange resulting from their transactions. The other 50 per cent is taken by the Government to finance essential imports. The consequence has been on the other hand a very rapid increase in exports, but the officials of the Government's exchange control complain that the private balance is used in part to import non-essential goods selling at a high profit in the restricted wealthy market and that its existence makes possible a steady flight from the lira. In this situation, the exporters demand the removal of all controls, the Government officials the introduction of complete control. The likelihood is that the present awkward system will be maintained.

Its operation might be simplified if there were not several rates of exchange for the lira. Hitherto the official rate has been 100 lire to the dollar. Exporters receive 225 lire for their foreign exchange from the Government, and the price of the 50 per cent retained by them has been roughly 600 lire on the free market. It appears, however, that the Italian Government is now on the point of abolishing the lira, and the new rate will reflect the lira's "free" value.

Given this background of confusion and uncertainty, it is not surprising that the Italians expect a serious trade deficit in 1947. Two sets of estimates have been prepared, by the Unrra Italian Mission and by the Italian Government. The Unrra estimate, being less optimistic, is probably the more reliable, but the divergence between the two is not very great.

The difference in estimating food imports is due to the Government's inclusion in the 1947 account of an earlier Unrra food programme for which neither funds nor grain may be available. The higher Government figure for industrial imports springs from a

more hopeful picture of the availability of such vital raw materials as lumber. More detailed examination of the Unrra figures reveals that the most costly import figures, including freight costs, are: Cereals (\$215,400,000), fats and oils (\$51,150,000), solid fuels (\$202,156,000), mineral oils (\$67,575,000), iron and steel (\$38,600,000) and raw materials and textiles (\$155,260,000). On the side of exports, the largest earnings are from the textile industry, with estimated exports valued at \$313 million, food processing at \$50 million, the chemical industries at \$20 million, and agricultural exports at \$44 million.

ESTIMATED ITALIAN BALANCE OF PAYMENTS IN 1947

	(million shares)			
	Unrra Estimates		Government Estimates	
	Payments	Receipts	Payments	Receipts
Food and agricultural imports	414	...	356	...
Industrial imports	719	...	940	...
Miscellaneous	100	...	100	...
Exports	...	505	...	520
Remittances, tourists, etc.	...	80	...	130
Shipping gains	...	45	...	120
Total	1,233	660	1,396	770
Balance	...	-603	...	-626

The Italian Government is left with a deficit of between \$603 million and \$626 million. The actual problem is probably more urgent than the figures suggest, since the most vital raw materials have in the main to be bought with dollars, and of the 19 billion lire which exports will earn in 1947, only about 5 billion represent dollar savings. True, 3.5 billion are hard currency in the shape of Swiss francs and 1 billion Swedish crowns, but nearly half the lire represent currencies which cannot be used for financing the most urgently needed imports. The Government's problem is thus more complex than the chart of estimated exports allows.

Hitherto the grave deficit in the Italian economy has been covered by direct external assistance, of which the Unrra programme has naturally been the most important. In 1945 and 1946, Unrra has spent on direct relief and the beginnings of rehabilitation about \$550 million. In addition, over the same period, the Allies (especially the Americans) have spent \$160 million under their military civil affairs programme and the so-called "Troop Pay Account," and a further \$100 million was spent by the American Foreign Economic Administration in 1945. In all, Italy has received nearly a billion dollars in outside assistance.

The core of the problem in 1947 is that the Italian economy has to find its balance without further direct relief. It is true that Unrra will continue to bring in wheat and coal for the first months, but these shipments have not been included in the Unrra estimates of the 1947 trade balance. The deficit of over \$600 million must be met either by credits or by increased exports. But the export estimate is already as optimistic as it can reasonably be made. The only hope of some balance in the country's external economy lies therefore in credits. The importance of the Italian Prime Minister's recent visit to Washington lay precisely in his hopes of receiving substantial dollar loans.

At a press conference, given on January 20th on his return to Rome, Signor de Gasperi was able to announce reasonably favourable results. A further \$130 million would be transferred to Italy under the Troop Pay Account. A credit of \$100 million would be made available by the Import-Export Bank. The Prime Minister admitted that some pressure had been needed to secure even this amount. As for the uncovered gap of about \$370 million in Italy's trade balance, he said that Italy would have to look abroad for further help and credits, but that these would not necessarily be forthcoming.

The kernel of the problem was whether our democratic system is stable or whether a return to chaos or to dictatorial conditions is to be feared. That is why we had to deal mainly with a question of confidence.

And this "question of confidence" in the present uncertain state of Italian politics is a very doubtful quantity. Most of the steps necessary to increase productivity at home or to create trust in Italian stability abroad demand a firm and vigorous administration, and this is the one thing which the Italian democratic system at the moment seems unable to provide.

THE BUSINESS WORLD

Unanswered Electricity Questions

AN established pattern can be discerned in the Government's nationalisation measures. First comes the Bill, with its Commission or its Board, its powers of Ministerial appointment and intervention, its niggardly compensation for existing owners, its aloof suspicion of the directors of the concerns which are to be taken over, and its vague principles and safeguards for the consumer's interest. Then follows the Second Reading, which ought to afford the opportunity to the Minister to expound the policy of the new authority and to demonstrate its technical advantages over private ownership cum public control, but instead is largely devoted to exposing the shortcomings of the past rather than the substantial promise of the future. Thirdly, the Bill is whisked upstairs to Standing Committee, where amendment and improvement rest not on the persuasion of logic but upon the temper of the Minister.

These are the stages which determine the pattern of legislation, for major changes on the Report stage or in the House of Lords have not, so far at any rate, been of importance. And of all these stages the Minister's Second Reading speech is of first importance. It cannot be said that Mr Shinwell made the best use of his opportunity to explain and justify the Electricity Bill on Monday. Parts of his case can be at once admitted. Legislation of some sort is needed for electricity, because many supply company franchises are expiring and, if local authorities exercised their rights of purchase, the electricity supply industry would undergo complete disintegration. Mr Shinwell made much—indeed, far too much—of the variety of charges and diversity of voltages and frequency. Progress in these things, he said, has been "much too slow"—which is a remarkable understatement of what has been achieved during the last twenty years. Again, different undertakings have different ideas about the design of their appliances and plant—engineers display great divergence of views in these matters—and in the end "it is the consumer who has to pay."

His opening, then, was a recipe for an integrated electricity industry with a stagnating technique allowing no room for the "divergence" of engineers' views. He went on to declare that the public electricity service must do "everything possible to rationalise its method of charging," and that prices for industrial and domestic use should be "strictly related to costs." These are the only references in his speech to charges, which are surely the most important aspect of the Bill, and its professed *raison d'être*. He dealt in two short passages with the responsibilities of the British Electricity Authority and its fourteen area boards, and noted—though he did not expand—the point that the Minister may give directions on matters of "national interest." Then followed the polemics, and in particular a lengthy passage to justify the Minister's determination to give the Authority and the Boards power to manufacture and instal plant and fittings. The companies had either failed to do this satisfactorily, or had been in league with the suppliers of equipment. But the new Boards will be in a position to afford facilities like "major domestic electrical appliances" which Mr Shinwell believes to be beyond the reach of working-class families. Consumers will not be sold appliances "which are often unreliable and expensive."

Next, on compensation, Mr Shinwell—having dismissed the claims of local authorities for fair compensation ("local authori-

ties have always displayed a sense of public duty and will not wish to make any profit from the transaction")—admitted the complexity of the compensation problem for the supply companies. A company might have a number of franchises expiring at different dates, and the work of calculating net maintainable revenue for each portion of the undertaking for its unexpired franchise "would be so involved that in fact it is quite out of the question as a practicable proposition." Moreover, the companies were earning monopoly profits and paying dividends which were out of line with those appropriate to public utility undertakings—a charge which blandly disregards the effective capital invested in their businesses. Mr Shinwell concluded that in these circumstances compensation by reference to Stock Exchange values was "not only practicable but fair and even generous. . . . Too long has the electricity consumer been made the victim of financial speculation."

Finally, Mr Shinwell addressed himself to the programme of capital development, for which the Bill provides £700 million for the Central Authority and £100 million for the North of Scotland Board. It was remarked in these columns on January 18th that the setting aside of £800 million for electricity development suggested an intention to go forward with rural electrification on the grand scale. So it appears from Mr Shinwell's speech. Some £200 million will be required for power stations (earlier in his speech Mr Shinwell suggested that these would require such a high proportion of the national resources that, if only for that reason, one body must be responsible for their construction and operation), but no less than £400 million is earmarked for improvements in the distribution network, of which "a substantial proportion" will be used for rural electrification. And unless this rural programme is proceeded with quickly, Mr Shinwell sees no hope of checking the decline in the rural population.

Such is the Minister's plan for developing an industry in which progress has "too often been impeded by sordid financial considerations." It can hardly be described as convincing—indeed, it clearly failed to satisfy many Government supporters in its references to compensation for the local authority undertakings, of which some have considerable experience and a clear understanding. But there are far wider aspects of the case which have gone unargued in the Second Reading debate. Perhaps the most important issue is that of charges. Mr Shinwell devoted much of his time to attacks—some of which found their mark—on certain features of holding company finance in the electricity supply industry. But he does not appear to have appreciated the fact that under the Bill, and with his connivance, the capital accounts of the Area Boards could be so engineered that the grossest excesses of holding company finance would look like amiable borrowing. The charges which will be applied in any particular area will be determined in large part by the apportionment of the Authority's capital charges which it has to bear. These are the most important elements in the costs to which, according to Mr Shinwell, prices of electricity for industrial and domestic use are to be related. What are the public safeguards for seeing that each area bears its fair share, and no more, of those charges?

Again, the relationship between urban and rural electricity prices requires full elucidation. Mr Shinwell refused to be-

politicians at Westminster attempt to prove that British control is the mainspring of Indian progress.

What must be clearly understood in England is that the Indian revolt is against the system and not against the individual. Mr Churchill's suggestion that British troops in the country be used as a rearguard to cover the evacuation of British families to the sea caused loud guffaws all the way from Bombay to Calcutta. True, there are some timid souls in the English community who continue to live in isolation from Indian thought currents and are scared easily by riots. For them the British soldier has been a supposed guarantee of safety. They will probably leave with the troops; so will those whom the transfer of power leaves without work. But the majority of non-official Europeans have no intention of leaving. They believe that, providing there is no hold-up in present plans, anti-British sentiment will evaporate; that even if Indian rule proves erratic the country is not going to be more dangerous to live in than it was in 1942, or than it has been during the past year, when members of Bombay's Yacht Club ate tiffin facing the guns of the mutinous British-controlled Indian Navy.

Though British rule has fallen into disrepute, the status of the individual Englishman is probably improving. Shorn of the pomposity of a ruling race he is judged, usually very accurately, by his own character. Personal integrity means nearly everything and is respected. On the material side the fact that he is the representative of a community which is technologically progressive means he can have a great value in a country which wishes fervently to progress in every activity, from publishing to public works. From now the Englishman is a foreigner in a foreign land. His privileges will not come automatically as in the past; they must be earned. But to those who deserve them they will be freely given.

As for the chances of securing a peaceful settlement among Indians within sixteen months, Mr Attlee's statement was undoubtedly a leap in the dark. Lord Pethick-Lawrence said the Cabinet wished to administer a shock to Indian leaders. That aim has been achieved, though it is perhaps optimistic to say that all suspicion has been dispersed. The appointment of Lord Mountbatten as Viceroy, assisted by Sir Eric Mievill and General Lord Ismay, is viewed with suspicion in some quarters as evidence of hated Churchillian influence persisting.

Alliance with the British

As for the suggestion that British troops might have to intervene to keep order in the new India, it is worth pointing out that that is precisely what is happening, with doubtful results, at present. The maintenance of law and order is the responsibility of provincial Ministers who are all Indian, so that the position of British troops as arbiters between the communities is already far from satisfactory. As for strategic considerations, the Indian leaders, and especially Pandit Nehru—who is in charge of External Affairs—are by no means blind to the position in Asia. The fact that they refuse publicly to commit themselves beforehand does not mean that they will not seek a British alliance once they are free.

Of the Indian Princes, on whose account so much indignation is shown in London, most realise that they have got to move with the times and that fine legal points do not count for much when public opinion is roused. They, too, are ready to make their peace with British India's new rulers. They realise that to expect British defence of their privileges is to invite trouble both inside and outside their states.

Will there be one India or two? It is too early to make a forecast. It is reported that if Congress will accept the League's authority in making the constitutions for the "B" and "C" Groups of provinces (North-West and North-East India); the Cabinet Mission's Indian Union will come to pass. Otherwise Mr Jinnah may insist on a separate Constituent Assembly for Pakistan. But Mr Jinnah is old and embittered. It is generally believed that but for him there would be no Muslim League. How far he can lead his supporters into the wilderness if Congress proves conciliatory remains to be seen. It may not be very far.

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Trade Paralysis in China

[FROM OUR HONG KONG CORRESPONDENT]

THE headlong plunge of the Chinese national dollar has forced the Nanking Government to action which ought to have been taken months ago. Whether such action will be effective remains to be seen. Confidence in the officials conducting rescue operations is at a very low ebb, and although the statement issued in the name of the Generalissimo takes into account most of the factors of a baffling programme, it leaves out possibly the most important of all—the immobility of exports.

Until China's produce can be moved at a reasonable cost to ports of shipment from the interior the country's economy will remain unbalanced. Selfish interests in patriotic guise have prevented the employment of foreign shipping along inland waterways. As China's own shipping is quite inadequate to cope with the demand for space, stocks which the world requires are piled up in collecting centres or, where movement is possible, reach ocean ports at enormous cost. Admittedly, a large portion of exportable produce is cut off by the Communists, or originates in Manchuria, over which the Nanking Government has no control. Nevertheless, through the blindness of her leaders China has thrown away a great opportunity of developing her export trade.

From a sanctuary where trade is based on a stable currency, Hong Kong has been casting an apprehensive eye in the direction of Shanghai. A crash has been imminent for many months past; yet, Chinese fashion, one crisis after another has so far been surmounted. Now the greatest crisis of all has to be faced, and Hong Kong, which depends for its existence upon the free flow of trade with its neighbour, is wondering to what extent the paralysis of China's commerce will affect the fortunes of this colony. It was feared that the Chinese import regulations introduced last November might lead to the dumping here of cargo refused admission to Shanghai. So far no such dumping has occurred, but one now hears of shipments being arranged on optional bill of lading Hong Kong-Shanghai. If this practice becomes general, there is a possibility of a strain on storage space, now below pre-war standards, and goods being thrown on an overstocked market.

Movements of Bullion

Although the subsequent history of local imports is usually ignored, there is no doubt that a considerable percentage enters China through irregular channels. All the efforts of the Hong Kong Government and the Chinese Customs officials on the border and at the coast ports have a very slight effect on the volume of this illicit trade. The greater the restriction the more incentive there is to smuggling. So the Hong Kong community will cross its fingers and hope for the best, making the most of the capital seeking refuge here and catering to the wants of the Chinese from Shanghai, whose resources seem limitless.

Treasure shipments in days gone by played a big part in the trade of the colony, but since China went off silver and Hong Kong adopted a managed currency the movement of precious metals has been on a small scale. Six months ago a brisk business sprang up in gold coins from Mexico. The Government of that country found buyers at the equivalent of \$US40 per ounce and were able to replace their stocks of minted coins by buying gold from the United States at \$US36 per ounce. After several large shipments had arrived in Hong Kong from San Francisco, the Government decided to impose a ban on further imports. This led to local operators transferring their headquarters to Macao and the Portuguese authorities there readily granted import licences for the gold which now had to be transhipped in Hong Kong. Air lines saw an opportunity of profiting by the trade, but a projected service between Hong Kong and Macao was frustrated by the inadequacy of the airfield at the latter terminus. However a certain amount of gold was flown across the Pacific via Manila and one aeroplane which crashed on the island of Hong Kong within a few miles of the airfield is reported to have been carrying gold to the value of \$US1½ million, most of which was successfully salvaged. In January alone gold valued at £1½ million was exported to Macao.

Silver has also been in demand and, for the first time for many years, sycee (silver shaped like a shoe) was to be seen here, presumably having come from the interior. The favourable price in Bombay has attracted the metal out of hiding, and during January silver to the value of \$HK12 million was shipped to India. During 1946 the total imports of treasure were valued at over \$HK20 million and exports at \$HK57 million.

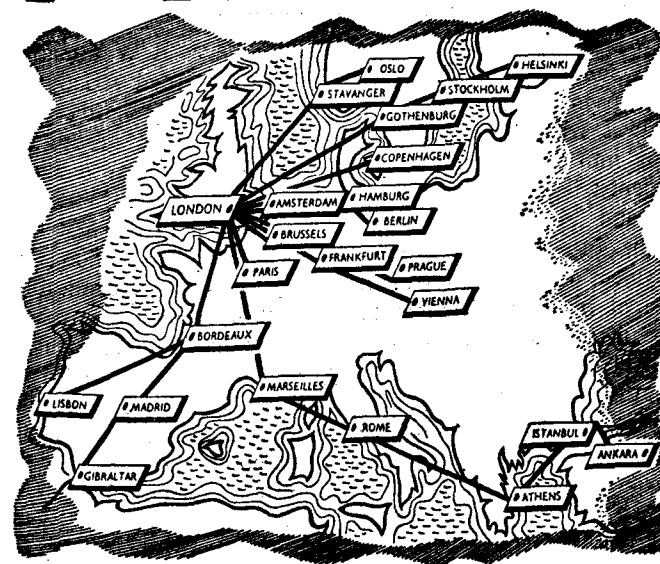
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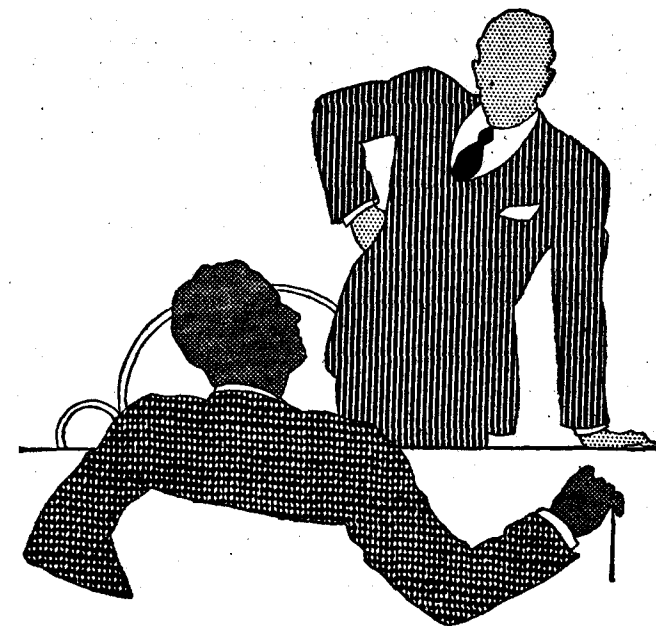
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THE BUSINESS WORLD

Budget Targets for 1947—1

A Prospective Deficit?

THOUGH little is ever revealed about the inner routine of budget-making, it is perhaps a safe bet that by about this time of the year, at least the main framework of the budget has taken shape. If, as the *Economic Survey* strongly suggests, Mr Dalton really did intend to "contract out" of the wider economic policies which the Government is planning, he will have to do some quick thinking if he is to devise the anti-inflationary fiscal policy that informed opinion is now increasingly advocating. Certainly there is still time to make a change, but if the job is to be done properly, the time available is very short. A mere change of emphasis, involving a postponement of tax reliefs already contemplated and a little lopping and pruning here and there, would be relatively simple. But what is needed now is a comprehensive survey of the fiscal armoury, to produce a highly selective policy designed not merely to curtail inflationary pressures, but to exert maximum effect where the pressures are greatest, and at the same time to create the minimum of "disincentives" to effort in general. The broad lines of the policy required have already been indicated in *The Economist*, and an attempt will be made in a subsequent article to fill in the detail. That can hardly be done intelligibly except against the background of the budgetary position as it stands at present. This article, therefore, will survey the budgetary experience of the past year and indicate the prospect for 1947/48 as it emerges from the existing basis of taxation and expenditure at present projected.

The out-turn of the year 1946/47 will be substantially more favourable than Mr Dalton expected last April, but a good deal less so than seemed possible at the end of 1946. After bringing into "ordinary" revenue certain non-recurring or quasi-capital receipts, and by pushing much of the corresponding expenditure "below the line," he budgeted for an "ordinary" deficit of £726 million. Two months ago there seemed a chance that, on this accounting basis, the deficit might be around £200-£250 million. It will, in fact, be a good deal more than that. The original estimates for 1946/47 contemplated a fall in expenditure by 29 per cent—from £5475 million to £3887 million—but in the first nine months of the year this rate was appreciably bettered. The decline then was over 35 per cent, and had accelerated to 38 per cent in the third quarter. But that marked the peak of the movement; in the first two months of 1947 the decline was less than 21 per cent. Unless last-minute payments are much lighter than usual, the year's expenditure is likely to reach, and may exceed, £3,690 million—£200 million lower than the budget estimates, but fully £100 million more than was hoped two months ago.

The revenue story is similar. Although Mr Dalton's estimates looked optimistic last April, their total will be comfortably surpassed—thanks partly, no doubt, to the inflationary influences which have sustained the national income in terms of money. But the rate of improvement achieved in the first nine months has not been maintained in 1947—even though the inflationary factor was presumably more potent then. In the first three-quarters of the year, total tax revenue, which had been expected to decline by £279 million in the full year, dropped by only £84 million, or 4.3 per cent. In the first two months of 1947 it dropped by 8.3 per cent, owing mainly to a change of trend in receipts from surtax and EPT. If experience in the final month is similar, the year's total will be a little over £3,000

million, roughly £100 million above the budget estimate of £2,918 million, and less than £200 million below the 1945/46 level, despite the tax reductions. Non-tax revenue is difficult to estimate, for the receipts depend to a considerable extent upon internal policy, but if the miscellaneous items bring in as much as they did in March, 1946, and if the two special items—sales of surplus stores and surpluses from Government trading—yield the £27 million by which they at present fall short of the year's estimate, the total for the year will be £284 million. On this basis, ordinary revenue will approach £3,300 million—a little more than in 1945/46 and about £130 million more than the budget estimate.

The 1946/47 "ordinary" deficit, therefore, looks likely to be around £400 million, or a little less; though it should be noted that there is still room for perceptible error in these estimates. This will not, however, be the whole deficit, for

BUDGET PROSPECT 1947/48		
	£ mn	£ m
Supply Services:		
Navy	197	
Air	214	
Army	388	
Supply (Defence portion)	100	
		899
Civil Departments	1,698	
Revenue Departments	43	
		1,741
Consolidated Fund Services:		
National Debt Interest, etc.	495	
Other Consolidated Fund Services ..	30	
		525
Total Ordinary Expenditure		3,165
Total Ordinary Revenue		? 3,100
Prospective Ordinary Deficit		? 65

below-line expenditure has been very large. It is a matter of opinion which of these items can be regarded strictly as capital payments and which of them have budgetary significance, but it is reasonable to regard at least four main groups as falling into this second category—EPT refunds, war damage payments, issues under the Housing and Building Materials Acts, and reimbursement of post-war credits. In the first ten months of the year these groups absorbed over £410 million (the repayment of post-war credits to elderly folk rather inexplicably required more than double the estimate); and, among other items, it may be noted that advances under the Coal Nationalisation Act have already required £39 million; advances to Local Authorities, £36 million; and the Civil Contingencies Fund, £34 million. If all these items were reckoned in, the final deficit for the year would be well over £900 million.

What, now, of 1947/48? The prospect, fortunately, is for a much closer approach towards equilibrium than has been made this year—on whatever basis the deficit is calculated. A large part of the 1946/47 expenditure, as the original estimates made plain, represented terminal payments, especially in the defence sector. Of the £1,667 million voted for defence twelve months ago, £576 million was estimated as non-recurring, and the 1947/48 defence budget, set out in last month's White Paper (Cmd. 7042) shows a reduction of £768 million on the 1946/47 estimates. The £899 million to be spent on the Forces and Supply in the coming year, when the armed Forces will still be substantially larger than they are scheduled to be twelve

months hence, includes a further £118½ million for terminal charges (including contract settlements and requisitioning compensation) that the requirement for 1948/49 ought to be well under £700 million.

Unless budgetary policy changes, however, an appreciable part of the savings on defence and on war services outside the defence budget will be absorbed, both in the coming year and in 1948/49, by additional civil expenditure, principally upon social services. A change in the method of accounting defence production in 1947/48 (in future the Service departments will reimburse the Ministry of Supply) creates a little uncertainty about the requirement for that Ministry, but it appears that the £135½ million included in the Civil Estimates embraces the £100 million of defence expenditure (chiefly for research, inspection and contract termination) which will remain to be borne on the Supply vote. On that assumption, and assuming also that £130 million of the £147 million needed for the Post Office will be self-financing, the true estimate for Civil expenditure in 1947/48 is £1,741 million—an increase of £89 million on the original estimates for 1946/47. Consolidated Fund Services might, perhaps, be put at last year's figure, except for the omission of the non-recurring £50 million provided last year for the new National Land Fund, and prudence might dictate a further small increase in the fixed debt charge (raised in 1946/47 from £465 to £490 million). On these bases, as the accompanying table shows, ordinary expenditure would total £3,165 million—a decline of about £525 million on the probable expenditure for the current year.

Revenue in 1947/48, on the basis of taxation as it exists before any changes that the Chancellor may make next month, will certainly be less than in 1946/47, but the extent of the decline will depend chiefly upon whether there are further substantial non-recurring receipts to be brought in. The effect, for the first full year, of post-war tax reductions will reduce income-tax by £43½ million (principally because of the exemption of employees' national insurance contributions from tax) and excise receipts by £3½ million, but death duties should rise and surtax by a similar amount. The main loss, however, will be in receipts from EPT, partly because of the reduction of the rate to 60 per cent in respect of the calendar year 1946, but chiefly because of the effect of 1945-46 contract cancellations and reconversion outlays. The gross loss may be around £140-150 million, but perhaps £40-50 million of this will be offset by a consequential increase in income-tax and profits tax (NDC). The effects of the abolition of EPT as from the end of 1946 will not be fully felt until 1948/49.

The effect of changes in national income upon tax yields is hard to assess, but will probably not be large. PAYE receipts in 1947/48 may be adversely affected by the unbalanced state of industry after the fuel crisis, but average wage rates, even without any further advance, will be higher than in 1946/47.

Payments assessed on the previous year's incomes are likely to be a little higher. Unless the cheap money policy is reversed—which, after Mr Dalton's statement of faith this week, seems quite unlikely—death duties should rise further. Finally, the present import programme for 1947 is one-third larger than in 1946, which promises a substantial increase in customs revenue, though excise receipts (which are unlikely to reach the estimate this year) will doubtless fall further.

In sum, the receipts from all forms of tax revenue may fall by about £75 million. But there may be a bigger fall in non-tax revenue. Disposal of surplus stores, which in the first eleven months of 1946/47 brought in £133 million (£150 million estimated for the full year), will produce much less, and there may also be a sharp decline in surpluses from Government trading (£40 million, up to March 1st, against £50 million estimated). The decline in these two items next year might easily be as much as £125 million from this year's estimates.

On these various assumptions, the prospective revenue, on the existing basis of taxation and without assuming any changes in economic policy (such as a further revision of the import programme or a complete reversal of the cheap money drive), would be around £3,100 million. In other words, on the figures given above, the Chancellor would still be facing a small "ordinary" deficit—say, between £50 and £75 million. In addition, there will still be substantial "below-line" expenditure. About £65-70 million of (net) EPT refunds will remain to be made; payments for war-damaged chattels have been promised early in the year; release of "value" payments for damaged properties is to start later this year; and there will be further advances for housing and for the Civil Contingencies Fund. Expenditure under these heads could readily exceed £200 million, even if payments for all forms of war damage were kept within the 1946/47 limits, and even if nothing more were released from the post-war credits, now totalling about £750 millions.

These various estimates, it should be emphasised, are liable to a considerable margin of error. They are made strictly on the bases stated, and some of them (e.g. receipts from surplus stores) are mere guesses. And since Mr Dalton last year was more optimistic in his estimates than any of the unofficial estimators—and, on the whole, he was right—it is possible that the figuring here will again prove to be a little too cautious. But the broad conclusion seems plain. The Chancellor will need considerable ingenuity, if he is to show any surplus available for overall tax reduction within the limits of a balanced "ordinary" budget. To provide incentives by selective reductions while maintaining an overall balance will be correspondingly more difficult. And even if the "ordinary" budget is balanced, the prospect is that the State's total outgoings may still exceed its receipts.

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Export Needs and Possibilities

THE Government has set an export target of 140 per cent of the 1938 volume to be reached by the end of 1947, as against the end-1946 level of 110-115 per cent of 1938. . . . It will be extremely difficult to reach this target." These two extracts from the "Economic Survey for 1947" speak for themselves. Were it only "extremely difficult" to achieve the target, it might be a stimulus and a challenge. But there is a world of difference between a target which is "extremely difficult" and one which is remotely possible. This is not merely a quibble on words; it affects the practical reality of the target, for an export programme which is on all probable demonstration unattainable may introduce a new psychological burden of despair. The problem which lies behind any analysis of post-war export aims involves the distinction that while the balance of payments is concerned with values, export objectives must be stated in terms of volume in order to compensate for the depreciation of sterling during the war years. This in turn raises other problems, such as adding together quantities of different commodities. A general target is a statistical abstraction which has to be translated into an export policy for each exporting concern in this country. Only now are detailed discussions to this end being undertaken by the Government with industry. The fact that the target is an abstraction means that comparisons between different industries or different markets, showing their potential contribution to the target, must be made cautiously, the only way of resolving these difficulties is to resort as far as possible to percentage movements.

The expansion in the volume of exports during 1946 was a creditable achievement, though it still left—and was expected to leave—a wide disequilibrium in the balance of payments. In the first quarter exports represented 84 per cent of the 1938 volume, in the second quarter 98 per cent, rising in the third to 104 per cent and finally to 111 per cent. Taking the year as a whole, the volume of exports for practical purposes was equal to that of 1938. The 1947 target, therefore, can be roughly translated into the requirement that by the end of 1947 exports must be at the rate of 40 per cent above the annual volume rate for 1946, without laying down any specific targets to be aimed at during the course of the year—a realistic omission, perhaps, in view of the damage done to exports during the coming months by fuel and power cuts and industrial dislocation. But given the end-year target, a more accurate assessment can be made of the pattern of exports required during the current year, both as regards commodities and destinations.

As a preliminary step to examining the target for 1947, the course of exports in the three main groups during 1946 deserves a quick review. There was a fairly considerable increase in the value of shipments of food, drink and tobacco, but the increase in volume, if indeed any increase was gained, was scarcely significant. The set-back in exports of raw materials was mainly due to the negligible shipments of coal, but the downward trend was common to practically all primary commodities, apart from rubber and artificial silk waste. The main force of last year's expansion was concentrated on manufactured articles, and of these the chief items in terms of value were machinery, vehicles, iron and steel (including manufactures), chemicals and cotton yarns and tissues. But reckoned in terms of volume, as distinct from value, the increases over the pre-war levels were confined principally to vehicles, certain chemicals, and to a lesser extent to iron and steel and machinery. The divergence between value and volume increases is shown in Table III below.

Last year also showed some illuminating changes in the direction of trade, which can be seen from Table I. The "hard currency" countries in 1946 absorbed 12 per cent of British exports, compared with 16 per cent in 1938. Within the "soft currency" group there have been few notable changes. Exports to Australia and New Zealand formed a smaller proportion of the total last year than in 1938, while South Africa's share was unchanged. The increase in 1946 was, in fact, spread over a fairly large number of countries, mainly European or in the Colonial Empire.

Against this background, in what groups and countries are possibilities of expansion to be sought this year? Shipments of coal will be further reduced to the barest minimum, and bunkers sought abroad. Exports of iron and steel and wood manufactures are equally certain to be reduced below the 1946 level. Pottery, textiles, leather and paper may possibly show a slight increase during the current year, but it would be rash to assume that they will be able to play any significant part in this year's expansion, unless their manpower shows a remarkable expansion—and of that there is no present sign. This leaves the responsibility for achieving the export target to a limited group of manufacturing industries: machinery, vehicles, chemicals, electrical goods, non-ferrous metal manufactures, rubber manufactures, cutlery and hardware.

If it can be assumed that the relative export values of the main export groups will remain the same in 1947 as they averaged in 1946, then those industries which have already

enjoyed a considerable export success last year, will have to produce a further increase. In fact, if other exports can only be maintained at the 1946 level, the "expandable" industries will have to increase their shipments overseas to a figure approximately 85 per cent above last year's level. Exports of machinery, particularly the smaller equipments, could expand, although they will hardly be sufficient to reach this target; if they do, it can only be at the expense of urgent home needs for the products of this group. The shortage of metals alone will probably preclude any expansion in output in non-ferrous metal manufactures and cutlery and hardware. The export "hopes" thus narrow down to vehicles, chemicals, electrical goods and rubber manufactures. If this group of industries is to carry the whole burden of the 1947 target, their own exports must expand to about 115 per cent above last year's figures. But in none of these cases is expansion a certainty except perhaps in the case of rubber; its exports, however, form such an insignificant proportion of the total that it cannot possibly play the sole role in attaining the target. Steel supplies according to the "Economic Survey for 1947" are only expected to be adequate on the assumption that there is no continued expansion in demand from the main steel consuming industries; that is, supplies are adequate for a restricted, not a full, demand. If exports expand, therefore, home industry must go without. The vehicle group requires large amounts of steel and in addition other scarce materials like non-ferrous metals; the present restricted supplies of basic materials may well limit their production. The chemical industry is limited by its productive capacity as well as material shortages. The electrical group in addition to being hindered by the general lack of coal, non-ferrous metals and other materials, provides in any case only 4 per cent of total exports so that it would be physically impossible for it to expand its output on a sufficient scale to meet the export target unassisted by other export groups such as machinery and vehicles. Other limiting factors must also be taken into consideration. No priority system for export will insulate these industries from, at any rate, part of the consequences of the one-third deficiency in industrial coal supplies this summer. They will suffer at the very least from a dislocation in the smooth supply of components, spares and the thousand and one "bits and pieces" which is the essential guarantee of balanced and efficient production. In addition, there are the problems of inland transport and shipping, although if the goods are produced, these could be overcome by emergency measures.

As regards the direction of trade, it is not merely necessary to increase the volume of exports; it is equally important at least to maintain the proportion shipped to the "hard currency" countries. In 1946, 10 per cent of the chemical exports went to this area, just under 10 per cent of the vehicle group, about 8 per cent of machinery and less than 5 per cent of the electrical goods exports. Sweden and Argentina would no doubt be willing to take increased supplies of all these manufactures, but a large expansion in the American and Canadian markets is still problematical.

Statistics are not available in sufficient detail to enable any accurate assessment to be made of the increase in output per man-year in the "expandable" industries, which will be required if the export drive is to have any chance of success. According to the "Economic Survey" the labour force in civil employment at the end of 1946 amounted to 18,122,000 persons and its normal increase in 1947, without special measures of recruitment being taken, would be at the most 1 per cent. Even if the 100,000 foreign workers which the budget assumes are set to work in British industry, the increase in the labour force would be remarkably small to provide the expansion in production which is envisaged. In any case, coal-mining is taking first priority on extra labour supplies, followed by agriculture and the textile industries. There is thus very little chance of the "expandable" export industries getting any considerable increase in manpower, without attracting it from other industries. The only method, short of a dramatic increase in production per man, by which increased supplies can be made available to assist the expanded export programme in 1947 is therefore by a further reduction in supplies for the home market. That would be an unfortunate policy, and perhaps even a dangerous one, because the British public are already experiencing austerity conditions of great severity and further cuts might well have direct repercussions on industrial efficiency and labour incentives. But unless productivity in the export industries can be increased greatly, from what other source are the required exports to be found this year?

The conclusions to be drawn from this review are two-fold. Firstly, real doubt must be entertained whether the export target is within the realms of practical attainment within the current year. Secondly, any substantial increase in output can only be obtained by greater effort and better use of existing resources of manpower, capital equipment, and raw materials.

Business Notes

Summer Coal Budget

Sir Stafford Cripps produced his promised coal budget for the summer months in the debate on the economic situation on Monday. His figures were presented on a different basis from those put forward in last week's article on the coal target, but essentially they fit into the same statistical pattern. The details of the budget are shown in the following table:

SUMMER COAL BUDGET—MAY-OCTOBER, 1947 (mn. tons)

Bracketed figures are for corresponding months of 1946.			
	1947	1946	
Stocks	10.0 (3.7)	1.2 (1.2)	
Electricity	11.4 (11.6)	1.5	
Gas	9.7 (10.2)	0.5	
Coke ovens (a)	5.3	1.2 (4.6)	
Water	0.2	0.5	
Railways	7.6 (7.5)	1.3	
Collieries	5.3 (5.2)	17.6 (18.9)	
Miners' coal	2.1 (2.2)		
House coal	12.8 (12.8)		
Other merchants disposal		87.9	
Larger non-indust. consumers		5.1	
Coastwise bunkers		91.0	
N. Ireland		2.0	
Service depts.			
Miscellaneous			
Iron and steel, coke ovens, and other industries		89.0 (b)	
Total			
Exports and bunkers			
Oil conversion			

(a) Supplying town gas. (b) Of which 83 mn. tons deep-mined and 6 mn. tons open-cast.

EXPORTS FROM THE UNITED KINGDOM—1946 COMPARED WITH 1938.

TABLE I
Exports by destinations shown as percentage of total exports, calculated on a value basis.

	1938	1946
Argentina	4.1	2.2
Canada	4.8	3.6
Sweden	2.5	2.3
United States	4.4	3.9
Total "hard currency" countries	15.8	12.0
Australia	8.1	6.1
British India	4.0	3.6
New Zealand	7.2	8.8
Union of South Africa	4.1	3.0
Belgium	8.4	8.3
Denmark	1.7	3.0
France	3.4	5.2
Netherlands	3.2	3.8
Others	2.8	3.4
Total "soft currency" countries	45.3	46.4
Total	84.2	88.0
GRAND TOTAL	100.0	100.0

TABLE II
Exports by commodities shown as percentage of total exports calculated on a value basis.

	1938	1946
Food, drink and tobacco	7.6	7.0
Coal	7.9	1.0
Iron & steel & manufactures	8.9	8.8
Non-ferrous metal and manufactures	2.6	4.1
Cutlery and hardware	1.9	3.0
Electrical goods and apparatus	2.8	4.1
Machinery	12.3	12.5
Textiles	21.6	20.4
Vehicles	9.5	12.4
Chemicals	4.7	7.3
Rubber manufactures	0.3	0.6
Others	19.9	18.8
TOTAL	100.0	100.0

TABLE III
1946 Exports of certain commodities expressed as a percentage of 1938.

	Quantity	Value
Chemicals	%	%
Ammonium sulphate	89	185
Caustic soda	159	175
Sodium carbonate	112	217
Cotton		
Yarns and threads	25	55
Tissues	37	126
Iron & steel & manufactures thereof	116	192
Machinery	109	197
Vehicles		
Motor vehicles	199	369
Motor cycles	271	428
Bicycles	187	385
Locomotives	210	487
Ships	39	55

budget; the amount of 17.6 million tons for current use is the difference between the estimated available inland supply of 89 million tons and all other forms of consumption included in the table. Sir Stafford might well remark that it is unfortunate that when all other users have been cut to a minimum industry must content itself with what is left over; in fact the supplies for the iron and steel industry for industrial coke ovens and for all other industrial purposes will, according to his estimates, be exactly two-thirds of the total estimated requirements if industry were running full out. The extra margin to ensure full industrial production is 8.8 million tons, and to achieve it would involve an increase of 10 per cent in available output during the six summer months. These figures conceal a strange contrast between the "planned" increase of 10 million tons in coal production this year, and the anticipated production during the summer; Sir Stafford is, in fact, budgeting for 91 million tons, compared with an output of 94½ million tons during last summer. If the projected increase in manpower in the mining industry can be secured; if the number of face workers can be increased; if output per man shift is increased and voluntary absenteeism reduced; if the five-day week does not affect productivity adversely—if all these factors contribute during the summer there may be a chance of exceeding the target. But the revolution of thought which these things imply suggests that Sir Stafford may be wise to pitch his expectations on a more modest plane even at the expense of throwing doubt on his own "Economic Survey."

The Merits of 2½ per Cent.

Ever since the fuel crisis burst upon the country, investors have been awaiting a sign from the Chancellor of the Exchequer about his cheap money intentions. His brief intervention on Monday evening in the economic debate ranged widely over the question of inflation and claimed that any unrestrained inflationary outburst matching that of 1918-20 had been successfully prevented. He turned finally to interest rates and cheap money—against which, he claimed, a "certain agitation" has recently been conducted by "a number of persons," including writers in the financial papers—and, he might have added, several of the bank chairmen. Here again Mr Dalton argued by historical analogy, rather than by present principle; his promised explanation and defence of the cheap money policy in his Budget Speech should give a welcome opportunity for examining its full implications.

Stock and Redemption	GROSS REDEMPTION YIELDS											
	Oct. 25, 1945	Dec. 14, 1945	April 17, 1946	May 14, 1946	Oct. 17, 1946	Feb. 10, 1947	Mar. 13, 1947	Oct. 25, 1945	Dec. 14, 1945	April 17, 1946	May 14, 1946	Oct. 17, 1946
SHORTS:—												
1½% Exchequer Bonds, 1950	1 15	0 14	8 12	8 11	11 11	10 4	1 1	6 1	6 4			
2½% Nat. War Bonds, 1949/51	2 1	4 2	7 5	1 18	0 11	5 4	1 2	11 1	4 4	10 9		
3½% War Loan from 1952	2 18	10 3	1 10	2 10	10 2	7 6	2 7	1 2	0 5	8 1		
3% Conversion, 1949/53	2 2	0 2	8 5	1 16	10 1	14 11	1 1	7 1	3 5	1 9		
MIDDLINGS:—												
2½% Nat. War Bonds, 1954/56	2 10	0 2	10 2	3 5	2 0	11 2	2 2	1 15	4 2	2 2		
3½% Nat. Defence, 1954/58	2 14	7 2	14 6	2 6	0 2	3 12	4 4	0 1	16 10	2 4		
3% War Loan, 1955/59	2 14	2 2	15 11	2 6	1 2	4 0	2 4	3 1	17 10	2 4		
MEDIUM LONGS:—												
3½% Conversion from 1961	3 0	4 3	1 10	2 13	4 2	11 3	2 10	1 2	5 10	2 11		
2½% Funding, 1956/61	2 12	10 2	15 9	2 4	0 2	3 7	9 4	1 1	18 12	5 4		
3% Savings Bonds, 1955/65	2 18	6 2	17 11	2 7	9 2	5 6	2 5	9 1	19 3	2 5		
LONGS:—												
3% Savings Bonds, 1966/70	2 19	10 3	0 2	10 5	2 9	7 2	9 10	2 4	5 2	10 3		
2½% Savings Bonds, 1964/67	3 0	5 3	0 4	2 12	3 2	11 12	10 4	2 6	5 2	11 4		
3% Treasury Stock, 1966	3 0	5 3	0 4	2 12	3 2	11 12	10 4	2 6	5 2	11 4		
2½% Consols	2 16	2 2	15 3	2 11	9 2	11 3	2 11	0 2	10 11	2 12		
2½% Treasury from 1975*	...	...	...	...	...	2 10	0 2	10 12	12 7			

* Flat yields.

But, "to dispel any uncertainties which may have arisen in the City of London or elsewhere," Mr Dalton reiterated that he still regards 2½ per cent and not any higher rate "as the appropriate long-term rate, in present conditions, for British Government borrowing." He repeated also the references in his Mansion House speech last October that the cheap money policy should continue to be resolutely pressed home. Perhaps it would be unwise to make much of the omissions from his short discussion of cheap money—though the absence of any reference to any further cheapening of gilt-edged rates is not the first in his recent observations on cheap money.

The reaction of the City to the Chancellor's further calling of his book has been significant. There was a time when Monday's statement might have produced a boom in gilt-edged stocks. But

its effect has been the purely negative one of arresting—and then only temporarily—the falling tendency, particularly in the "longs" and undated stocks, where falls of up to ½ were recorded. The new Treasury Stock, whose 2½ per cent yield for a minimum term of 29 years was described last October by the Chancellor as a "reassuring thought," fell as low as 95, before recovering to 99½ on Thursday. Evidently there are many investors who do not share the Chancellor's views about the advantage of the lack of a final date. In their scale of calculations "long-term" means redeemable at the latest by 1975, and not at Government option thereafter. The accompanying table of yields shows that in the "middles" Mr Dalton is where he was last October before his drive to established 2½ per cent without a date. And in the "longs" he is in a much less favourable position.

Industrial Resumption

Industry has now been running-in for varying periods up to three weeks. But many firms are still working short-time owing to lack of fuel and components. Last week-end, new basic coal quotas were announced for industry. Instead of the 50 per cent of original allocations which firms were allowed in theory immediately before the fuel crisis, quotas have been fixed at 33½ per cent until May, which begins a new coal year. The only exception is the iron and steel industry, which is to receive its full allocation as fixed on January 20th.

The first statistical hint of the cost of the shut-down comes from the February iron and steel output figures. Transport difficulties and a shortage of coal, especially of coking coal which feeds gas to the blast furnaces at integrated works as well as providing coke for pig iron production, combined to reduce pig iron production last month compared with January, from 150,100 tons to 126,200 tons and steel ingots and castings from 239,800 to 206,300. Corresponding reductions in annual rates of production in pig iron were from 7,806,000 tons to 6,560,000 tons and in steel from 12,470,000 tons to 10,726,000 tons—reductions of 16 per cent and 14 per cent respectively. Compared with February, 1946, the annual rate of output is down by 14 and 17 per cent in each case. These results are bad enough, but the effects of dislocation are likely to be reflected even more seriously in the March figures when they become available. Disruption in output indeed was probably at its peak just at the turn of the month. And steel, like other industries, is likely to be on short-time until improved weather and transport conditions allow even basic supplies of coal to reach the works.

Industry is now negotiating the terms on which double day-shift, night work and staggered working hours can be introduced in different industrial areas. Production is restricted by coal supplies, transport difficulties and shortage of electricity generating capacity. The changeover to summer time and improvement in coal deliveries should enable firms gradually to expand their output. But the spreading of the industrial labour force over a 16-hour day and a seven-day week is bound to be an intricate and tedious process of negotiation between employers, workers, electricity supply undertakings and those larger transport undertakings which have to cater—with difficulty, if at all—for a wholesale change in passenger movements.

Second Thoughts on Guaranteed Stocks

On Thursday last week the Standing Committee on the Transport Bill turned, under the shadow of the guillotine, to the compensation clauses—in particular Clause 16, which Mr Glenvil Hall described as "one of the key clauses of the Bill." In the general debate on the justification of using Stock Exchange prices as a basis for compensation, little emerged that was new. This ground has been so trodden over since the Minister of Transport issued the terms of compensation in advance of the Bill that the two sides can only agree to differ—there is certainly no way of reconciling their views. The point about compensation by Stock Exchange values which is most damaging to existing holders is not that capital values calculated by this method are necessarily unfair—they may or may not be, in particular cases—but that in a controlled capital market suffused with cheap money the opportunity for reinvesting the sums received in compensation must inevitably result in the hardship of reduced income.

Mr Glenvil Hall confirmed the Government's view—though it had long been self-evident—that compensation calculated by reference to net maintainable revenue would have set any arbitration tribunal an intractable task. "To complete its work in anything

like reasonable time," said Mr Hall, "it would require a large number of technical advisors, which is not available in this country at the present time." Speed and simplicity are, in fact, the only virtues which can be claimed for the method of compensation by market values. The City does not, as Mr Hall suggested, accept the compensation method as being the only one which is fair and reasonable—no consideration whatsoever has been given to any alternative scheme providing for annuity payments, for example—and the steadiness of the railway market since the compensation terms were announced adduces, for all Mr Hall's argument, no proof of that supposition. On one important point, however, the Government have given ground—and wisely. They are now prepared to issue a special type of Transport Stock to holders of London Transport 3 per cent guaranteed stock, 1967-72, which will carry, until the due date of redemption, the same guarantee as to principal and interest as the present stock. This *ex gratia* settlement—for the Chancellor of the Exchequer does not admit that his legal case for breaking the guarantee on the termination of the London Transport Board was defective—suggests that there is still some tenderness at Treasury Chambers when charges of a breach of covenant are raised. In fact, Mr Glenvil Hall demolished the Chancellor's case for him: "It is true," he said, "that the stock was not based on the credit of the London Passenger Transport Board, but on that of the State." The Government have indeed been wise to avoid the appearance of not keeping their bond.

Sterling Debt Talks

The Eady-Cobbold mission returned home this week from its strenuous labours in New Delhi, Cairo and Baghdad. They failed to bring back with them specific agreements on the sterling debts which they set out to discuss, but it would be wrong to deduce from this that their long journeys were in vain or their labours abortive. In the first place, the negotiations with the three countries they visited were never intended to be more than exploratory, though any opportunity of their development beyond that stage would no doubt have been eagerly seized. The talks will have been of considerable educative value, especially to the creditors. These should now be fully seized of the facts of the British economic situation and of the limitations on Britain's capacity both to pay and to transfer any service on these wartime debt accumulations.

Secondly, the long journeys of the British Mission will have provided the United States with clear evidence of the British endeavours to arrive at a settlement of the sterling balances, and thus to comply with the requirements of the Anglo-American financial agreement of December, 1945. That is almost as important an outcome of the talks that have taken place as the mutual enlightenment which they may have brought to creditor and debtors alike. In each of the three capitals the talks were not broken off but left suspended, to be resumed later. Little has been heard of the Iraq Government's views on its sterling balances, but there is no mistaking the vehement protests with which any suggestion of scaling down has been received in India and Egypt. It must be hoped that in all three cases negotiations will be resumed in the near future, for it would be most unsatisfactory to leave the availability of these large sterling balances in the present undefined and unsatisfactory position.

Indian Silver Embargo

The silver market situation has been fundamentally changed as a result of the decision of the Indian Government to place an embargo on imports of silver. That decision has at one stroke removed the principal mainstay of the market, for it is on the Indian demand for the metal that the market has for months past been depending. The operations which led to the Indian Government's decision appear to have been the astute arbitrage operations described in *The Economist* last week by which Continental interests (principally Belgian) contrived to buy silver in New York against dollars, and shipped it to Bombay where it was sold against rupees which were then converted into sterling. Owing to the substantial margin between the dollar and rupee prices for silver these operations—to which the term "washing" would seem to apply better than "arbitrage"—yielded substantial profits. It is not clear whether the greater disapproval of these operations came from British or Indian sources. British authorities could look askance on these silver deals because they involved the conversion of dollars into sterling at a rate of about \$3 to the pound by the Belgian operators concerned. The direct result of the operations as far as London was concerned was to see Indian

sterling balances reduced (owing to the conversion of the rupee proceeds of these sales into sterling), and Belgian holdings of sterling increased. That may have been an innocuous enough movement, but it veiled the fact that if the Belgians, as the operations indicated, were short of sterling and had dollars to spare, they should, in accordance with the spirit of Bretton Woods, have obtained sterling by selling dollars to the British authorities at the official rate.

Whatever may have been the exact cause of the decision, the Indian embargo has for the time being removed the main prop underpinning the market and the New York price has fallen this week from 86½ cents to 77 cents per fine ounce. The price fixed for silver for essential users in London has followed the New York quotation to 46½d., but very little business appears to have been transacted.

An interesting feature of the silver market is the continued drain of the metal out of China. Most of this outward flow is canalised through Hong Kong and has, in large measure, been finding its way to India. Despite currency chaos and political uncertainty in China, that country has ceased to be a magnet for silver. The metal "lost face" with the demonetisation of 1935 and in Chinese eyes has not recovered from that blow. One very practical reason for this is that silver is a decidedly bulky hoarding medium for a people subjected to such mass migrations as the Chinese have experienced in recent years. Something more portable and more easily hidden is called for in the circumstances, and these alternatives have been provided by gold coins and foreign notes, especially dollar bills.

End of Dual Control

In June, 1944, the first steps were taken towards unified government of the Stock Exchange, to end the system of dual control by which the Trustees and Managers had hitherto owned the building and the Committee for General Purposes had governed the interests of members. The Trustees and Managers and the Stock Exchange Council have now put forward a financial scheme intended to complete the unification. The scheme proposes that each of the 20,000 Stock Exchange shares, on which £36 has been paid up, should be converted into two £4 cumulative redeemable annuities. The property and assets of the undertaking will, if the scheme is approved, be owned by the Stock Exchange Council, which will assume responsibility for the annual payment of £160,000 to satisfy the annuities. The Council will have the right to buy annuities at any time and at any price in voluntary sale, and five years after the date of issue to redeem them at £100 per annuity. Since the annuities will not carry uncalled liability or voting power (save on questions which affect the annuities themselves), it is proposed to allow non-members to hold them up to any amount. Members will not be required to hold annuities as qualification for membership.

The annuities will be payable by the Council out of the net income of the undertaking, subject to the interest on the £250,000 3½ per cent debentures now outstanding, and subject further to the right of the Council to raise new funds for acquiring additional properties or rebuilding the present premises, and they are amply covered by present Stock Exchange revenues. In 1938 the proprietors agreed to an amendment to the Deed of Settlement which enabled the Trustees and Managers to place to reserve additional sums from net revenue. Thus the dividend on the Stock Exchange shares, which had been as high as £15 and averaged £10½ between the two wars, would after the 1938 amendment in any case have become more conservative.

Younger members who purchased their Stock Exchange shares at high prices during the high dividend era may perhaps feel sensitive about the proposal to replace them by annuities; if so, they would do well to recall the decisions of 1938. For the moment, members, as distinct from proprietors, are asked to express their views on the scheme to the Council, and the reception generally appears to have been favourable. The Council will, in effect, acquire, out of future revenues, assets capitalised under the annuity scheme for £4 million. To have purchased these in any other way would have involved writing up the property, and the proposals, which inevitably involve some elements of compromise, holds a fair balance between members and proprietors, and concentrates complete control of finance upon the Council.

Falling Bank Deposits?

Fare certainly dealt Mr Dalton a lucky hand this week. When he wanted to belittle the critics' fears of a rising volume of money—which he contemptuously dismisses as a "statistical

phenomenon"—there, beneath his nose, were the clearing bank figures for February, showing a violent reversal of the recent trend of bank deposits and one of the largest declines on record. These figures were indeed a statistical phenomenon. The Chancellor, in implying that this early swallow makes a summer, omitted to point out that its movements are most strictly seasonal. February is the only month of the year which, through the whole seven-year period of credit expansion, has always shown a substantial contraction. This year, moreover, the February statement was especially favoured, for the accident of the calendar, in conjunction with the banks' new make-up rules, dated the previous statement as early as January 15th. Hence the latest statement, dated February 19th, covered the very five weeks of the year in which the surplus of Exchequer receipts is largest—in the last week of February surplus was turned to deficit. It is dangerous to base long-term argument on such figures, however true it may be that, as the Budget at last begins to approach equilibrium, the curve of bank deposits will flatten out.

The heartening feature of the February bank statement is that, at last, the effects of improving budgetary trends upon the banking position have not been obliterated by extra-budgetary operations. There are no other grounds for satisfaction. The fall in "true" deposits, by £90.7 million to £5,349 million (compared with £4,541 million twelve months earlier), is twice the fall for February last year. But the seasonal budget surplus, in the nearest comparable five-week period, was no less than £187 million, more than double the surplus for the first eighteen days of January, in which bank deposits barely altered. Below-line expenditure was substantial, but probably only a modest part was of a kind to require immediate bank finance. On the other hand, effective receipts from the dollar credits seem to have been large. Roughly £40 million was drawn upon them in the third week of February, so that the £54 million drawn at the year-end had presumably been exhausted (and thus had provided the Treasury with the equivalent in sterling) principally in the period covered by these banking figures. It is little wonder that deposits fell so sharply.

Certainly, we are now passing out of the period in which Treasury deficit financing, as such, has put heavy strain upon the financial system, and the large reliance upon overseas borrowing will continue to give relief. But how far this easing of strain is reflected in bank deposits will depend partly upon the Chancellor's own policy. After the knocks which the gilt-edged market has taken during the past few weeks, there is no doubt that an attempt to hold fast to the original cheap money programme would require a lavish creation of money, and this would quickly obscure any declining tendency attributable to budgetary factors.

* * *

Builders' Blackmail

The building trade unions are up in arms against the rejection of their claim for increased wages by the National Arbitration Tribunal; their indignation is increased by the fact that the Minister of Health has decided to raise the price limit on houses by £100. The executive council of the National Federation of Building Trade Operatives has issued a statement, which is not confined to expressions of regret and indignation, but which carries a thinly-veiled threat to the Government that "it will be difficult to carry out the housing programme already fixed by the Government for the present year, now that the claim for improved wages has been rejected." Is the Federation's threat of "no houses without more money" far removed from blackmail?

The Federation accuses the Tribunal of being influenced by "politicians' speeches" and of reaching a political rather than an industrial decision. This, of course, is nonsense. On sheer economic and industrial grounds no other decision would have been possible. The union claim, which was for an extra 6d. an hour for craftsmen and 9d. an hour for labourers, would, it has been estimated, have cost about £65 million a year and would have entailed a great addition—how much is a matter of dispute between the two sides—to the cost of houses.

There may be industries in which a claim for higher wages might reasonably be justified as a spur to recruitment and an incentive for greater output. For building, no such pretext can be advanced. The industry's present labour force of 1.3 million is in no danger of imminent contraction and is certainly adequate—and probably more than adequate—to handle the present flow of material supplies. Building workers were granted a wage increase early last year and they undertook, by a specific clause in the agreement, to maximise their production. It is impossible to get any measurement of productivity in building,

but there is no evidence to show that last year's wage increase was followed by increased production per man—on the contrary, it seems that productivity is low by pre-war standards, even when due allowance is made for the special post-war difficulties. The unions have put off any decision about payment by results and their general attitude to piece work is distinctly hostile, although it would undoubtedly provide an incentive to increased effort. Increased building production is not a matter for labour alone—much has still to be done to raise the efficiency of the building industry by the introduction of mechanical aids and labour-saving devices. But to concede the union's demands would increase the industry's present difficulties beyond all bearing.

* * *

Cloth to Lancashire

The cotton textile industry's chronic reconversion difficulties have been demonstrated again this week by the announcement that negotiations are afoot in Washington to import 50 million yards of grey cotton cloth from Japan into Lancashire, where it will be processed, finished and then re-exported. Already broad official hints have been expressed that the export quota of cotton cloth from home production in the current period cannot be maintained at the same level as in the last period of 1946. Fifty million yards of cloth from Japan may help to fill the gap and to keep the finishing end of the trade better employed, but its contribution will not be very large. It represents roughly two weeks of Lancashire's production and one month's exports of cotton cloth at 1946 levels. It could, therefore, be regarded as an offset to the immediate effects of the fuel crisis on production for export.

As a short-term palliative to counteract the fall in Lancashire's production, the scheme has some merits. While the sellers' market abroad continues—and particularly in the colonies where finished Japanese cloth will find its readiest market—there are strong arguments for shipping cloth from Japan to Britain. In the longer run, more finished cloth exported to the colonies should mean more foodstuffs and primary commodities for Britain and world markets. But it has yet to be decided whether the cloth would be paid for in dollars or in sterling. If the unfinished cloth has to be bought against dollars, the only dollar receipts to which the finished re-exports will give rise will be the eventual increase in the production of dollar-earning commodities such as tin and rubber which might result from a better supply of consumer goods in producing areas. Even on these assumptions the scheme will involve an immediate drain on Britain's slender dollar resources.

Lancashire is now suffering from the full rigours of the coal shortage. There are reports of mills spraying oil over their coal dumps to raise the calorific value, and of rubber tyres being used as fuel. Now that basic quotas for industry have been fixed at one-third of the original allocation instead of a half, the cotton mills will for the next six weeks get slightly less than 50 per cent instead of the 65 per cent of their original quota under the "Cripps" plan. Even if the new quota is met, the industry is faced with a grave threat of curtailed production. Unless this setback to production is rectified as quickly as possible—theoretically it should last only to the end of next month—it will tend to overshadow the realisation among operatives of the long-term need for higher productivity. On this, the trade union side is moving with extreme delicacy. After several meetings, delegates are to give further consideration to double-shift working under the Cripps re-equipment scheme next Sunday.

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Chemicals from Petroleum

The developments in specialised refining foreshadowed by the then chairman of Shell Transport and Trading Company last year have now been carried to an advanced stage of preparation. This week's announcement by Shell Petroleum Company of their plans for producing chemicals from petroleum reveals that the company is erecting new plant on an 85 acre site at Thornton-le-Moors, Cheshire, at which the newly developed refining processes can be applied on a large scale. This plant is being financed from internal resources at a cost of several million pounds and is expected to be ready for production late this year or early in 1948. Output from the new plant will permit a consequential reduction in imports from the United States amounting to some 4 million dollars a year. In addition the company is extending its two specialised refineries on the Manchester Ship Canal and at Shell Haven. At the former it is intended to double the present production of 24,000 tons of

synthetic soaps and other cleansing and wetting agents, while at Shell Haven an eventual production target of 30,000 tons of insecticides, fungicides and other agricultural products is contemplated.

The development of chemicals from petroleum—on which much work had been done in Germany before and during the war—has hitherto been left largely to the independent Manchester Oil Refineries Group. The new expansion schemes of the Shell Group will bring a welcome extension of the benefits of petroleum research and enterprise. The range of chemical products which can be produced covers the widest industrial field—including paints and plastics, textiles, rubber, leather, chemicals, pharmaceutical and horticultural preparations. The raw material of the new plants will be provided from sterling sources and there should in due course be an opportunity for building a new export trade for Britain in products for which hitherto this country has been largely dependent upon the United States.

Two additional points are perhaps worth noting: first, that the plants will be constructed almost entirely from British materials and second, that they will be an outstanding example of a combination of a large amount of capital with a very small demand upon manpower. The Government's wisdom in exempting from duty hydrocarbon oils when used as raw material for chemical synthesis is now apparent.

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Australia and Bretton Woods

Australia's ratification of the Bretton Woods agreements and membership of the International Monetary Fund and International Bank are clearly foreshadowed by a majority decision of the Australian Parliamentary Labour Party recommending that this step be taken. This reverses a motion passed by the same body towards the end of last year, a decision which prevented Australia joining the Bretton Woods institutions by December 31, 1946, the dead-line for joining on "foundation member" terms. The recommendation to adhere was made subject to Australia being allowed to join as an original member. There is very little, other than prestige, involved, since Australia will not be one of the "big five" and will not, therefore, be entitled even if she joins as an original member to nominate a permanent executive director. Any decision to change the articles and further postpone the dead-line will presumably have to wait till the meeting of Governors in London next September. By then, in view of what may happen in Moscow, it is possible that Russia will be prepared to join, and there is no question that the Soviet Union would also insist—and in this case with more solid reasons—on "original membership" terms. If things were to turn out in this way the Governors would no doubt prove amenable to a further change in the date. Australia's imminent ratification will no doubt be followed by similar action on the part of New Zealand.

The debate on the Bretton Woods issue has been long and passionate in Australia and, as the latest voting indicates, it is still a very live issue. The view which is about to prevail was well expressed by the Governor of the Commonwealth Bank of Australia in the following passage of the last annual report of that institution:

In appraising the issue of joining the Fund or of remaining outside it, the national interests must be studied. No country can for long be expected to make disproportionate sacrifices or to yield up lightly some measure of control of its destiny to fresh international agencies which are as yet untried. Nothing is more certain, however, than that in this atomic world a purely self-regarding nationalism will be the surest road to the destruction of all the things which constitute in the long run the real national interest. The basic fact has to be borne in mind that in economic matters particularly, the countries of the world are mutually dependent. Complete freedom of action is in reality quite illusory. Freedom to resort to currency depreciation, to impose exchange controls, or to discriminate through various trading devices may confer short run advantages, but past experience indicates that other countries quickly follow suit in self-protection. No country can expect to have it both ways. It is my view that by active participation in the International Monetary Fund, where she may be successful in obtaining a voice on the governing body, Australia would be playing her proper part in shaping the future and at the same time safeguarding her own interest by helping to ensure that the problems of young and developing countries receive due consideration by the larger powers.

That very wise counsel is at last being heeded.

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Brazil's Sterling

Brazil's decision to suspend purchases and quotations of sterling continues to excite a good deal of surprised, and even

angry, comment. This week the Chancellor of the Exchequer was moved to state in the House of Commons that the decision of the Bank of Brazil to cease buying sterling "is regarded by the British Government as a contravention of existing arrangements" and to add that the Bank of Brazil had been requested to resume such purchases. When asked whether the Brazilian move was not an attempt "to browbeat the British Government over sterling balances," Mr Dalton replied that "if it is such an attempt it will not succeed." Brazil's answer to all this has not yet arrived.

Meanwhile, more light has been shed on the preliminary discussions which have been going on in London for the settlement of the Brazilian sterling balances which are now stated by Brazilian quarters to amount to about £65 million. The discussions have covered the possibility of outright sales to Brazil of the considerable British investments in Brazilian utilities. The offer of the Brazilian Government to pay £6,638,000 from its sterling balances for the purchase of the San Paulo Railway has been accepted by the British Government and discussions are proceeding in Rio on the additional amount due for the auxiliary assets. But the Brazilians would like to spread the net of their purchases much wider. Discussions for the sale of the Leopoldina Railway are proceeding and other utilities under the hammer are Ceará Tramway Light and Power, Para Electric Tramways and Light and Manaus Tramways and Light. The preliminary discussions between officials of the UK Treasury and the Bank of England and of the Brazilian Embassy have revealed great determination by the Brazilians to push a deal through. The shares of Brazilian utilities in London have been booming this week; but these are portents of little cheer for the national interest. They merely herald the sale of another external asset sacrificed in a war waged without counting the cost.

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The Railway Chairmen

The main topic of the chairmen's speeches at this year's annual meetings was bound to be nationalisation. Three of the companies set out in detail the reduction in income which will be suffered by stockholders when the compensation clauses are finally approved, and all the chairmen united in condemning the method of compensation and the principles of the Transport Bill alike. Sir Ronald Matthews in a particularly vigorous attack, declared that the Bill proposed to take over the transport undertakings of the country on terms "which would bring a blush of shame to the leathery cheek of a Barbary pirate." The other chairmen raised in gentler language points of equally effective criticism, and all fastened upon the absence from the Bill of any constructive principles by reference to which co-ordination of transport was to be secured.

Another common theme of the speeches is the acute difficulty in keeping abreast of maintenance work. Indeed, the reports for 1946 show how acute the rolling stock and the permanent way position has become. The amount of light repair work on locomotives, coaching vehicles and goods wagons last year testifies to the extent to which the railways have been compelled to "make do and mend" in order to keep services going. The Great Western had over 10 per cent of its locomotive fleet under or awaiting repair at the end of last year and 11 per cent of its coaching vehicles. The LNER figures for locomotives under repair as shown in the accounts are more favourable, but 18 per cent of merchandise vehicles and 27½ per cent of the coaching vehicles were out of service. The four companies together used 3.1 million sleepers and 182,270 tons of rails on maintenance of permanent way—both figures are much below the normal pre-war quantities—and arrears of maintenance work are accumulating faster than they can be made good, in addition to those which already accumulated during the war.

Indeed, the next problem which may confront a harassed nation is the possibility of a breakdown in transport. Speed restrictions will in any event be unavoidable this year. In addition, shortage of coal will compel cuts in passenger services, not merely in the summer services, as announced by Sir Stafford Cripps this week, but also in existing services, from Monday next. These cuts entail a reduction in the present booked mileage (that is, mileage before deduction for recent cuts in services owing to the coal crisis) by 61,000 train miles, compared with a total of approximately two million train miles at present booked for the four companies. This, it is estimated, will reduce the available service during the remainder of the winter timetables by 24 per cent of the pre-war service. The cut in the summer service, from June 1st, will represent 10 per cent of the mileage worked in the summer of

1946, and is equivalent to a reduction of 29 per cent compared with pre-war services. Railway passengers who suffer from these severe restrictions will hope at least that the railways will be able to achieve the budgeted reduction of half a million tons in their summer coal consumption.

War Damage Value Payments

A Treasury Order, under the War Damage Act of 1943, has been issued to give effect to "the certain escalation" recommended by the War Damage Commission for value payments. These are due to be made during the course of the present year, and the report of the Commission was prepared as a matter of urgency for Treasury consideration, so that decisions could be taken and preparations made by the Commission to settle some 200,000 cases. The Commission found, not surprisingly, that value payments by reference to prices at March 31, 1939, were inadequate, but they have declined to follow the precedent suggested by the Town and Country Planning Act of 1944 of giving differential treatment to various categories of property. The special treatment of owner-occupier property in particular under that Act (1939 prices plus 60 per cent) in any case involves a differentiation between various ownerships interested in a property which would not be permissible under the War Damage Act.

But the Commission have drawn a distinction between "original value payments" (that is, cases where the damage has involved total loss) and "converted value payments" (which concern properties which would qualify for cost of works payment but which, in fact, cannot be made good or rebuilt because of compulsory purchase). The original value payments, speaking with rough justice, are due in respect of buildings which before the war were out of date in amenity and often poorly maintained. The Commission, therefore, holds that original value payments should be increased by 45 per cent only, while converted value payments should be increased by 60 per cent (with a subsequent adjustment if payments under the Town and Country Planning Act are changed). These increases will carry interest from the date of damage (less income tax) and the Commission hold that they will do substantial justice to claimants. They are certainly a considerable improvement on the inequity of the original provisions of the War Damage Act, though it could hardly be claimed that they match the post-war increase in building costs.

Stewarts and Lloyds Expansion

In drawing up its long-term development plans the steel industry is showing a degree of activity unsurpassed by any other. The Steel Board now has before it a number of expansion schemes, which in two important areas at least—South Wales and the Midlands—call for a larger expenditure than was contemplated in the Iron and Steel Federation's report on post-war development which was submitted to the Ministry of Supply last year. On present indications, the industry's full modernisation programme will comfortably exceed the original estimate of £168 million.

For example, Stewarts and Lloyds announced last week that their expansion programme, worked out in 1944 and written into the Federation's report, has now been revised and enlarged. The original plan allowed for a 25 per cent expansion in tube capacity, matched by a corresponding increase in steel capacity; this plan has been approved and construction is in progress. But the company has since revised its estimates of export demands for steel tubes, and finds that the new calculations justify nearly doubling pre-war tube capacity and more than doubling steel capacity.

In the Federation's report, expenditure in the East Midland area (Northampton and Lincoln) was put at 39.2 million. In order to provide the additional steel for the proposed expansion in tube-making capacity, the Stewarts and Lloyds revised scheme concentrates at Corby almost the whole of the expenditure on new steel-making capacity which was originally to be installed in the East Midlands area. The company's revised estimates of demand have, in addition, provided an opportunity to instal semi-finished Basic Bessemer steel capacity at Corby. The timing of expansion elsewhere in the Midlands will naturally depend on the Steel Board's decision, which has yet to be announced, on the Corby scheme. Financial details of the programme have also still to be published.

Priority for expansion at Corby would have two advantages.

Economies of production should follow the integration of expansion at one site—and if the company's assertions are borne out by experience, capacity can be expanded more quickly by adding to the Corby plant than elsewhere. Presumably, accommodation for labour would be forthcoming. The clear gain from a national point of view in bringing steel capacity quickly into operation to aid the export drive needs no emphasis.

Rubber Price Trends

The recent undertaking of the Malayan Government to provide assistance for the rubber-growing industry is to be welcomed. Like the financial assistance recently offered to the Malayan tin mining industry for rehabilitation, the amounts to be made available to the rubber industry will be offset against any war damage claims admitted by the Malayan War Damage Commission. The Government is to provide through the banks loans to a total of £7,500,000 at 3 per cent. This will be a welcome gesture of assistance to an industry which has been hard put to it to finance the restarting of production out of its own resources, and in some cases has been forced to raise special finance for this purpose.

Meanwhile the Malayan Government has replaced the former 2½ cent export duty per lb. of rubber by an *ad valorem* duty on rubber and other vegetable products amounting to 5 per cent. Rubber additionally has to pay an extra ¼ of a cent per lb. basic duty, which in fact constitutes a levy for research purposes. These changes entail a net reduction of the former level of duty by about ⅓ of a cent per lb. The *ad valorem* tax is widely preferred to any form of specific export duty, but even so, it is no satisfactory substitute for a tax on profits. Hence the completion of the Malayan income tax plan must be awaited before the Malayan rubber estate companies can shed the more harmful consequences of present taxation arrangements.

The trend of rubber prices in London suggests that 1s. per lb. f.o.b. may prove to be very close to the ceiling price for the commodity in this post-war period, although special sole crepe prices are at present still strongly advancing and have reached 4s. 2d. per lb. The opinion of the United States rubber manufacturing industry is reported to be veering in favour of maintaining a total capacity for general purpose synthetic rubber of 250,000 tons and to be willing to submit to Government control of mixtures. The arguments adduced in favour of this policy are, first, that synthetic rubber can be produced for two-thirds of the present cost of natural rubber, and that consumers' goods made from it have a shorter life. American opinion is also attracted by the supposition that a large capacity for the production of synthetic rubber would check any tendency for natural rubber prices to rise. These arguments contain a curious mixture of defensive policy and special pleading.

The United States Government is now empowered to continue the allocation and controlled use of rubber until March next year, but Government purchase of rubber will cease at the end of this month. Thus the amounts of natural and synthetic rubber used in the United States will remain under Government control for another year. It would be surprising if, during that period, the price of natural rubber does not tend to decline in the direction of the much-publicised all-in cost of general purpose synthetic rubber. And it is doubtful, in the longer run, whether any but the most efficient estates in Malaya and the Netherlands East Indies will be able to compete effectively against native output, given no restraint upon production.

Record Building Society Advances

It is at first sight remarkable that for a year in which the amount of new house-building for sale was restricted to the bare minimum, the building society movement should have achieved record levels of new advance business and total assets. *The Building Societies' Gazette* for March gives figures relating to 119 Societies, which show an increase in new mortgage advances from £83.1 million to £161.6 million. The 1945 figure of advances for the entire movement was £97.2 million: it would seem, therefore, that the total advance figure for 1946 for all societies will be of the order of £190 million—a prospective total which exceeds the previous records established in 1936 by some £50 million. The total assets covered by the representative sample of

(Continued on page 400)



Before fabrics can be dyed they need to be scoured and, even with soft moorland water, this causes formation of lime-soaps which prevent proper penetration by the dye and make the result streaky and blotchy. Research has produced a chemical—Calgon—which removes offending lime-soaps, thus allowing the dye to operate evenly on every single fibre, to the satisfaction of the textile manufacturer and the user.

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I know. A good wine, but not of this quality.

Precisely, but why the difference?

Well, this is a truly representative South African wine. You see, though the Cape has been for centuries one of the world's finest wine countries, it couldn't compete in Britain with European countries until Empire wines got a duty preference twenty years ago. That bucked up the South African industry.

But why haven't we tasted such wines before?

Because really fine wines are achieved by selectivity, experiment and slow maturing. South Africa has done as much in twenty years with some wines

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Were South African wines well-known here before the preference twenty years ago? Now you're delving into history. They used to be very popular. But in 1860 Mr. Gladstone removed the Colonial Preference and sent the South African wine industry into the wilderness.

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I hope not. Imperial Preference has encouraged the South African wine growers to tremendous efforts. The British Government is not likely to lead such an important Empire Industry up the garden again. It wouldn't make sense.

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You certainly can, and very soon, too."

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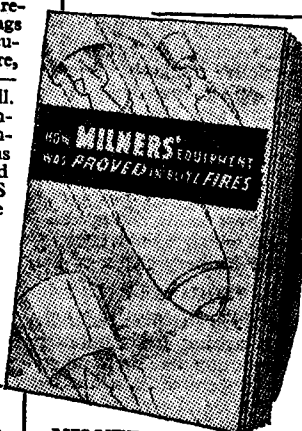
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LONDON AND NORTH EASTERN RAILWAY COMPANY

INJUSTICE OF TRANSPORT BILL SIR RONALD MATTHEWS'S VIEWS

The ordinary general meeting of this company was held, on the 7th instant, in London.

Sir Ronald W. Matthews, the chairman, in the course of his speech, said: After providing for all fixed charges and payment in full of dividends on the Guaranteed stocks, the directors recommend the payment of final dividends of 2 per cent. on the Four per Cent. First Preference stock and 2½ per cent. on the Five per Cent. Redeemable Preference stock (1955). This leaves a balance of £2,407,874, from which the directors recommend the payment of a final dividend of 2½ per cent. on the Four per Cent. Second Preference stock, making with the interim dividend of 1 per cent. already paid, 3½ per cent. for the year.

OPERATING DIFFICULTIES

There is no disguising the fact that 1946 has been a difficult year from the railway point of view. Operating difficulties have been increasing almost daily throughout the year, and I am sorry to say have been used most unfairly, I might say unscrupulously, in certain quarters to bolster up the case for nationalisation. Railwaymen who have been giving of their best to keep the wheels moving and to provide adequate services for trader and traveller will not readily forgive the Chancellor of the Exchequer for his slighting and ungracious references to the main-line companies in and out of the House of Commons.

THE TRANSPORT BILL

Historical Background—My Lords, ladies and gentlemen, I now approach the question which is uppermost in the minds of all of us to-day, the future of transport in general and of the railways in particular. The Government, backed—or perhaps I should rather say pushed—by a large and not too well-informed majority in the House of Commons, has decided that the transport services of this country can best develop under the inspiring direction of Whitehall, and as you are aware, a Bill to achieve this objective is even now being rushed, with a speed generally associated with panic, through Parliament.

I do not think that I exaggerate when I say that no major measure has ever received so lukewarm a reception from those whom it is supposed to benefit. It is in fact a thoroughly bad Bill. It achieves nothing which cannot be achieved by other and less restrictive methods. It clogs the wheels of a developing industry. It places dictatorial powers and almost unlimited patronage in the hands of the Minister of Transport and creates another immense bureaucracy. It destroys every vestige of esprit de corps and competition, and proposes to take over the transport undertakings of the country on terms which would bring a blush of shame to the leathery cheek of a Barbary pirate.

"SQUARE DEAL" MEMORANDUM

In 1938 the financial difficulties of the railways arising from unfettered road haulage competition had become so serious that the railway companies addressed a memorandum to the Minister of Transport, popularly known as the "Square Deal" memorandum, demanding the right to compete on completely level terms through the abolition of the various statutory restrictions applied to railways. As a result of this approach, discussions were opened with representatives of the road haulage industry and also with the national associations representing the most important users of transport, and provisional agreement was reached for a

simplification of the charging system, together with a relaxation of the legal obligations on the railways, coupled with certain safeguards to prevent cut-throat competition, or exploitation of particular industries which were dependent on rail transport.

The Transport Advisory Council, to which the Minister had remitted the railways' memorandum, reported in favour of the introduction of legislation to give effect to it on a modified basis, and it seemed as though the railways were at last in sight of obtaining a real commercial Magna Charta. Unfortunately, the war intervened before any steps could be taken to give effect to this recommendation.

The next and most important development was the constitution on January 1, 1945, of the National Road Transport Federation, one of the constituent bodies of which is the Road Haulage Association. It then became possible for the first time for the railways to open discussions with a truly representative body on the road transport side.

As a result of the discussions, a step of major importance was taken in July, 1946, when a scheme for the co-ordination of all road and rail freight transport services was agreed and submitted to the Minister of Transport.

The main provisions of the agreement were, briefly, that road hauliers would undertake the obligations of a public service to provide reasonable and, where appropriate, regular services, and to accept any traffic within their capacity to carry. A Road-Rail Tribunal would be constituted to settle standard conditions of carriage, the classification of merchandise and correlated road and rail rates schedules. Railway collection and delivery services and other road services would be organised on a co-operative basis to ensure their most economic use, and the railways undertook to arrange the provision of express railway wagons for the sole use of the road hauliers on selected routes.

The transport users would thereby be left entirely free to choose the form of transport most suited to their business, including the absolute right to carry their own goods in their own vehicles. The dangers of a transport monopoly would thus be completely avoided.

CONSTRUCTIVE PROPOSAL REJECTED

The transport industry had a right to expect that constructive proposals of this nature would bring a sympathetic response from the Minister of Transport, but his observations on the proposals were not forthcoming for three months, when he dismissed them in the following words: "I have studied the Memorandum, but the Government have other plans as to the solution of the problem."

This somewhat summary pronouncement was followed in November by the publication of the Transport Bill which, as is already well known, contains no indication of any sort or kind as to the manner in which the Government intend to deal with such fundamental questions as the correlation of road and rail rates, the classification of goods and the future basis of charging. And yet the Government never cease to proclaim that nationalisation is justified in order to obtain co-ordination.

To-day then we are confronted with this vast measure of nationalisation, without any preliminary examination of the facts of the situation as it exists to-day. The request for an impartial inquiry before any irrevocable steps were taken—a request put forward not only by the transport undertakers themselves

but by all the principal industrial organisations of the country—was in fact brushed aside by the Minister for the still unexplained reason that "inquiries could be dangerous." Dangerous to whom or what? I can only suggest to the reputation of Herr Karl Marx who decided eighty years ago that, in the conditions then existing, transport ought to be nationalised.

Be that as it may, I say once more that there is no justification whatsoever for the arbitrary manner in which this measure—described by Mr Barnes as "the largest and most intensive socialisation measure ever presented to a free democratic Parliament," and which, as such, might reasonably be felt to demand careful and exhaustive examination, clause by clause—is being forced through the House of Commons. Every day's discussion, indeed, emphasises the need for an inquiry of the widest character before the future of transport is decided.

COMPENSATION TERMS

Before I turn to consider the demerits of the compensation which the Government have contemptuously tossed to the railway stockholders, I would like to deal with the suggestion made by the Chancellor of the Exchequer, that "the Government was taking over a very poor bag of physical assets and that the railways were a disgrace to the nation." It is Mr Dalton and his colleagues who have forbidden or made it impossible for the railway directors to restore their assets to the same good condition in which they were at the outbreak of war. He entirely ignores the fact that the railway companies have set aside all the money required to bring these assets back to this condition, and have invested it in Government securities. Surely Mr Dalton is well aware that he is proposing to acquire these Government securities along with the physical assets themselves.

If Mr Dalton complains that some railway stations are dingy and uncomfortable, let him wander round those well-equipped and smartly run examples of public administration such as food offices, Labour Exchanges and Inland Revenue offices, and let him feast his eyes on their tasteful modern appointments.

Now with regard to the actual compensation terms proposed by the Government: there are, of course, two main issues—first, the basis for arriving at the total compensation value; second, the method of payment of this compensation value.

The total compensation value of the Railway securities is taken as the Stock Exchange quotations, averaged over six days in November, 1946, or alternatively the mean of the mid-month quotations for the six months February to July, inclusive, 1945.

The Minister of Transport has put forward no reasoned argument to justify this quite arbitrary valuation, although the Chancellor of the Exchequer has attempted to defend it by arguments which I can only describe as disingenuous.

Although it must be some months before railway stockholders know the fate which may await them in this connection, the cheap money policy of the Government fills us with apprehension that it is intended to enforce drastic cuts in the income of stockholders. In the case of the main line companies, the bulk of nearly one million proprietors are either executors, institutions or small investors who have saved to provide an income in their old age, or for their dependants. All these ordinary folk are faced with the possibility of approximately a 50 per cent. cut in their present incomes from railway stocks—a severe loss at any time, but crippling in these days of rising prices.

It is not too late to recover the ground that has been lost. It means hard work from every member of the community and the temporary sacrifice of much that is comfortable and pleasant. But the one sacrifice which will avail us nothing is the pouring of the blood of industry on the dreary altar of Karl Marx.

The report was adopted.

SOUTHERN RAILWAY COMPANY

COL. ERIC GORE-BROWNE'S CRITICISMS OF THE TRANSPORT BILL

The annual general meeting of the Southern Railway Company was held, on the 6th instant, in London, W., Col. Eric Gore-Browne, D.S.O., O.B.E., T.D., A.D.C. (chairman of the company), presiding.

The Chairman, after an exhaustive survey of the past year's working, said:

THE TRANSPORT BILL

I now come to a consideration of the Transport Bill. And before I examine its terms I wish to make some general observations. At the annual general meeting last year I accepted one challenge and issued another. You may remember that we had been told by an eminent spokesman of the Government that "It is up to the nationalisers to prove their case that there will be public advantage by nationalisation." I said:

(i) that your Board accepts the challenge to prove the case for private ownership before any impartial committee or commission which the Government may think well to appoint and charge with the duty to examine the efficiency of the Southern Railway.

and (ii) that your Board challenges the Government to prove that by nationalisation of surface transport a better or cheaper service will be given to the public or that the salaries or wages staff will be better off.

I said also that it is a principle of English justice that a man is held to be innocent until he is proved to be guilty, and I asked whether it was unfair to claim the same privilege for a public utility company with our record.

But the truth is that our existence in our present ownership violates a political doctrine of one of the Parties in the State, and for that reason and that reason only the noose has been placed round our necks and we approach the scaffold without having been given a hearing in our own defence.

PRIVATE ENTERPRISE IN ITS FINEST FORM

I have always thought the Southern Railway represented private enterprise in its finest form. I doubt whether the British Transport Commission will be capable of inspiring in its staff that sense of trusteeship of its good name and that pride of membership which we on the Southern Railway have always cherished as one of our greatest assets.

Now ever since 1939 our officers have been called upon to give unceasing and exacting service and the period since the war has been hardly less exacting than the war years themselves. The re-establishment of peacetime facilities in the present "worse than war" conditions has taxed them to the utmost.

The uncertainties and problems of this ill-conceived measure are adding a burden which only those of us who are closely associated with them can possibly estimate, and it is a burden which they ought not to be called upon to carry at this critical time in our country's history.

And this Bill is followed by the Economic Survey for 1947 which, after stating that during the war the railways carried nearly 450 million ton miles of traffic a week, that they are still carrying nearly 400 million ton miles, compared with 326 million ton miles a week in the summer before the war, to say nothing of a steadily increasing number of passengers, goes on to allocate to railways a fraction of 15 per cent. of the country's capital equipment programme and to reduce transport manpower by three thousand.

THE ROAD-RAIL SCHEME

As you all know, the railway companies, in conjunction with the road operators, have

produced a scheme of co-ordination which, while not claiming to solve all problems, does meet most of the objections to the present system of transport in this country and, at the same time, preserves the healthy competition which, in my view, is vital to efficiency. We claim that this scheme is the best yet put forward and that no better one is likely to emerge unless the whole matter is remitted to a thorough inquiry by the finest brains which this country can produce. It is significant to note that our scheme has received the wholehearted support of the traders who use the transport system. And it may be thought that any Government would at least have studied the scheme, put forward as it was by experts, and would not have dismissed it with the cold and confident rejoinder, "We have other plans." Very well then, what are those plans? We have the Transport Bill, but the Bill as it stands solves no transport problem. In effect it passes these problems to five men to be appointed by the Minister, and they are to be men who have had "wide experience and shown capacity in transport, industrial, commercial or financial matters, in administration or in the organisation of workers." If you look round the boards of the main line railway companies you will, I think, find that all these qualities are already represented.

Is this a plan? And is this the time? This country surely has problems enough and burdens enough to carry in its fight for existence without adding to these problems and to these burdens a complete upheaval of transport which, in my view, must follow for many years to come if this Bill becomes law.

Rehabilitation is an immediate necessity if this country is to survive; nationalisation is an experiment which may or not be worth while considering when the battle for survival is won.

DICTATORIAL POWERS OF THE MINISTER

After mentioning various of the powers the Minister would have under the Bill, the chairman continued: He has numerous powers, but I think I have mentioned enough to show that he has, in effect, dictatorial powers over the whole transport of this country.

Since the Ministry of Transport was formed in 1919 there have been no less than sixteen Ministers of Transport. Continuity of policy is essential to success in any great undertaking, and picture to yourselves the position of a future Minister of Transport armed with these vast powers and subject to all the uncertainties of political life. His position is transient and his power immense—surely an impossible combination.

The argument of its supporters is that if there is to be a monopoly, it should be a public one. Our reply is that there ought not to be a monopoly at all. The road-rail scheme, to which I have already referred, not only leaves the "C" licence holder the right to move his own goods in his own vehicles if he wishes to do so, but also leaves everybody else the right to choose between road and rail which he may not be able to do under the Bill.

"A democratic Government must conduct its economic planning in a manner which preserves the maximum possible freedom of choice to the individual citizen." I quote again from the Economic Survey for 1947. It is difficult to reconcile the Transport Bill with this laudable aspiration.

The chairman concluded by criticising the compensation clauses of the Bill.

The report and accounts were unanimously adopted.

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

REVIVAL OF NEW BUSINESS

The one hundred and thirty-third stated annual meeting of the Scottish Widows' Fund and Life Assurance Society was held in the Society's Head Office, Edinburgh, on the 11th instant, Mr F. H. N. Walker, chairman of the ordinary court of directors, presiding.

The chairman, in moving the adoption of the report and accounts, in the course of his speech said: A year ago I said that for the society the end of the war meant that we could turn our thoughts to reconstruction and development, and I am now able to report a marked revival of new business. The society has shared fully in the enhanced volume of business, and new assurances were completed during 1946 amounting to practically £7,000,000, after deducting sums reassured with other offices. This creates a new record for the society considerably in advance of the highest figure recorded before the war, which was about £5,250,000 in the year 1938.

In addition, we have arranged a considerable number of staff pension schemes. There is a widespread movement among employers to make adequate provision for pensions to their employees and the introduction of the National Insurance Act has helped to stimulate the movement. There are many advantages to be gained by arranging schemes with an assurance society, and our expert staff will always be ready to advise those who contemplate some provision of this kind.

INTEREST INCOME

The interest income before deducting income tax is higher by about £100,000. In spite of the further material fall in interest rates which took place during 1946, the average rate of interest on the whole of the assurance and annuity funds was £4 17s. 9d. per cent. This is 1s. 8d. higher than in the previous year and practically the same as the rate in the year 1942, when the funds were some 10 per cent. lower. The rate, after deduction of income tax, has increased by 2s. 1d. to £3 10s. 10d. per cent. In view of the fact that there was an addition of about £2,000,000 to the funds to be invested on current terms, I think you will agree that this is a most satisfactory result.

The assurance and annuity funds for the first time in the society's history stand at over £40,000,000. The balance sheet shows how these large funds are invested, and again the society has followed its traditional practice of stating in the balance sheet that the assets stand at or under market selling prices. The substantial reduction during the year in the rate of interest on Government securities naturally brought about a considerable rise in the market values of stock exchange securities in general. This has increased the margin between the market value of our stock exchange investments and the value at which they stand in the balance sheet to a very large sum. On the other hand, it has added still more to the difficulty of finding a remunerative outlet for the society's growing funds. Our policy during the year is reflected in important changes in the balance sheet. Government securities and securities guaranteed under the Trade Facilities Acts are about £3,750,000 less than the figure at the end of 1945. Preference stocks are higher by almost exactly the amount of the reduction in Government securities, while ordinary stocks are up by about £2,000,000. It can be said, therefore, that the amount realised by the sale of Government securities, together with the in-

crease in the funds over the year, has been invested in preference and ordinary stocks, giving a higher yield. The increased average rate of interest earned on the whole funds is largely the result of this policy.

In conclusion, may I say that, although there are many uncertainties ahead, the society is well placed to meet them. In the opinion of the directors, its financial position is stronger than it has ever been.

The directors' report and the accounts, as audited, were adopted unanimously.

JOHNSON AND PHILLIPS LIMITED

INCREASE OF CAPITAL APPROVED

An extraordinary general meeting of Johnson & Phillips, Limited, was held on the 11th instant, at the registered office of the company, Columbia House, Aldwych, London, W.C., to consider a resolution increasing the capital of the company from £1,000,000 to £1,067,000 by the creation of 67,000 new ordinary shares of £1 each.

Mr G. Leslie Wates, J.P. (chairman and managing director), presided.

The secretary (Mr Alfred B. Adam), having read the notice convening the meeting,

The chairman said: Gentlemen, In recommending to you the resolution which has just been read by the secretary, it will not be necessary for me to speak at length.

The story is very simple and straightforward and is fully set out in the circular letter accompanying the notice of the present meeting. Our nominal capital has been at the figure of £1,000,000 since May 2, 1935. The issue of 200,000 shares, bringing the total issued capital up to £1,000,000 was made in November, 1946, at the price of £3 5s. per share.

CLOSER LINK WITH TELEGRAPH CONSTRUCTION COMPANY

The idea of a close link with the Telegraph Construction & Maintenance Company Limited, is not new and has been within our general policy for many years, but has not hitherto taken a specific form. The desirability of a closer link has arisen from discussions between the technical staffs of the two companies, who found that each would be able to contribute quite a lot in knowledge and skill to the business of the other, and that we should mutually benefit by the exchange of technical and scientific information and knowledge of factory work and experience. Your directors felt some hesitation in approving so intimate an association of mutual assistance in the absence of some financial link between the two companies. Accordingly, after some discussions, and with the advice of Messrs Deloitte, Plender, Griffiths & Company, the basis of exchange of shares was decided upon as set out in the circular letter.

Each company will maintain its present identity, commercial contacts, trade names and general trading arrangements so that the tradition and goodwill which exist in both these old and well-established companies will remain unimpaired. The consent of the capital issues committee has been given to the exchange.

You will have noticed that the value on recent Stock Exchange prices of the shares to be exchanged, and the dividends receivable thereon, based on recent declarations, are substantially the same.

You must not see in this transaction more than appears on the surface—both boards of directors have agreed the scheme on its merits. There is no secret contract or bargain beyond what is stated in the circular. We shall watch with interest the result of the scheme and we have every hope and expectation that it will show itself in the improvement of each company's position and productivity.

The resolution was carried.

LEYLAND MOTORS LIMITED

A YEAR OF GREAT ACTIVITY OVER-FLOWING ORDER BOOK

MR C. B. NIXON ON THE TRANSPORT BILL

The annual general meeting of Leyland Motors, Limited, was held on the 12th instant at Leyland.

Mr. C. B. Nixon, the chairman, said: The year which closed on September 30, 1946, was one of great activity. Nevertheless, as a result of spasmodic and chronic shortages of almost everything, and of irritating frustration, we failed to realise what we planned, and to maintain the level of output reached earlier in the year. Many of the new models could not be marketed until towards the close of the year, and our medium series, of which a large output is planned, and for which our new factory at Farington, now approaching completion, is being built, cannot be released for several months.

Our export deliveries have been disappointing, and our quota has not been reached for a variety of reasons, the chief of which is that what is made as standard to comply with the peculiar regulations in force here is not generally acceptable overseas. Special models have to be designed and built, accentuating all supply difficulties. Shipping space and packing materials are also difficult to secure.

NEW ORDERS CONSTANTLY ARRIVING

Our order book is overflowing, and new orders are constantly arriving. The demand would suffice to keep us fully engaged for a long time if we could be assured of material supplies and political stability. We realise we are in a seller's market, but we have done, and will continue to do, everything in our power to maintain stability of prices which should ensure permanent business.

We now operate a five-day week of 44 hours. Production per £100 of wages is definitely not what it ought to be. Recent national statistics confirm that, generally, production per worker is considerably less than it was pre-war. The recent fuel crisis brought us to a complete standstill for several days and has drastically curtailed, and continues to affect, our supplies and production.

The net profit for the year is £378,159 against £380,588, and the Ordinary dividend is provided at the previous rate of 15 per cent. It is to be paid on the new issue made since the accounts were completed, as well as on the original £900,000.

On account of the development policy pursued by the board, the cash resources were becoming depleted, and the need arose to secure additional permanent capital. Your board took action in this matter at a very appropriate time, and you will be interested to learn that the issue proved a great success, 94 per cent. being taken up under the "Rights" offer. Applications for surplus shares amounted to £503,936, nineteen times the amount found to be available, causing, I am sorry to say, some natural disappointment.

GOVERNMENT'S METHODS

The Government, in its economic survey for 1947, rightly insists on the urgent need for concentration on production and efficiency, but exerts its energies on rushing through Parliament doctrinaire measures which are irrelevant to the vital issues of production, transport, export and efficiency.

Guillotine methods have now been applied to the Town and Country Planning Bill and the Transport Bill to force these measures, without proper consideration, through the House before Easter. The former Bill is doubtless essential to get the re-building of

the country properly under way, and industry has little concern with it except to ensure that development tax is not levied in respect of land acquired for extensions, and your company has a considerable amount of such land, when the development value has already been reflected in the purchase price. Industry feels strongly that whereas a tax on unearned increment may be just, one on earned increment discourages enterprise.

TRANSPORT BILL

The Transport Bill offers industry no advantage. The sponsors refuse to state, much less prove, their case. It is universally condemned by the responsible bodies representative of the users and operators. A Committee stage on the floor of the House was refused, and now discussion in Committee is to be cut short. We submit that the citizen's unrestricted use of the King's highway to transport himself, his goods and chattels, with due regard to public safety, is a primary freedom which has always existed in this country, and the violation of which every Britisher should stubbornly resist. The Bill as drafted will deprive him of this freedom. It cannot be shown that national ownership of transport anywhere in the world has brought about economy or a higher standard of efficiency; available evidence runs all the other way.

The Minister in charge of the Bill has accepted the principle of freedom of choice only within artificial conditions of the Minister's choosing, since he is specifically taking powers which will enable him to load the price of one means of transport to subsidise another and to fix charges compelling one type of user to subsidise another.

POSSIBLE ADVERSE EFFECT

The Bill concerns this company directly by the adverse effect it might have on our own efficient and convenient inter-works transport. As parents of the cruiser tank group during the war we built up a system of inter-works transport which was so necessary and so efficient that we were permitted to operate it outside the National Transport Pool. Conditions are similar to-day, and although we have an indication from the Ministry of Transport that the Commissioners will have power to grant us a licence to exceed the limited range of activity, there is no provision in the Bill which compels them to do so, and the Commissioners, in deciding such cases, are directed not to take action having the effect of sabotaging the national system.

A number of large and efficiently organised industries in this country operate their own transport on similar lines and are amongst the company's best customers. If these firms are, on the grounds of efficiency, granted licences of exemption, it cannot but be that the national system will be deprived of important highly rated traffic. We are also concerned, as the largest manufacturers of omnibuses and heavy transport, to keep open the widest possible market for our products. Any Commission responsible for the railways and for the control of road transport must inevitably be tempted to load up the railways to cover standing charges which cannot be reduced, and which are likely to increase under public ownership, at the expense of road transport.

There are many fundamental technical problems which affect the operation of road and rail transport respectively which have never as yet been examined by a properly constituted qualified Commission. It is on this account, and because at this time of crisis effort should be concentrated solely on industrial activity, that we support those who request the Government to withdraw this highly complicated and unnecessary measure until such time as a Court of Enquiry has been set up and has reported.

The report and accounts were adopted.

TEMPERANCE PERMANENT BUILDING SOCIETY

RECORD YEAR

MR. CYRIL W. BLACK ON SOCIETY'S PROGRESS

The ninety-third annual meeting of the Temperance Permanent Building Society was held on the 6th instant at the Caxton Hall, London.

Mr Cyril W. Black, J.P., F.S.I., F.A.I., chairman of the society, in the course of his speech said: The year which has recently closed and is now under review has witnessed further outstanding progress in the history of the society and the achievement of a number of new records.

LARGE INCREASE IN ASSETS

The total assets amount to a new record figure of £17,557,308, a figure exceeding any previously achieved by a margin of no less than £5,676,240. The great increases year by year in the amounts due to shareholders and depositors are an eloquent testimony to the continued and increasing confidence of the public in our shares and deposits at a medium of safe and profitable investment.

APPLICATIONS FOR MORTGAGES

The mortgage advances completed during the year amounted in the aggregate to £6,156,070, exceeding the previous record figure by a margin of no less than £1,217,005. Reference to the mortgage asset in the balance sheet reveals that approaching 90 per cent. of the total amount advanced on mortgage is in amounts of not exceeding £3,000 each, and it cannot be too strongly emphasised that the great bulk of our money is invested in mortgages on houses of moderate size and moderate value for which there is always likely to be a consistent and steady demand. I desire to emphasise that notwithstanding the large volume of mortgage business transacted, your directors have not relaxed in the slightest degree those rigid standards of prudence which it has always been their custom to observe. During the year applications were received for mortgages of an amount of upwards of £10 million, and such was the careful scrutiny to which these applications were subjected that the total amount actually advanced represents less than 62 per cent. of the total amount applied for.

Turning now to the profit and loss account, I would remark that after providing for all liabilities and for interest due to investors, the balance of profit for the year was £114,364, to which has to be added the balance brought forward from the previous year and a transfer from war damage indemnities reserve. Your directors are gratified at having been able during the year to make additions to general reserve fund of £100,000 and to contingency fund £10,175, as we have ever attached the greatest importance to the progressive strengthening of our reserves.

As our cash and investments total nearly three and a-half million pounds, we may fairly claim a satisfactory degree of liquidity.

TRIBUTE TO MANAGEMENT AND STAFF

I cannot conclude this review of the past year's work without paying a suitable tribute to our managing director, Mr. Ronald Bell, and to every member of the society's staff. They have had many difficulties with which to contend, not the least of which are the almost intolerable restrictions to which every type of business activity is subjected to-day, and they have acquitted themselves most excellently.

THE OUTLOOK FOR BUILDING SOCIETIES

The uncertainties to which I referred last year as making it more than usually difficult to forecast the shape of things to come are still with us in an aggravated form, and the

future continues to be dominated by political rather than economic factors. I repeat my conviction that the man who desires to purchase his home is equally entitled to be catered for in the scheme of things as the man who prefers to be a tenant. Nothing has contributed more to the political stability of this country than the facilities for house purchase which have enabled millions of our citizens to become the owners of their own homes. The present tendency to discourage the thrifty is, I believe, a passing phase and not a permanent trend, but it can and is likely to do much harm before the process is reversed. Attacks and discouragements levelled at the building societies are undeserved and contrary to the principles of wise statesmanship. We believe that the building society movement has yet a wider contribution to make to national well-being, and so we carry on, confident in our destiny.

The report and statement of accounts were adopted.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

RECORD NEW BUSINESS

The annual meeting of the Scottish Life Assurance Company, Ltd., was held, in Edinburgh, on the 12th instant. Sir Iain Colquhoun, Bart., of Luss, K.T., D.S.O., chairman of the board of directors, presided.

In moving the adoption of the annual report and accounts, he said: Since our meeting last year the company has lost through death the late chairman of the board, Sir John Lorne MacLeod, and also a former general manager and director, Mr. Lewis P. Orr. Sir John was the finest type of Highlander, a faithful son of his clan, an outstanding figure in the national life of our country, and a capable and well-loved leader of our board over a long period of years. Mr. Orr's death severs the last direct link with the foundation of the company in 1881. He joined the service at that time, and during his association with the company he saw its funds rise from the original £50,000 to over £10,000,000—remarkable progress for which Mr. Orr himself was in great degree responsible.

A TRULY REMARKABLE INCREASE

The net new sums assured during the year show a truly remarkable increase, and at over £3,000,000 constitute a record for the company. That nearly four times as much new business was written last year as in 1945 reflects the return from the Forces of so many members of our energetic and capable Field Staff. Practically all have now come back to us, and it is with keen pleasure that I note how quickly and well they have adapted themselves to civilian life.

1946 has been a really good year, and one of the most satisfactory features is an increase of 11 per cent. in the net renewal premium income from £609,000 to £676,000. This is easily a record for the company. Naturally, as a result of the return of our men from the Forces, and of the very large increase in the new business, the items "Expenses of Management" and "Commissions" show a substantial increase. When these are properly allocated between new business and old business, however, the separate expense ratios for 1946 show no appreciable increase, as compared with pre-war years. One effect of this rise in expenses and commission is to reduce the rate of income-tax borne by the Life Fund, which is taxed on interest less expenses. This is largely responsible for an increase in the net rate of interest from £3 5s. 5 per cent. to £3 10s. 2 per cent.

MARKET VALUE OF ASSETS

Last year, my predecessor mentioned that the market values of our assets were in the aggregate greatly in excess of the figure at which they stood in the books. By the end of 1946, this margin of appreciation had—

naturally, in view of market conditions—shown a further very large increase. This is by no means an unmixed blessing from our point of view, because these same conditions have brought about a considerable reduction in the rate of interest which can be earned on new investments.

This state of affairs is to some extent masked in the 1946 accounts, partly by increased dividend distributions on certain of our existing holdings, and partly by the lower effective rate of income-tax; but it gives cause for some concern, and in common with many other life offices we are increasing our premium rates for new assurances in the very near future.

1947'S GOOD START

For the company, 1947 has begun very well; the flow of new proposals has increased still further. The need for life assurance is being more and more realised by the general public, and certainly our Field Staff lose no opportunity of emphasising alike its necessity and its benefits. There is no more foolish saying than that which we sometimes hear: "Oh! Life Assurance is a gamble!" On the contrary, the man who fails to provide adequate life cover is gambling with the lives and careers of those who are dependent on him. Death comes to us all, and strikes when least expected, as the records of many of our claims have shown.

The times through which this country, and the world in general, are passing are not happy. In difficulty and prosperity alike life offices have a great task to carry out and a great trust to fulfil. The task, to convince the public of the need for protection of dependants; the trust, to ensure that such protection is a real thing. In both respects I can say that our company is playing its full part.

The motion having been seconded by Sir Thomas Clark, Bart., the report and accounts were adopted.

CONSOLIDATED MINES SELECTION COMPANY, LIMITED

DIVIDEND OF 21½ PER CENT.

The fifty-first ordinary general meeting of this company will be held in London on the 18th instant.

The following is an extract from the circulated statement of the chairman, Mr S. S. Taylor, C.M.G., D.S.O.:—

With reference to the company's assets, the balance sheet shows that those having a London Stock Exchange quotation were valued in the books of the company at £859,232, whilst the market value as at December 31, 1946, was £2,332,018. In order to ensure that no quoted holding appeared in the books of the company at a value higher than the market valuation at December 31, 1946, it was necessary in a few cases to provide small amounts from current profits for the purpose of writing-down. The unquoted investments stood in the books of the company at £36,829.

Revenue from dividends and interest was approximately £9,000 higher than in the preceding year. This was partly due to the increased dividend paid by Rhodesian Anglo-American, Limited. The revenue from other sources was also approximately £12,000 higher.

The net profit for the year was £122,844, to which has to be added the balance brought forward from 1945 of £37,923, giving an amount of £160,767. The directors recommend a dividend of 21½ per cent., equivalent to 2s. 1½d. per 10s. unit of stock, less income tax at 9s. in the £, leaving 1s. 2.025d. net. After paying the proposed dividend for the year 1946 and providing for the directors' additional remuneration, there will remain the sum of £34,799 to be brought into the accounts for the current year.

CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

RECORD FIGURES

MR V. A. GRANTHAM'S REVIEW

The ninety-third ordinary general meeting of this bank will be held at 38 Bishopsgate, London, E.C., on the 26th instant.

The following is an extract from the statement by the chairman, Mr V. A. Grantham, circulated with the report and accounts:—

Further progress has been made during the past year in reopening agencies in countries which were occupied by the Japanese. There now only remain to be opened our agencies in Kobe, Yokohama, Sourabaya, Tongkah and Canton. That means that we have now very nearly a complete picture of the bank's position. The balance-sheet shows a general expansion, the total reaching the record figure of £118,174,870 6s., an increase of £28,128,960 12s. 3d. over that of last year.

On the liabilities side, the major increase is in current and other accounts, the figure being £22,849,522 higher. This increase has been achieved in spite of the fact that we have had to revalue our position in four different currencies owing to falls in the values of the guilder, the tical, the Indo-China piastre and the Chinese dollar. Acceptances on account of customers also show a welcome increase of £2,167,752, reflecting the greater use by our clients of this method of financing overseas trade. The increase in notes in circulation arises out of an expansion of our business in Hongkong.

On the assets side, our cash and Government securities are up £5,743,431 and £7,026,856 respectively, while advances are up £11,040,066. The first two items show that our liquid position has been well maintained, and the third item is eloquent testimony to the extent to which we are assisting our customers and taking our full share in the financing of world trade with the East. An increase is also shown in the item for bills of exchange.

The fall in the item for bank premises is partly due to the allocation made out of profits last year and partly to a revaluation of several of our properties in foreign currencies.

PROFIT AND LOSS ACCOUNT

After making provision for bad and doubtful debts and taxation and a transfer to contingency account, the profit for the year amounts to £378,632 12s. 4d. If we had made up our accounts as we have always done until now, and shown all dividends paid or payable on a gross basis, this profit figure would have appeared as £425,882 12s. 4d.; that is to say, an increase over last year's figure of £99,618 19s. 6d. We have still many outstanding items to clear up as the result of the Japanese occupation of our branches, and to a large extent this is due to the moratorium that still operates in various countries, but we have made substantial progress, and I would repeat my opinion that we are fully provided against all war losses. Our working costs everywhere have risen owing to the necessity to grant substantial increases in salaries, wages and cost of living allowances, but I am glad to say that the increase in our business has more than offset these increased costs.

DIVIDEND RESTORED TO 10 PER CENT

We paid an interim dividend in October last of 3½ per cent., less tax, absorbing £57,750 net, and we now propose to pay a final dividend of 6½ per cent., less tax, absorbing £107,250 net. The stockholders have been very tolerant with regard to the lower dividends which we felt it prudent to pay during the years of difficulty, and now that practically all our branches are working again there appears to be no reason why we should not return to a 10 per cent. level of

dividend without further delay. I mentioned last year the need for an increased annual allocation to both pension and widows' and orphans' funds, and your directors feel that this year a further special allocation should be made to those funds. They therefore recommend that £100,000 be added to the pension fund and £10,000 to the widows' and orphans' fund. They also recommend that £100,000 be allocated to premises account.

IMPORTANCE OF EXPORTS

In Great Britain, the year under review has been a year of increasing trade, and a great deal has been done, although much more remains still to be done, toward supplying the markets of the world with British goods.

Much attention has been directed to the loss of earning assets abroad, sacrificed during the war years to enable Great Britain to continue her struggle to the full, and this loss can only be made good by increasing the output of industry and devoting additional capacity to exports, facts already receiving the fullest publicity and widely recognised. But physical exports require large supplies of raw materials, and Britain, with few of these available within the country, must increase physical imports in order to increase physical exports, which are no longer augmented by considerable exports of high-quality coal, which in the past assisted so greatly in balancing Britain's external economy.

It is doubtful, however, in spite of the spread of knowledge regarding the economic aspects of this country's position, whether it is yet fully recognised what a great contribution to the British trade balance depends upon the efforts abroad of British shipping, insurance and banking, all leaders throughout the world in their own respective fields, consuming no raw materials and asking for no favours. If to their efforts be added the efforts of our merchants with world-wide connections, who brought to the free markets of Britain in London and Liverpool the products of the whole world, and while earning the reward of their labours in bringing the world's buyers and sellers together, placed the widest choice at the disposal of our own manufacturers and consumers at integrated prices, the importance to this country of re-establishing freer world trading will doubtless be appreciated, for on this depends, in some measure at least, the continued development of these world-wide services by which this country has been so well served in the past and to which this bank has made a well-defined and worthy contribution.

CONFIDENCE IN THE FUTURE

Although our business has so greatly expanded, there are, in the various countries in which the bank operates, currents of unrest and problems of real difficulty still to be faced, whether it be in the political or the economic sphere. These problems, although in some cases of long standing, have been brought to a head by the war. None of these difficulties are insuperable, but they do require the greatest degree of co-operation amongst the nations involved and a long continuation of mutual confidence. We, for our part, have to readjust our thoughts and methods to keep abreast of the times, and I am confident that our staff is proving equal to the occasion. We are still surrounded by restrictions of every sort and kind, but we have very considerably strengthened the structure of the bank, and I feel not only that we can be happy in the result of our past efforts, but that we can regard the future with quiet confidence.

INTERNATIONAL COMBUSTION, LIMITED

EXPANDING OUTPUT

The thirteenth ordinary general meeting of International Combustion, Limited, was held, on the 11th instant, in London, Mr G. R. T. Taylor, the chairman, presiding.

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

Your directors consider the results for the year ended September 30, 1946, justify the recommendation of a final dividend of 22½ per cent. and a cash bonus of 5 per cent.

With the exception of the slight set-back last year due to reconversion problems, our output continues to expand. I am pleased to report a further considerable expansion of our work in hand, which has reached a new peak.

The following is an extract from the statement by the managing director, Sir George Usher, which was also circulated:—

The tremendous amount of research and development work which your company has done in developing the most efficient methods of utilising fuel is reaping its just reward and the opportunities that lie before us are immense. We have a vast number of orders on hand and the unfulfilled order book is more than ten times as great as when I last addressed you. Many of these orders are for export.

Aberdare Cables, Limited, in which we have an interest, has formed a subsidiary, South Wales Switchgear, Limited; both these companies are growing at a highly gratifying rate, and proving a real contribution to the vexed problem of absorbing the surplus labour in South Wales. In conjunction with Powell Duffryn, Limited, we have taken an interest in the Rhymney Engineering Co., Limited.

The report was adopted and resolutions to split the ordinary shares and convert them into stock were passed.

POWER SECURITIES CORPORATION, LIMITED

PROBLEMS FACING THE COUNTRY

The twenty-fourth annual general meeting of this company was held, on the 12th instant, in London.

Mr William Shearer, chairman and managing director, said that in spite of the disturbed conditions of the year under review, the business of the corporation had continued steadily and the accounts showed satisfactory results. The gross profit amounted to £128,312, an increase of £13,309.

Parliament had under consideration a Bill for the nationalisation of the electricity supply industry. That was of special importance to the corporation and its associated company, Balfour Beatty and Company, Limited, as both had been for many years actively engaged in initiating and furthering the supply of electricity in various parts of the United Kingdom. In several large areas they had been pioneers and but for the vision and enterprise displayed numerous districts would not have been enjoying the same extent a cheap and abundant supply of electricity. They were fulfilling the object for which they had been formed with energy and efficiency at home and abroad. In this country the success of the large supply companies with which they had been connected was a tribute to the sound lines on which the developments had been directed without asking for or receiving any State subsidies and indeed in spite of hampering legislation.

A large amount of work had been carried out during the year at home and abroad. Taking the electrical and civil engineering departments together, the works contracted for aggregated in value some £18,000,000.

The report was adopted and the proposed dividend of 6 per cent., less tax, was approved.

GOVERNMENT RETURNS

For the week ended Mar. 8, 1947, total ordinary revenue was £70,068,000 against ordinary expenditure of £101,435,000, and issues to sinking funds £570,000. Thus, including sinking fund allocations of £6,586,954, the deficit accrued since April 1st is £397,445,742 against £2,004,745,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1946-47	Receipts into the Exchequer (£ thousands)			
		April to Mar. 9, 1946	April to Mar. 8, 1947	Week ended Mar. 9, 1946	Week ended Mar. 8, 1947
ORDINARY REVENUE					
Income Tax	111,100	124,997	105,513	48,694	35,767
Sur-tax	80,000	61,379	65,992	2,600	3,300
Estate, etc., Duties	140,000	111,566	138,074	2,170	3,050
Stamps	29,000	22,289	34,579	250	500
N.D.C.	325,000	33,091	30,477	578	325
E.P.T.	409,219	309,011	10,888	5,020	
Other Inland Rev.	1,000	621	469		
Total Inland Rev.	1,666,000	1,886,152	1,653,795	65,180	47,962
Customs	285,000	533,285	571,835	10,724	11,202
Excise	982,000	814,280	945,400	5,585	5,365
Special Customs & Excise	11,870,000	10,480,956	11,178,855	14,519	15,597
Motor Duties	45,000	42,526	48,812	634	397
Surplus War Stores	150,000	...	133,424	...	110
Receipts from Trading	50,000	...	40,000	...	...
Post Office (Net Receipts)	5,300	4,720	3,650	...	700
Wireless Licences	1,000	...	9,110	...	...
Crown Lands	...	930	870	...	...
Sundry loans	15,000	10,717	23,580	...	91
Miscell. Receipts	22,000	66,462	48,195	651	7,211
Total Ord. Rev.	316,130	306,152	305,872	80,783	70,068
SELF-BALANCING					
Post Office	123,300	109,800	121,600	1,800	2,000
Income Tax on E.P.T. Refunds	...	...	147,689	...	2,079
Total	324,460	317,132	332,791	82,583	74,147

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	Estimate, 1946-47	Receipts into the Exchequer (£ thousands)			
		April to Mar. 9, 1946	April to Mar. 8, 1947	Week ended Mar. 9, 1946	Week ended Mar. 8, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	490,000	447,655	489,288	7,628	6,493
Payments to N. Ireland	20,000	10,789	18,021	749	1,161
Nat. Land Fund	50,000	...	50,000	...	...
Other Cons. Fund Services	8,000	7,113	7,076	...	...
Total	568,000	466,157	564,385	8,366	7,653
Supply Services	354,043	458,405	287,516	73,100	93,782
Total	410,204	505,019	343,951	81,466	101,435
SELF-BALANCING					
P.O. & Broadcasting Income Tax	123,300	109,800	121,600	1,800	2,000
E.P.T. Refunds	...	...	147,689	...	2,079
Total	422,543	515,993	370,820	83,266	105,514

After increasing Exchequer balances by £504,087 to £3,096,531, the other operations for the week increased the gross National Debt by £42,888,694 to £25,468 million.

CHANGES IN DEBT (£ thousands)

NET RECEIPTS		NET REPAYMENTS	
Treasury Bills	45,203	3% Defence Bonds	1,625
Nat. Savings Certs.	2,300	2% Nat. Defence Bonds, 1944-48	40
2% Defence Bds.	2,383	Tax Reserve Certs.	19,024
Other Debt	940	Treasury Deposits	30,000
Internal	4,955		
External	38,465		
Ways & Means Advances	94,246		50,699

Including £1,258,000 paid off on maturity.

Statistical Summary

NET ISSUES (£ thousands)	
P.O. and Telegraph	450
E.P.T. refunds	2,541
Overseas Trade Guarantees Act, 1939, Sec. 4(1)	4
Housing (Scotland) Act, 1944, Sec. 4(2)	207
Coal Industry Nationalisation Act, 1946, Sec. 34(1)	2,000
Local Authorities Loans Act, 1945, Sec. 3(1)	3,000
War Damage: Board of Trade	2,000
Finance Act, 1946, Sec. 26(7), Post-War Credits	213
Finance Act, 1935, Sec. 30(1), 3 per cent. Local Loans Stock	450
	11,115

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
Mar. 9	1690.0	2566.3	407.4	...	1582.0	6245.7
Nov. 23	2060.0	2481.5	392.4	...	1742.5	6676.4
Dec. 30	2070.0	2460.5	372.4	...	1742.5	6645.4
Dec. 7	2080.0	2487.3	368.6	2.75	1729.0	6688.9
Dec. 14	2100.0	2377.8	368.6	17.3	1688.5	6697.5
Dec. 21	2120.0	2496.0	375.8	...	1676.5	6720.1
Dec. 28	2140.0	2455.6	448.0	...	...	...
1947						
Jan. 11	2150.0	2467.1	411.4	...	1686.5	6715.0
Jan. 18	2150.0	2459.2	395.1	...	1687.5	6700.4
Jan. 25	2145.0	2435.2	427.2	...	1633.5	6640.8
Feb. 1	2145.0	2418.2	439.7	...	1600.0	6602.9
Feb. 8	2155.0	2441.3	469.7	9.0	1540.0	6615.1
Feb. 15	2165.0	2506.6	446.5	...	1508.0	6626.1
Feb. 22	2175.0	2565.5	530.3	15.0	1473.5	6759.3
Mar. 1	2185.0	2600.7	583.7	...	1443.5	6812.9

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	% Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
Mar. 8	140.0	245.3	140.0	10 1-00	41
Dec. 6	170.0	311.7	170.0	9 11-25	31
Dec. 13	170.0	298.8	170.0	9 9-14	46
Dec. 20	170.0	280.3	170.0	9 11-25	46
Dec. 27	170.0	285.8	170.0	10 0-27	47
1947					
Jan. 3	170.0	273.7	170.0	10 0-69	64
Jan. 10	170.0	287.6	170.0	10 0-16	47
Jan. 17	170.0	273.4	165.0	10 0-41	51
Jan. 24	160.0	277.2	160.0	10 1-43	24
Jan. 31	160.0	303.0	160.0	10 1-14	37
Feb. 7	170.0	280.6	170.0	10 1-12	18
Feb. 14	170.0	277.9	170.0	10 1-79	41
Feb. 21	170.0	263.6	170.0	10 2-18	63
Feb. 28	170.0	246.3	170.0	10 1-15	43
Mar. 7	170.0	287.0	170.0	10 1-15	43

On Mar. 7th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 43 per cent. of the amount applied for at 99 17s. 6d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 99 17s. 6d. and above were accepted in full. £120 million (maximum) of Treasury Bills are being offered for Mar. 14th. For the week ended Mar. 15th the Banks will be asked for Treasury deposits to a maximum of £150 million.

NATIONAL SAVINGS CERTIFICATES AND 2½% BOND SUBSCRIPTION (£ thousands)

Week ended	N.S.C.		2½% Defence Bonds	
	N.S.C.	2½% Defence Bonds	N.S.C.	2½% Defence Bonds
1946				
Dec. 4	3,200	1,855	Jan. 25	5,100
Dec. 11	4,400	2,590	Feb. 1	5,050
Dec. 18	2,500	1,960	Feb. 8	4,700
Jan. 4	2,600	2,910	Feb. 15	3,600
Jan. 11	3,500	3,240	Feb. 22	4,600
Jan. 18	3,700	6,750	Mar. 1	7,350
			Totals to date	* 1,704,070
				† 104,020

* 380 weeks. Up to Mar. 1st principal of Savings Certificates to the amount of £436,075,000 had been repaid.

BANK OF ENGLAND RETURNS

MARCH 12, 1947

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt	
In Circulation	1,385,402,734	Other Govt. Securities	11,015,100
In Bank, Department	64,845,099	Other Govt. Securities	1,438,272,350
		Other Govt. Securities	704,731
		Other Govt. Securities	7,819
		Other Govt. Securities	1,450,000,000
		Other Govt. Securities	247,833
		Other Govt. Securities	1,450,247,833

BANKING DEPARTMENT

Capital		Govt. Secs.	
Capital	14,553,000	Govt. Secs.	314,415,660
Reserves	3,928,081	Govt. Secs.	1,438,272,350
Public Depts.	9,687,803	Govt. Secs.	704,731
Other Depts.	886,358,964	Govt. Secs.	12,428,297
Bankers	886,358,964	Govt. Secs.	19,691,763
Other Accts.	886,358,964	Govt. Secs.	32,115,

THE MONEY MARKET.—Supplies of short loan funds in the money market have been more exiguous this week than last despite the gradual tailing off of revenue payments and the reduced amount of Treasury bills which the market took up. The reduction in the volume of bank cash is evident from the Bank return which shows a fall of £29,591,000 to £289,359,000 in bankers' deposits. Net repayment of floating debt this week amounted to £9,000,000, the whole of which was in respect of TDR's. Treasury bill payments and maturities balanced at £170

million. Official tenders for bills increased at last week's tender and total applications rose from £246,280,000 at the preceding tender, to £287,040,000. As a result the market's allotment was cut from 63 to 43 per cent. of its applications. The banks' TDR payments kept the volume of available money somewhat below the requirements of the market and recourse has had to be made to the special buyer who has bought March bills on a moderate scale throughout the week.

SECURITY PRICES AND YIELDS

(A fuller list containing 370 securities appears weekly in Records and Statistics)

Prices, Jan. 1-Mar. 12 1947		Name of Security	Price, Mar. 5, 1947	Price, Mar. 12, 1947	Net Yield,* Mar. 12, 1947	Gross Yield,* Mar. 12, 1947	Prices, Jan. 1-Mar. 12, 1947		Last two Dividends	Name of Security	Price, Mar. 5, 1947	Price, Mar. 12, 1947	Yield, Mar. 12, 1947			
High	Low						High	Low						(a)	(b)	(c)
British Funds*																
103½	101½	Conversion 3% 1948-53.....	101½	101½	£ s. d.	£ s. d.	111½	110	(d)	Australia 3½% 1965-69.....	111½	110½	£ s. d.			
103½	102	War Bonds 2½% 1949-51.....	102½	102½	0 7 6	1 10 9	105½	100	(d)	Birmingham 2½% 1966-71.....	102½	101	2 10 8			
102½	101½	Exchequer Bds. 1½% 1950.....	101½	101½	0 10 3	1 6 4	102	100½	(d)	Argentine 3½% 1972.....	101	101	3 8 9			
105	102½	War Bonds 2½% 1951-53.....	103½	102½	0 12 8	1 15 0	151½	118½	(d)	Anglo-American Corp. 10s.....	133½	133½	3 14 6			
105½	102½	War Bonds 2½% 1952-54.....	103½	102½	0 15 7	1 17 11	71½	61½	(d)	Assoc. Port. Cem. Ord. Stk. £1	67½	63½	5 1 0			
106	104	Funding 2½% 1952-57.....	104½	104½	0 14 8	2 0 1	95½	84½	(d)	Austin Motor A Ord. Stk. 5s.	39½	39½	5 1 0			
108½	105½	Nat. Defence 3% 1954-58.....	106½	105½	0 17 6	2 4 4	243½	205½	(d)	Barclays Bank Ord. "B" £1	87½	85½	3 6 9			
109½	106½	War Loan 3% 1955-59.....	108½	105½	0 18 8	2 4 6	105½	88½	(d)	Bass Ratchford Ord. £1.....	212½	208½	2 10 9			
108½	105½	Savings Bds. 3% 1955-65.....	106½	105½	0 19 5	2 5 10	58½	51½	(d)	British Oxygen Ord. £1.....	99½	96½	3 10 0			
105½	101½	Funding 2½% 1956-61.....	103½	101½	1 3 4	2 5 4	29½	24½	(d)	Courtaulds Ord. £1.....	53½	53½	6 13 3			
109½	105½	Funding 3% 1959-69.....	107½	105½	1 3 2	2 9 2	77½	69½	(d)	Dorman Long Ord. £1.....	28½	28½	3 7 6			
122½	118½	Funding 4% 1960-90.....	119½	118½	0 15 9	2 9 8	47½	41½	(d)	Dunlop Rubber Ord. £1.....	71½	71½	3 11 9			
110½	105½	Savings Bds. 3% 1960-70.....	106½	105½	1 4 0	2 10 3	49½	40½	(d)	Emp. Chem. Ind. Ord. Stk. £1	44½	44½	4 11 3			
104½	101½	Savings Bds. 2½% 1964-67.....	102½	101½	1 6 2	2 9 2	55½	47½	(d)	Lancs. Cotton Ord. Stk. £1	54½	54½	1 17 0			
123½	118½	Victory Bonds 4% 1920-67.....	120½	119	0 19 7	2 11 5	77½	62½	(d)	Lever and Unilever Ord. £1	54½	54½	3 10 0			
111½	105½	Savings Bds. 3% 1965-75.....	107½	106½	1 5 2	2 11 4	84½	79½	(d)	London Brick Ord. Stk. £1	71½	71½	4 18 2			
108½	105½	War Loan 3½% aft. 1952.....	106½	105½	0 16 0	2 8 1	36½	34½	(d)	L.M.S. 4% 1st Pref. Stk.....	81½	81½	4 12 0			
117½	113½	Consols 4% (after 1957).....	114½	113½	0 16 4	2 10 4	58½	47½	(d)	N. Eastn. Elec. Ord. Stk. £1	35½	34½	4 12 0			
115½	110½	Conv. 3½% (after 1961).....	111½	110½	1 2 2	2 11 9	39	35	(d)	P. Chn. T. Nelson Ord. Stk. 10s	56½	55½	1 19 3			
100½	94½	Treas. Bds. 2½% (after 1975).....	96½	95½	1 8 11	2 12 7	63½	53½	(d)	Prudential "A" £1.....	37½	37½	4 4 6			
110½	104½	Treas. Stk. 3% (after 1968).....	106½	105½	1 6 11	2 13 0	107½	93½	(d)	Stewarts and Lloyds Def. £1	58½	59½	1 3 9			
117½	110½	Redemption 3% (1986-96).....	112½	110½	1 6 2	2 11 5	147½	118½	(d)	"Shell" Transp. Ord. Stk. £1	105½	106½	3 9 3			
99	94	Consols 2½%.....	95½	94½	1 9 1	2 12 10	96½	81½	(d)	Tube Invest. Ord. Stk. £1	135½	130½	2 18 6			
							107½	93½	(d)	Turner & Newall Ord. Stk. £1	87½	85½	3 10 6			
									(d)	Woolworth (F. W.) Ord. 5s.	101½	99½				

* To earliest redemption, except £ flat yield and £ assumed average life 17 years 6 months. † Net yields after allowing for tax at 9s. in £.

Bank is chiefly of significance as underlining the trend towards making directors part-time appointments.

A further \$200 million was drawn this week on the US line of credit to Great Britain. This drawing brings up the total so far drawn to \$1,100 million. At this rate of \$1,100 million in eight months, the \$3,750 million line of credit would last for just over 27 months and would be exhausted by November 1948.

The Powell Duffryn group have created a subsidiary, to be known as Powell Duffryn Technical Services, to act as independent consultants throughout the world on problems of fuel production, distribution and utilisation. The Group will, of course, retain its existing marketing organisations, including Stephenson Clarke, Cory Brothers and other subsidiaries. The new subsidiary is intended to supplement the general work carried out by the Fuel Efficiency Division of the Ministry of Fuel and Power by providing specialised consultant services to industry at home and abroad on fuel economy, coal mining and technical research. The parent company has now lost its coal mines and is developing its work on coal derivatives. It may also be prepared to back the technical work of the new subsidiary in overseas countries with financial investment for opening up new coal deposits.

The estimate of the Australian wool clip for 1946-47 has been revised by the National Council of Wool Selling Brokers of Australia. It is now expected to total 3,107,878 bales, compared with the initial estimate of 3,000,000 bales. Supplies from New South Wales and Queensland where clips are predominantly merino are expected to be about 5 per cent less than was first anticipated. Increases are recorded for Victoria (mainly crossbred wool) and South Australia (where the broader types of merino are produced). Last year's clip totalled 2,895,391 bales, of which 77 per cent was merino.

Shorter Notes

Another change of personnel at the International Bank for Reconstruction and Development is the appointment of Mr Graham Towers as Canadian executive director, in the place of Mr R. B. Bryce. Mr Graham Towers remains Governor of the Bank of Canada and his appointment to the board of the International

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 111 Broadway, New York, 6.—Saturday, March 15, 1947.

The Economist

Established 1843

March 22, 1947

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VOL. CLII NO. 5404

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3 BY AIR (U.S. and Canada only) \$24 Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

The Tough Line

TEN days have passed since President Truman, standing before both Houses of Congress, launched his 400 million dollar policy in the direction of Moscow. General Marshall, who presumably knew it was coming, was equalled in composure by his fellow Foreign Ministers, who did not. They must be congratulated—especially Mr Molotov—on resisting the temptation to disperse and take cover, or at least to show themselves nervous and irritable in their set debates on Germany. In the conference room they have held with admirable tenacity to the problem they came to discuss; how much they will talk together off the record remains to be seen. But their first reaction was the right one; Mr Truman's rather melodramatic gesture was neither so significant nor so dangerous as it sounded. It takes a Senator Taft to ask for an official opinion whether there is risk of immediate war as a result. There quite obviously is not.

There are, however, circumstances in which another such speech, followed by the arrival of an American task force in the Eastern Mediterranean, might be as inflammable as was Emperor William's use of his cruisers. It contained bold and far-reaching words, the full significance of which can hardly be estimated until the Greeks and Turks have spent the dollars and received some of the advisers, supplies and equipment for which Congress has been asked. About Greece, Mr Truman said that the situation is one "requiring immediate action"; about Turkey, that its integrity "is essential to the preservation of order in the Middle East." He was fully aware, he said, of the "broad implications involved" if the United States helped these countries. It should be done "primarily through economic and financial aid," which he would not recommend "except that the alternative is much more serious." (Both the President and the Secretary of State had already explained privately to leading Congressmen their view of the alternative.) Then, in broad terms, recalling the forgotten Atlantic Charter: "Totalitarian regimes imposed on free peoples, by direct or indirect aggression, undermine the foundations of international peace and hence the security of the United States." Those who point out that all this had already been many times said by President Roosevelt forget that he was speaking either to a nation at war or to governments that seemed bent on war. President Truman spoke to a world in which the only great Powers are allies; it was the timing and the manner of his declaration that were disturbing, not its content.

Those who fear the Americans as enemies will find nothing worse in the speech than the phrases quoted; those who fear the Americans as friends will find them challenging enough. The former will comfort themselves, the latter perplex themselves with this thought: that if the President of the United States has to use such solemn tones and such bold claims to persuade Congress to lend money and send advisers to the Greeks and Turks, then the American people have not begun to understand the international responsibilities claimed for them. If they have to be roused to half-measures of foreign policy by speeches claiming world leadership, how many speeches will have to be made, how many

dangerous challenges thrown out, to maintain their support for an army of occupation in Germany, to say nothing of a Four Power Pact stretching into the next century?

The speech before Congress can hardly be separated from the speech delivered in Texas five days earlier; it raises the same questions about the relation between American claims and American performance. In Texas Mr Truman urged his countrymen to realise that their political relations with other countries could not be separated from their economic relationships, that their economic policy must be above party, that they could lead the world to economic peace by accepting the rules of the international trade organisation proposed by their State Department and by preparing to receive larger imports from abroad. The first paragraphs of the speech were grandiose: "We are the giant of the economic world. Whether we like it or not, the future pattern of economic relations depends on us." "We can lead the nations into economic peace or we can plunge them into economic war." Only towards the end came the sober assurances that "tariffs will not be cut across the board," that "freer trade not free trade" would be the slogan, larger markets the objective. Mr Truman did not mention the escape clause which each American tariff agreement must contain, or the new procedure and public discussion on tariff agreements which the Republicans forced on him as the price of a bi-partisan trade policy. He could no more be expected to draw attention to these strings on his economic policy than he could be expected to draw attention in his speech before Congress to the fact that conscription for military service ends ten days hence.

But the British bystander, as he watches the economic giant feeling his biceps, has to persist in his questions. How far is the State Department ahead of the American people as it plans and defines their political, strategic and commercial commitments? Are they dropping behind, or are they being taken along at a pace which will leave them weary five years hence? Do they understand what they are talking about when they interpret their President to mean that Britain has stepped out of the line in the Middle East and that the United States has stepped in? Have they compared the scale and impudence and effectiveness of their offer to Greece and Turkey with the Soviet handling of Persia? To suggest the comparison may seem offensive, but it will certainly be made by those governments of Eastern Europe and the Middle East who have to weigh the risks of accepting American aid. These governments must realise that, in the short run, it is still the British who face the Russians on the line from Athens to Teheran; if they do not, the attempts being made in Congress to prevent the despatch of American troops should convince them. They may even recall that Britain has spent on Greece nearly £90,000,000 with little fuss, and that it is most explicitly bound by treaty to defend the integrity of Turkey, Greece, Egypt, Iraq and Transjordan.

To appreciate the dilemma in which, say, the Turkish and Hungarian governments might one day be placed by this policy of limited liabilities, an Englishman may consider how he is affected by the Texas speech. Britain too, having received its dollars, is asked to accept American leadership in a liberal ideology, economic not political. Britain too has been told that its independence and prosperity are a vital American interest, as was nobly proved by American fighting men. Now the first reckoning is approaching. If at Geneva next month the Americans offer tariff concessions and pledges of economic co-operation, is Britain to surrender imperial privileges for the hope of freer trade and bigger markets? The offer is tempting. But the British are asked to commit themselves, perhaps beyond recall, in return for an unratified promise. Will the American voter support more liberal trade policies now and maintain them later? The same doubts arise on both of President Truman's speeches for the same reasons. In the political sphere the foreigner doubts whether the development

of long-range weapons has convinced Americans of their interest in European peace; in the economic sphere he doubts whether, for all the talk, the average American really believes that his prosperity is bound up with that of other peoples.

It can, of course, be argued that President Truman's speech was something more than an attempt to shock Congressmen out of their campaign to cut down military and relief expenditure. It may have been aimed over their heads at Mr Stalin. It may have been part of a plan prepared by General Marshall, the strategist turned diplomat. If so, it may be the American intention to seek agreement with the Russians on a definition of vital interests, to clear up the half-understandings and ambiguous drafts of Yalta and Teheran. The speech then appears in a new light and this becomes the key sentence:

The world is not static and the *status quo* is not sacred, but we cannot allow changes in the *status quo* in violation of the United Nations Charter by such methods as coercion, or by such subterfuges as political infiltration.

This is language which the Russians will understand; it does not bring in that contentious word "democracy." It covers the world and not a particular part of it; it deals with power politics and not with political conceptions. It draws a line which the Russians are told they can cross only at grave risk. Read with the offer of aid to Greece and Turkey, it seems to challenge any attempt to divide British and Americans. It points to the need for a general understanding—without which, indeed, it will be impossible either to plan American strategic and commercial policy or to educate the American people in the sacrifices which a resolute and effective world policy will demand.

If the speech means these things, the British reaction can be not nervous but confident. In this country, too, the planning of strategic and economic policies is impossible so long as it remains uncertain whether the Russians want a general long-term settlement, outside as well as within Germany. An Anglo-Soviet agreement alone, without an American-Soviet agreement, would have little value; for British interests are involved at every point where Russian and American interests clash. But if there is to be nothing more than an American imitation of Soviet diplomatic tactics, an exchange of defiant gestures and ringing denunciations, we shall have to cross our fingers and build our shelters. A "tough line" clearly aiming at agreement with the Russians, and prepared, when the time comes, to meet them halfway, is something we can support; a "tough line" seeking to humiliate the Russians and destroy their society, in a fight in which we take the first blows, is, for any British government, a policy of despair.

The next American move will be watched for anxiously, not only in the Middle East, but also in Eastern Europe. Before this year is out the peace treaties with the satellite countries should come into force; and intervention in their internal affairs will become interference with the *status quo* to which Mr Truman referred. Dollar diplomacy will invite a headlong collision with Communist policy unless General Marshall and Mr Molotov can get on to terms of confidence. A permanent split across Europe between east and west could hardly be averted.

It is a clear British interest to support the eastward advance of American policy provided that two things are clearly understood: that loans of dollars and advisers, even visits of aircraft-carriers, do not automatically relieve Britain of alliances, loans and responsibilities already pledged; and that American diplomacy must have for its ultimate aim a firm understanding with the Soviet Government about vital interests within and outside Europe. For better or for worse, we cannot deviate far from America's course. But it will be for better precisely in the degree in which America's policy is defined and resolute, and in which its aim and effect are the reconciliation of the powers and not the challenging of conflicts among them.

NCOs of Industry

THE manifesto on the economic situation issued last week by the National Acting Committee of the Shop Stewards' National Council casts, as might have been expected, more light on shop stewards than on the crisis. In terms curiously paralleled in the Prime Minister's broadcast on Tuesday night, it asks that every British worker should be able to assure himself that his product is a genuine necessity, and not "some knick-knack being produced because of its profitability." But what is a necessity, at least when the limited range of basic needs for food, shelter, warmth, and industrial raw materials is left behind? Not everyone can be a miner, farmer, or cotton operative; and, once other trades come into the picture, how and where is the line to be drawn? Are greyhound tracks a necessity while Stilton is not? Are Coty and nylons superfluous knick-knacks or essential inducements to the marginal woman? Is it correct to say that beer is essential (except in British Restaurants), gin is immoral, and whisky is tolerable only across the Border? No doubt there is a great deal of honest Puritanism behind the shop stewards' attitude, as well as of class-conscious malice. But the main cause is quite clearly a misunderstanding of the difference between planning in current conditions and the type of restrictive control familiar during the war—a misconception in which, to judge by Mr Atlee's broadcast, the shop stewards are in high company.

The vital factor is, of course, the change in the destination of production, to which the shop stewards fail to pay even the lip service offered by the Prime Minister. The great consumer during the war, and above all the great consumer of new products, was the Government itself. The multitude of private consumers had to take what they could get; and what they got was based, by and large, not on their current preferences, but partly on an estimate of genuinely basic needs and partly on what they used to prefer before the war. The new demands to which the structure of industry had to be adapted made themselves felt through a few official channels; and the Government planner, through whose hands the great bulk of the orders that mattered was in any case bound to pass, was able to make his overall plan effective without much more regimentation than was in any case inevitable.

To-day, by contrast, the consumer is coming back into the centre of the picture, and with him there returns a great confusion of tongues over what should and should not be produced. There are, it is true, certain basic needs which can be roughly assessed—the need for a minimum supply of bread, or fats, or coal, or of furniture for newly-married couples. But, beyond this, it is necessary to reckon with an enormous and increasing variety of consumer preferences which, unlike the preferences of the Service departments, have no need to express themselves through Government channels. With the help of a free price system the consumer, the retailer, the wholesaler, and the manufacturer can in general settle their affairs for themselves. The official controller, dethroned from his strategic position in the flow of war orders, is bound to appear in the vast majority of cases as a bureaucratic and ill-informed outsider struggling in the rear of manufacturers' initiative and consumers' preferences, and successful only in sabotaging both.

The Government has certainly a duty to weight the voting-power in the free market by redistributive taxation, and to adjust the level of global demand—that is, at the moment, to disinflate it—to a level which allows the price system to work smoothly over at least the greater part of the field. It has also, in circumstances like the present, a duty to intervene directly to deal with bottlenecks in management, labour, and materials which the free working of the price system is unlikely to overcome, or at least to overcome without either severe

dislocation or political discontent. The shop stewards have every right to complain, as they do, that the Government has failed in this respect where the engineering industry is concerned. But to interpret this as a mandate for a general policy of eliminating "knick-knacks produced because of their profitability"—in other words, of eliminating consumer's choice—is to show a complete misconception of both the purpose and the practical possibilities of current planning. England even in 1947 is not Russia in 1921. Time was when an average working-class family was reckoned, as in the old cost-of-living index, to spend £8 ros. a year on anything beyond the bare essentials of life. By 1937-38 the figure for miscellaneous spending alone, at the same price level, was approaching £70 (say £100-£120 at present prices), to say nothing of "inessential" spending under other headings. The shop stewards are living in a past age.

Jeune and misconceived the shop stewards' manifesto certainly is; and yet it would quite clearly be wrong to dismiss it as valueless in the present crisis. It is a reminder of the great fund of good will and eagerness to help which still remains to be drawn upon in the lower ranks of industry. Its real and substantial point is that better use needs to be made of the NCOs of industry; and there is enough meat in it, for all its faults, to show that they have something of value to offer. It is also a warning of the need, if this fund is to be drawn upon, for a much more effective and detailed educational campaign than has yet been attempted. Ignorance is as big an obstacle to efficiency as any other.

To a great extent, no doubt, the responsibility for action on this lies with managements or the trade union movement. But, against the background of ignorance and prejudice, the unaided efforts of managements and trade unions are likely to take far too long to produce results. If the shop stewards' manifesto proves anything, it is that the patient cannot be trusted to write his own prescription in reasonable time. The problems of industrial relations need to be focused and their solution speeded up; and for that the responsibility can rest only on the Government. Three main conclusions emerge.

First, the time is long overdue for a real declaration of industrial relations policy. The White Paper on Employment Policy published in 1944 was far from ideal; but it did emphatically mark the acceptance of full employment as a matter of national concern, and at the same time served to focus discussion and bring it down from semi-political principle to more earthy and substantial questions of ways and means. The need to-day is for a similar analysis of the problems of industrial relations, squarely tackling the problems of wages and profits policy, of incentives and of workers' representation. The Government has insisted in its first eighteen months of office, as is its right, on redeeming its election promises to the letter, and in so doing has built up a claim to the confidence of the industrial workers such as no Government before it has possessed. Is it not time for it to cease to present such miserable spectacles as that of Mr. Barnes piously washing his hands of responsibility for the labour policy of the future Transport Commission, and to exploit this well-earned asset to the full?

Secondly, the declaration should be followed up with much more vigorous steps to improve the machinery of labour relations within industry than have yet been seen. Sir Stafford Cripps rightly emphasised, in the economic debate in the House of Commons, the need to leave a wide measure of autonomy to employers, workers, and their joint organisations.



But it is no easier in industrial relations than in India to abandon authority in a vacuum; the machinery must first be there. What steps are being taken to reinvigorate the joint production machinery, and to accelerate its spread to industries where it has not yet taken root? What is the answer to the pointed questions raised by the shop stewards on this issue, and what use is being made of their valuable and practical suggestions? And when will something actually happen at the next higher level of organisation? It is just short of a year since the Pottery and Cotton Working Parties signed their reports. How much longer will it be necessary to wait for concrete results? Recent discussion has fastened on the need to improve the quality of the Government's central planning machinery and to cut out superfluous intervention lower down. But the accent should be on "superfluous." Unsupported Ministerial sermons, however admirable, will be even less effective to-day in bringing workers to the right place and in the right frame of mind than they were during the war. What is needed is more effective machinery to bring home to each individual in each industry, at the highest level as well as on the floor of the factory, what the national interest requires of him or her in person.

Thirdly, the shop stewards' manifesto brings out clearly the interaction between industrial and general political and economic policy. There is still blind loyalty to the Government in certain quarters, and in many others the almost pedantic adherence to "Let us face the future" has paid good dividends. But is there a corresponding policy for the next stage? And, if so, what is being done to bring it to the notice either of the public or of the lower ranks of the Labour movement itself? The lack of a clear lead in the "Economic Survey for 1947" has caused almost as much comment inside the Labour movement as outside it, a view which the trade union group of MPs are reported to be actively pressing on the Government; and, so far as industrial relations are concerned, the lack of a general policy may prove to be as big a liability

in future as its presence was an asset in the past. Is it perhaps, as Mr Attlee's broadcast only too evidently suggested, that the Government has no clear outline of policy even in its own mind?

In all this the responsibility rests on the Government; but the Opposition has also at least a negative part to play. Hopes that the Conservative Party might arrive at a clear and positive line of economic policy wilted in the hot air of last week's Conference of the National Union of Conservative and Unionist Associations. But Conservatives can at any rate do something to avoid increasing the economic confusion and political suspicion which the shop stewards' manifesto discloses. It does not really help matters when a section of the Conservative Press clamours for the quite unnecessary withdrawal of recent reforms in education or health or social insurance. The worker who is advised that the only way to prevent the recurrence of a coal, electricity and transport crisis is to refrain at all costs from overhauling the coal mines, power supply, or the railways not unnaturally suspects a measure of special pleading. The pre-war difference between British and American standards of productivity was due not only, and probably not nearly as much, to lack of effort by the individual worker, as to defective equipment and defective industrial and commercial organisation; and the worker whose contribution to reconstruction is assessed by the politicians in blood, sweat and tears is sometimes inclined to wonder whether a little more emphasis on the need for good management might not be as much to the point. The Government has been often and rightly criticised for failing to provide genuinely national leadership. But is it so unfair to invite Conservatives to examine their own consciences in this same matter of putting party prejudices first? Volcanic displays of classical eloquence are all very well in their place. But a volcano is an uneasy neighbour in a Council of State; and it is liable to spread more alarm and confusion in the country than the display is worth.

Pakistan

DURING the next few months one of two things must happen in India: either the Congress Party and the Moslem League will reach agreement on the future of the country or else the Viceroy, in accordance with the British Government's recent declaration, must take in hand preparations for separate regional transfers of the remaining legal powers of the British Raj. As such divided transfer will involve problems of the greatest complexity and difficulty, only a short time can now be allowed for Congress-Moslem agreement to be reached before preparations for the alternative course begin; the measures required for the latter can no more be postponed to the eve of the departure date in June of next year than a tenant who has given notice can leave his removal preparations to the day on which he is due to be out of the house. Britain has in no way rid itself of India's problems by the resolve to quit next year, as some people now imagine; on the contrary, unless matters take an unexpectedly favourable turn, the supreme crisis must come before British responsibility ends.

If agreement is reached between Congress and the Moslem League, the solution will be an Indian one and Britain will merely accept it. But if there is no agreement, the decision how to transfer power, to what authorities in what areas, will rest with Britain and the decision will be one of appalling difficulty. It is plainly implied in the Government's statements of policy that, if there is no Congress-Moslem agreement, a Moslem State or States will be recognised as regional legatees of British power; this may sound simple, but the trouble begins

as soon as one asks what are to be the boundaries of these Moslem areas.

Five of the eleven provinces of British India are involved in the Moslem League's separatist projects. Of these, four contain Moslem majorities, while the fifth, Assam, though without a Moslem majority, is drawn in because of its geographical position. The figures of population and Moslem percentages in the five provinces concerned are as follows:—

	Population in millions.	Percentage of Moslems.
Punjab	28	57
Sind	4	70
North-West Frontier	3	91
Bengal	60	54
Assam	10	33

It will be seen that the highest percentages of Moslems, and therefore the most solid popular bases for a Moslem State, are in the relatively little populated provinces of Sind and the Frontier, while in actual numbers the great mass of Moslems is to be found in Bengal (33 millions) and in the Punjab (16 millions), in neither of which provinces does their majority much exceed half of the population. Moreover, the geographical distribution of the Moslems in India means that the Moslem-majority provinces could not in any case form a single state with continuous territory, for between the Punjab and Bengal lie the United Provinces and Bihar with massive Hindu majorities. On the other hand, Assam, though not a Moslem-majority province, lies in a situation of peculiar isolation on the landward side and has access to the sea only through Bengal,

so that it could hardly be separated from Bengal in any grouping of provinces. As a result of these facts the Moslem League claim is really for two distinct Moslem States—one in the north-west roughly equivalent to the basin of the Indus, and the other in the north-east including the Ganges-Brahmaputra delta. The name "Pakistan," often used loosely for the general principle of Moslem separatism, applies strictly only to the first of these conceptions, while the second may be distinguished as "North-east India."

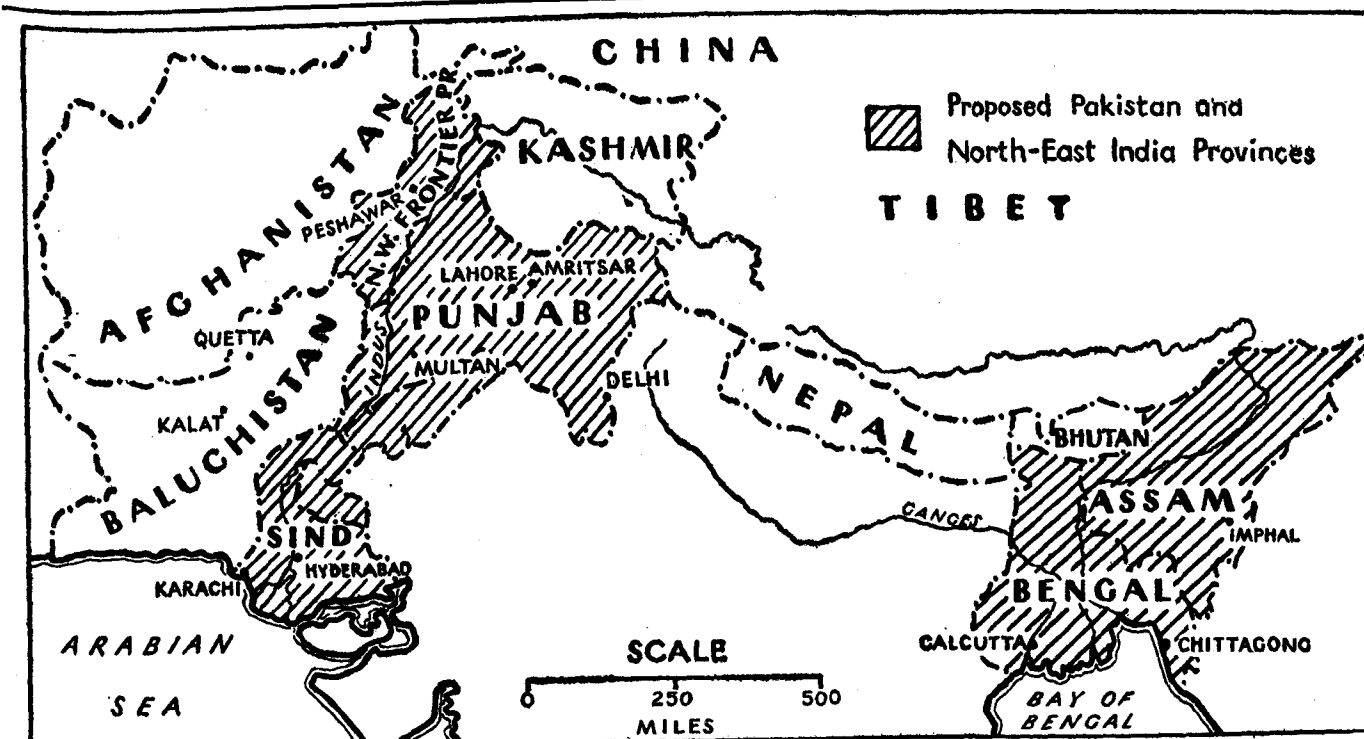
As the Indian provinces are now constituted, the combination of the Punjab, Sind and Frontier would still leave the Moslems with less than a two-thirds majority in the whole territory, while in Bengal and Assam combined the Moslems would count only just over the total population. The Moslem leaders recognise that these majorities are not sufficient to assure the regions a definite Moslem character on a basis of democratic political rights, and even if such rights were in practice denied, the minorities would still be so large as to threaten the stability of the states. It has therefore been proposed to detach from the Punjab the easterly Ambala Division where the Moslems are in a minority; in the rest of the Punjab the Moslem majority is 62.7 per cent, whereas in the Punjab including the Ambala Division it is only 57.1 per cent. The Moslem League also hopes further to raise the Moslem percentage in Pakistan by the ultimate inclusion of Kashmir, where the Moslem majority is 76 per cent, and of the Frontier and Baluchistan States and Tribal Areas, which are almost purely Moslem. In North-east India it is similarly proposed to exclude the Burdwan Division of Western Bengal where the Hindus are in a heavy majority; the Moslem majority in Bengal would then be raised to 65 per cent. Such mutilations of provinces, even if they were sufficient to sort out the communal majorities in a satisfactory way, would involve considerable difficulties of administrative reorganisation. But the detachment of the Ambala and Burdwan Divisions from the hypothetical Moslem States would not touch the crucial questions of assignment of the Lahore-Amritsar area of the central Punjab and of the Calcutta area of Bengal.

In the Punjab the Moslem majority is concentrated in the western part of the province; in the extreme east it declines to a minority, while in the central area the numbers of Moslems and non-Moslems are approximately equal. But this central area contains Lahore and Amritsar, the two principal cities of

the province, and the non-Moslem section of the population includes the main part of the close-knit Sikh community, whose prominence in the Indian Army gives it an importance out of all proportion to its numbers. The attitude of the Sikhs towards Pakistan is similar to that of the Moslems towards a unitary India; they fear Moslem domination, just as the Moslems fear Hindu domination, and they threaten to secede from Pakistan just as the Moslems propose to break away from Congress India. Congress, working in alliance with the Sikhs, has now proposed a division of the Punjab into two parts so as to separate the Moslem-majority area from the rest of the province, and it may be presumed that in any such partition they will demand the exclusion of Lahore and Amritsar from the Moslem share. Amritsar is of paramount importance to the Sikhs, as it is their holy city in addition to being a great commercial centre, and it is hardly possible to draw an international frontier between Lahore and Amritsar, which lie close together in an open plain. But without Lahore and Amritsar Pakistan would be shorn of its most important urban area, and it seems very unlikely that the Moslem League will agree to excluding more than the Ambala Division from the Punjab. From the Sikh point of view, on the other hand, exclusion of the Ambala Division by itself would actually be a disadvantage, for it would reduce the relative strength which the Sikhs have in the province as now constituted.

In Bengal the problem of provincial division is similar. Calcutta, the commercial and industrial metropolis and natural administrative capital of the whole region, is overwhelmingly Hindu in population, together with the whole surrounding district; within a Moslem-controlled North-east India it can only be a discordant element, yet without it North-east India would be condemned to poverty and backwardness and would hardly be viable as a separate state at all. Pakistan proper would at least have the great port of Karachi as its outlet to the sea, whereas a state composed of Eastern Bengal and Assam without Calcutta would only have the secondary port of Chittagong for contact with the outer world.

These are some of the problems which will confront the British Government if it has to carry out the policy of regional transfers. Nor are the difficulties territorial only. There would be the questions of allotment of India's public debt and sterling balance among the legatees, of apportionment of the personnel and liabilities of the various centralised services,



above all of the division of the Indian Army and its equipment. About 30 per cent of the Indian Army is Moslem and this part of it might be re-enlisted by the Moslem States, but the disintegration of the unified defence system of India would be a most dangerous process for all concerned, even if there were no civil war, for Pakistan would inherit India's most vulnerable land frontier and would have to shoulder the main burden of defence with quite inadequate financial resources.

The nearer one gets to the partition of India, the more disastrous it looks. Nobody really wants it. Britain certainly does not, whatever Congress may believe about the diabolical cunning of British imperialism in dividing peoples who would otherwise live in harmony. Nor does even the Moslem League want it except as a last resort. Pakistan was invented by a group of young Indian Moslems in England as recently as 1933, and it was not taken seriously by any Indian politician before 1937; the Moslem delegates putting their case before the Joint Select Committee in 1933 dismissed it as "only a students' scheme." The adoption of territorial separatism as a policy by the Moslem League and the sweeping successes of the League in getting the mass support of Moslems (which

it had not previously had) were direct consequences of the attitude and behaviour of Congress after the elections of 1937. In the provinces where Congress Governments were formed there were various forms of discrimination against the Moslem community which the Moslem element in the Congress membership was unable to prevent, and the fear that Congress ascendancy at the centre would produce similar results for India as a whole led to a rapid spread of the belief that the interests of Moslems would only be safe if they had a territory of their own of which they would be masters without interference. The Moslems are of course a minority, but there are 94 millions of them in India (including the Indian States and Tribal Areas) and a minority more numerous than any European nation outside the Soviet Union cannot be set aside simply by appeal to the democratic principle of majority rule. This has been clearly recognised by the British Government, which has pledged itself to effect a partition of India if there is no other way by Moslem consent. But the prospects of partition are so forbidding that even now no effort should be spared in a final endeavour to persuade the two parties to an agreement which will preserve the federal unity of India.

Misery Loves Company

CRICKET has been reprieved. Last week, when Mr Chuter Ede announced that a ban would be placed on mid-week sport, on football, greyhound racing and some horse-racing fixtures, it was feared that, in the name of equality, cricket, too, would have to go. The Home Secretary has, however, listened to the arguments that the attendances at first-class cricket matches are so small that they do not interfere seriously with production, and has exercised his prerogative of mercy.

In so doing, he has shown an enlightenment that was absent from his colleagues' decisions in the early days of the crisis. In fact the psychology of the crisis has been quite as striking as its economics, and possibly even more complex. That psychology has, moreover, economic effects which make it worth attention in an economic context. Under stress, a number of inarticulate habits of thought and feeling have become at least semi-explicit. One has heard protests against *It*, against *Them*, in which the sins of the Government and the eccentricities of the weather have been confounded in a resentment as ferocious and illogical as that of a baby hitting back at the bad, naughty table on which it has bumped its head. ("This sort of thing didn't happen when Churchill was running the country.") There has not even been lacking the suggestion that freeze-up and flood represent the Divine displeasure with the British electorate for putting in a Labour government; some such sentiment presumably strengthens the consciences of those super-patriots who switch on every piece of electrical apparatus in the house "to help bring the Government down." But the fringe of eighteen-month-old mentalities is nothing new. More striking has been the curious alliance of two strains of feeling appearing at first sight to have little or nothing in common; the defensive, exclusive, dog-in-the-manger restrictionism of the cartel or trade union and the generous spirit of fair play and *noblesse oblige*. It was evidently the latter which moved the editor of the *Tory Forum*, in a paroxysm of self-abnegation, to acclaim the ban on roneoed editions of suppressed periodicals, just as it was unmistakably the former which imposed that ban in the first place; and presumably it was some fantastic amalgam of the two which produced the Himalayan stupidity of the switch-off of hydroelectric power. Possibly one should look deeper into the collective unconscious—if there is such a thing—of the Race, to find the common root of both sentiments; a profound Puri-

tanical conviction that misery is the natural and virtuous state of man and that to minimize misery is thus both a dubiously desirable aim and, in any case, entirely secondary to the more laudable purpose of sharing whatever misery is going amongst as many people as possible.

There are, of course, times when the deliberate and unnecessary sharing of hardship may have a powerful and positive effect. When David took the water of the well of Bethlehem, which his three mighty men had brought through the host of the Philistines, and "poured it out unto the Lord," no one was any the less thirsty, but no doubt everyone fought the better; and no doubt, too, British morale stood up all the more firmly in the blitz because the Londoners could sing,

"With Mr Jones and Mr Brown
The King is still in London Town."

But this homeopathic medicine to morale is not to be dispensed in large doses, and compulsion entirely destroys its effect. Carried to its logical conclusion, the doctrine of equality of sacrifice would lead every punctual traveller on the 8.45, observing through the window the contortions and imprecations of the stragglers on the wrong side of the platform gate, to tumble headlong out again and await in manly fortitude and solidarity the arrival of the 9.15; a proceeding which, for all its moral beauty, would do nothing to ease the transport problem or win the Battle of Production. Given its head at—say—Dunkirk, that doctrine would have left the rescued 350,000 on the beaches to share the sacrifice of the unrescued; the official mind which conceived the ban on windmill generators must have shuddered at the use for large-scale cross-Channel traffic of vessels not merely grossly overloaded but actually unlicensed for the carrying of passengers.

Psychological peculiarities, like economic shortcomings, are most conspicuous in crisis but work just as effectively in "normal" times. The doctrine of equal misery, the conviction that every advantage, whether in production or in enjoyment, is an unfair advantage, the high-minded insistence that, since the wind cannot be tempered to the shorn lamb, all must be shorn alike, is nothing new. Its spirit breathes through hundreds of Trade Union regulations, Trade Association agreements, and Government controls. A beautifully clear instance of its effects, small-scale but typical, could lately be observed in the outburst

of a Surrey master builder with a local government housing contract to fulfil. Having, at one stage of that contract, a surplus of certain workers, he applied for a licence to employ them on private repair work. This licence was refused. In understandable irritation, he publicly informed the council that he was well ahead of his contract, but did not in the circumstances propose to finish the work before the agreed date; the surplus workers could stay on the council job and spin the contract out—and the Council could pay. It is easy to criticise this unpublic-spirited behaviour; but one might almost be grateful for the indiscretion which laid bare its motive springs. For every such piece of ca'canny defiantly made public, how many remain hidden, to manifest themselves only in sluggish production and inflated prices? Where is the sense in efficiency, in the saving of time, material or labour, if any advantage gained thereby is—merely because it is an advantage—regarded as unfair; when enterprise is faced not merely with heavy taxation on its profits, but with prohibitions on its use in the service of the public?

The area over which control in the interests of equal misery exerts its damping effect is wider than the legal scope of any actual regulation. The launching of any new venture, the circumventing by new methods of any difficulty, the harnessing of any freshet in the desert of scarcity, raises in the mind of whoever contemplates it the immediate query: won't some official somewhere think up a good reason for forbidding this? No regulation may actually exist, or be likely to be invoked; but the ever-present possibility blights, like a killing frost, the growing-points of enterprise. It is simpler to sit and suffer, and let the public suffer too; misery loves company, and how beautiful, after all, is Britain's ability to take it.

To make a bonfire of all controls, American fashion, would of course achieve nothing but chaos. Controls are needed until potential inflation has been mastered—an excellent reason, even were there no others, for mastering it as soon as may be. But apart from inflation, some controls must endure for a long

NOTES OF THE WEEK

Middle Game in Moscow

Each Foreign Minister has now made his opening moves in the game to determine the economic future of Germany. The pieces have been moved very much as on previous occasions and there is every prospect of a very complex, stubborn middle game to which observers in Moscow at the moment see no end. But the first exchanges have been hinted at. Mr Molotov, who at Potsdam wanted to restrict German steel production to 3½ million tons a year, seems now willing to accept between 10 and 12 million tons a year. Mr Bevin, no doubt agreeably surprised, has hinted that reparations for the Soviet Union out of current production might be possible after all, once the German economy is balanced and able to repay the external occupation costs and large advances for import payments which the British taxpayer has incurred. Such an exchange between Mr Bevin and Mr Molotov would loosen up the game considerably; but M. Bidault is ready to oppose—very firmly—a higher level of industry unless Germany is bound by treaty to export coal to France. "Why," he says, "take the ore to Germany to make steel; why not bring the coal westward and let others make the steel?" And Mr Marshall has pointed out the dangers of raising industrial production to a level at which adequate reparations from current production could be paid.

But even if French objections were overcome—and Mr Bevin has made it clear that he cannot agree to coal exports fixed by treaty—there would still be a long struggle over the size of the Soviet reparations claim. Mr Molotov has tried to fall back on an alleged Yalta agreement to talk on the basis of 20,000 million dollars spread over ten years. It has been made clear that British judgment on this claim was most emphatically reserved at Yalta, and Mr Bevin pointed out that it would mean £500,000,000 sterling a year, roughly equivalent to Germany's pre-war gross exports. On this basis the British Treasury would

time yet as tools of the social conscience. In Paris, Brussels or Rome five pounds will buy an incomparably better dinner than in London; and wealthy Greeks, Syrians and Egyptians purchase from British ex-millionaires the yachts which their former owners can no longer afford to commission. But the half-crown which will buy a square, if austere, meal in London would hardly buy a cup of coffee in Paris, and the fellaheen of Egypt live much as they have lived since the Bronze Age, on the edge of starvation and in the middle of squalor. There can hardly be any section of British public opinion which really wants economic freedom left to produce its full natural effects in inequality. The question is what price, if any, in total production should be paid for social justice. For the form of justice which is achieved by penalising the fortunate without correspondingly benefiting the unfortunate there is, of course nothing to be said except by economic masochists. But should doubt go no further than this? No other country—certainly not Russia—has placed the reduction of inequality so high on the agenda. Does it stand too high? Bread for all before cake for some is an appealing slogan, but no community has ever contrived to run for long without a little cake—and that, be it repeated, emphatically includes the USSR. One may reasonably weigh progress against the security of a national minimum, but security is meaningless if progress has actually to be reversed in order to attain it. In a hopelessly bankrupt enterprise the holders of debentures and of ordinary shares are equally impoverished. The mass of controls designed to preserve the national minimum from rising prices or from the competing demands of the wealthy, the elaborate structure of priorities, allocations and rationing, threaten to defeat their purpose. It is not much good having a first claim on a national income which is tobogganing down to Balkan levels. If the luxury of putting everyone's conscience at rest, of the ideally equalitarian distribution of misery and blessedness, can only be purchased at the price of a landslide to ever greater misery, it had better, like other and more desirable luxuries, be given a low priority.

never see a penny back. No one doubts that the Soviet claim could be proven; no one believes Germany could pay it or that large reparations from current production have not already been taken from the eastern zone. Will not the proceeds of sales and barter deals arranged at the recent Leipzig Fair eventually reach the Soviet Union?

On the administrative shape to be given to the German economy the opposed arguments are still far apart. Mr Molotov wants the fusion of the British and American Zones cancelled, yet he must know that Mr Bevin does not consent to this even if he wanted to. Mr Bevin rather impishly asked whether the Russians would share the costs of running Germany, "past, present and future." The only hopeful sign here was Mr Molotov's statement that a joint import-export programme for the whole of Germany might be worked out. But M. Bidault will not accept a central German administrative machine to run the economy until frontiers are fixed, that is to say, until the future of the Ruhr and the Saar is fixed. And if he insists on that, the burning question of Germany's eastern frontier must come up. As for the Ruhr, Mr Bevin rejected any special plan for that industrial area unless it were part of a general scheme for controlling German industry, which would of course cover eastern zone industry as well. The general impression at the moment is that certain bargains may be made, but that the general problem of providing Germany with a provisional unified economic regime will be referred to the deputies.

* * *

"Lebensraum" Again

Why exactly M. Bidault raised the problem of Germany's future population density at Moscow this week is not quite clear, but the reminder is salutary and depressing. He pointed out

that economic plans must be based on a figure of 70,000,000, with a density of 196 persons to the square kilometre, against a density in France of 75, in Poland of 62. Mr Bevin suggested a study by the occupying powers of means to redistribute those persons who had returned to Germany from outside, in other words those who had fled westward from the Soviet sphere of influence. Obviously no voluntary movement of Germans between zones will take place until their country is once more unified; and even when that is achieved there can be no certainty of the direction they will choose to take.

This brings up two burning questions: the disposal of displaced persons and the organised emigration of Germans. M. Bidault wanted to see both tackled and pointed out that France would take—is already taking—Germans for settlement and work. Mr Bevin reminded his colleagues that the British Zone was worse off than any, having increased its population of 2,500,000 above the 1939 level. General Marshall unfortunately had no suggestions to make.

Sooner or later that very effective Nazi term *Lebensraum* will appear again in German politics—effective not only in stirring Germans but in creating sympathy abroad. There are few constructive, long-term investigations that would be more worth while than a study of future emigration possibilities for Germans. Their quality as settlers is beyond dispute; the risk that they will revive National Socialism in other countries will only arise if Germany is allowed again to become aggressive and expansionist. In this as in other suggestions he has made at Moscow, M. Bidault has shown how far-seeing and sensible French policy is in the present stage. It cannot remain so if it meets much frustration, and Mr Bevin should bear this in mind.

Postscript to the Debate

There was a time when a debate on manpower in the House of Commons was of first importance. So long as the supply of men and women could be regarded in the same way as the supply of any other essential commodity, and rationed, allocated and distributed where it was most needed, the discussions of manpower policy were able to have reality and a sense of purpose. To-day, when the labour controls have disappeared, the debates have lost

that it came as an anti-climax. If it had been possible for the Government to announce any real policy for distributing manpower to the basic industries, they would have done so last week. As it is, they have no policy, and all that this week's two debates—the House of Lords has debated the Economic White Paper—have done is to underline this melancholy fact. The only real alternative to a policy of labour control would have been a wages policy, initiated before the controls were removed. But the Government has hesitated for so long that there is a danger that a wages policy, if put into effect to-day, might do no more than increase the inflationary pressure. In any case, there is to be no wages policy. On this point, Mr Ness Edwards, who replied for the Government, was quite specific; more so, perhaps, than any Minister has yet been in the House of Commons. The Government is to stand by the existing system: both sides of an industry will settle wages on the basis of

fullest economic information, that will enable it to take decisions which will not militate against the general economy while serving the industry's own interests. Thus each industry is encouraged to go on competing for manpower with its fellows. Mr Ness Edwards's statement is surely the negation of planning.

Town Planning Progress

Mr Silkin has indicated in committee that his powers to prohibit and control outdoor advertisements under the Town and Country Planning Bill will be used with moderation—perhaps too much moderation, in view of the ugly and dismal appearance which the great majority of them present. Even in rural and other places which are to be made “areas of special control,” it would clearly be wrong to prohibit election posters, Government advertisements and the individual signs of traders and craftsmen, while, as the Minister said, “nobody but a fool would wish to interfere with pub signs.” But there is force in the argument that it would be better to lay down a blanket prohibition for such areas and then specify the exemptions. As usual, the Minister's powers, wide as they are, are left by the Bill wholly permissive; there is no knowing what will be done in practice or how often policy will be changed.

Mr Silkin is proceeding in close consultation with the advertising industry. He now envisages that if a satisfactory agreement cannot be reached over the nature of the appeal tribunals that can be set up under the Bill, the Minister himself should become the court of appeal for an aggrieved advertiser. This would be most unsatisfactory. The idea of an appeal tribunal is to break the closed circle of administrative decision and enable the dispute to be examined by disinterested persons of average commonsense. It should not be beyond the Minister's wit to discover such persons and to make use of them in other contexts as well.

An important discussion has also taken place in the Committee on what kind of joint planning committees of local authorities should be permitted. The Minister has shown a healthy distaste for joint committees, together with a sane realisation that even the larger units of local government are often unsuitable for planning purposes. In some areas the problem seems insoluble within the present context of local government. The hundred odd planning authorities in Greater London will be abolished, but in their stead counties like Kent and Essex, which are half rural, half suburban, will be unwieldy partners in efforts to secure the city's orderly development. Yet the difficulties of creating a joint planning authority for the whole London region cannot be easily overcome.

Morte MacArthur

General MacArthur, in a speech to a press conference in Tokyo on March 17th, set about cutting Gordian knots with that strangely inconsistent mixture of toughness and idealism which is characteristic of his personality. He boasted that his military administration had completely demilitarised Japan, and that Japan's capacity for waging war had been “utterly destroyed”; the “mythological feudalistic conceptions” which had led the Japanese to desire to enslave the world had been uprooted, and democracy was in possession, soon to be followed, in the General's opinion, by the spread of Christianity.

On the other hand, said the General, Japan was economically exhausted, and was being “strangled” by blockade; there was no external trade except through “the bottleneck of Allied Headquarters”; soon the Japanese would either die by millions or become a charge on the bounty of the United States. No hint

more could be got out of Japan for reparations. The Allies should therefore make a peace treaty with Japan as soon as possible, withdraw all occupation troops and leave Japanese foreign trade to private enterprise. As Japan was now completely disarmed, it must be “honestly protected” by the Allies, and whatever controls were still necessary after conclusion of the peace treaty should be handled by the United Nations.

This is perhaps the first time that an eminent soldier has publicly described his own headquarters as a bottleneck; but the implied attitude is quite in keeping with a good Republican's belief in the virtues of private business enterprise, and will no doubt earn approving comment from the Grand Old Party. Indeed, General MacArthur's impatience for winding up the occupation of Japan and his insistence that he has already accomplished what he was sent to Japan to do might suggest to a suspicious observer that he is tired of governing Japan and yearns for the political arena of his own country. In his claim that no more reparations can be extracted from Japan, and that there is no point in “removing from Japan what the American taxpayer will have to pay for in two or three years' time,” the General certainly had in mind the deadlock with Russia over Japanese reparations; and his speech is in accord with the tendency of American policy on the matter, though going much further than any previous official pronouncement. But it is on the subject of withdrawal of occupation troops that his opinion is most surprising. Japan by its own recently adopted constitution is not to have any armed forces at all in future, and the strategic problem of the “power vacuum” would exist here in a specially dangerous form if there were no Allied troops in the country. It can well be understood that General MacArthur does not like the idea of being succeeded by anyone in the unique position he has held, but his optimism about the sequel seems in the present condition of the world somewhat naive.

Fission in the Security Council

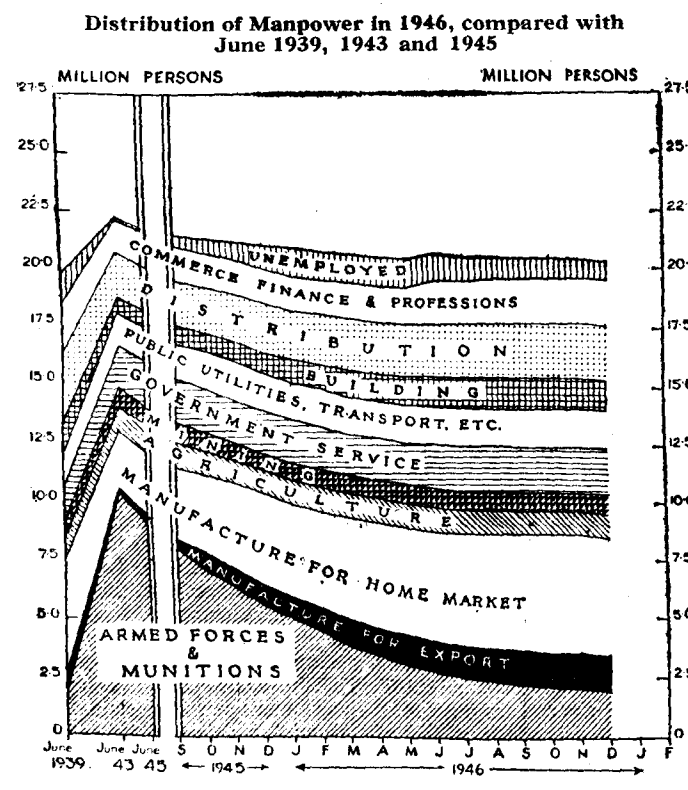
The splitting of an atom produces intense light, too much heat and a discharge of poisonous rays; the splitting of the Security Council produces only gloom and chill without damaging anybody's white corpuscles. Mr Gromyko's rejection of the Atomic Energy Commission's recommended scheme for international inspection in his speech of March 5th did not cause a sensation; it was almost an expected disappointment, and received much less notice in British newspapers than the contemporary snowstorms and Shinwelleries. Formally it left matters just where they were; the whole business has been referred back to the Commission to report again by the autumn. But in reality, the situation does not stay as it is; it develops rapidly. The American move to bolster up Greece and Turkey, with its open challenge to the extension of the Russian orbit, followed almost immediately on, and in part as a consequence of, the deadlock over the atomic energy negotiations. For, if there is no agreement which can give the nations security against the new weapon, the Great Powers must look to their strategic positions and make sure of their alliances, whatever the cost to the publicity of peace. The United States continues to make atomic bombs; Russia may be making them by now; everybody is playing with rockets. With each month that passes without agreement on the international control of atomic energy, the armaments race gains momentum. Mr Gromyko's argument was that the proposed scheme would be a violation of national sovereignty, and would place the deve-

lopment of Russia's industrial life in charge of an agency on which the majority of delegates would not be well disposed towards the Soviet peoples. On the assumption that the world is permanently divided into two mutually hostile ideological camps and that one of them is in a permanent minority among the nations, Mr Gromyko's reasoning is no doubt cogent; international control of atomic energy by majority decision might be used by the capitalist world as a means of domination over the Soviet Union and its satellites. But need there be any question of domination in an inspection which is directed only to seeing that an agreement for prohibition of atomic weapons is carried out? What mankind wants is that no atomic bombs should be made. This requires inspection, and the inspection would have to go far enough to ensure that atomic material released for industrial use was not diverted to the manufacture of bombs. The original Lilienthal Report held out the hope that, by the device of “denaturing,” this security could be given without an apparatus of inspection of industry so detailed that it could be used as an instrument of pressure on general economic policy. What has happened to this suggestion, which has been lost from view? Inspection by itself raises all kinds of difficulties, but the issue would have been much clearer if the Americans had not mixed it up in their proposals with the idea of a sort of international TVA. It is to be hoped that the Atomic Energy Commission in its second thoughts will confine itself to the absolute minimum necessary for the outlawry of the atomic bomb.

Parliamentary Procedure

The Government has this week announced its views on the third report of the Select Committee on Parliamentary Procedure, whose main recommendations were summarised in *The Economist* of November 16, 1946, page 782. In brief, the Select Committee attempted to devise a procedure which would enable Parliament to deal with an ever-increasing amount of legislation and at the same time exercise more efficiently its other functions—control of policy and administration and control of taxation and expenditure.

Except on the comparatively minor proposals such as the reorganisation of supply procedure, the Government has, however, turned down the Select Committee's recommendations. It has done more than this; it is to ask the House to agree to three of its own proposals for reform which the Select Committee had examined and rejected. A full explanation of its decisions will presumably be given when the matter is debated later this session. But, inevitably, the impression given by this week's announcement is that the Government is reluctant to agree to any procedure which might interfere with the hasty progress of Government business, and that its chief concern in the reform of procedure is the removal of all existing obstacles in its way. Thus, in spite of the Select Committee's objections, the Government will propose that the consideration of a Bill should be further regimented by the establishment of a special committee with the function of sub-dividing the time allocated to the committee stage of a Bill. Again, the Select Committee pronounced strongly against the Government's suggestion that there should be no debate on the Report stage of the Budget Resolutions, because, for one thing, such a suggestion would curtail the opportunities of members to speak in one of the most important debates in the year and, for another, only fifteen days in the



most of their former effectiveness. It is utterly meaningless to talk of distributing manpower where it is most needed when there is no means of carrying it out. Hence, discussion wanders aimlessly over a range of expedients in order to attract a few thousand workers here and squeeze out a few hundreds there.

If this week's debate on manpower seemed more ineffective than most, it was because it followed so soon after the economic debate



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ASSURANCE: INCORPORATED IN 1720

whole session are devoted to the control of taxation. Yet the Government is to persist with its proposal.

Its reasons for turning down the Select Committee's proposals seem no less arbitrary. It may well be that the proposed Public Expenditure Committee—an amalgamation of the Public Accounts Committee and the Select Committee on the Estimates—would be no more efficient than its parents in watching the public purse. Yet in evidence before the Select Committee, the Government's representatives seemed opposed to the idea because it might be too efficient, would make Whitehall too nervy and dithery—in Mr Morrison's words—and interfere with the smooth running of administration.

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Most important, however, to the general public is the Government's refusal to agree to the proposed inquiry by both Houses into delegated legislation. Its reason is that an inquiry would be premature so long as such legislation is still influenced by war-time powers and before experience has been gained of last year's Statutory Instruments Act. But the objection is not to war-time powers. The point is that each new item of peacetime legislation is nothing but an enabling measure which leaves important gaps to be filled in by Whitehall after the Royal Assent has been given. If modern constitutional history is a struggle between Westminster and Whitehall, the Government's rebuff to the Select Committee is a defeat for Westminster.

* * *

One Swallow ?

Mr Barnes announced on Friday to the Standing Committee which is dealing with the Transport Bill that the Government did not propose to proceed with the clauses of the Bill that would have limited the "C" licence-holder (that is, the trader carrying only his own goods in his own motor vehicles) to a radius of 40 miles from his headquarters. This may, of course, be no more than a tactical retreat in the face of what the Minister called "increasing and growing anxiety"—a concession made, unwillingly enough, to a public opinion which the Government does not want to antagonise too far. Even if this were all, it would be a welcome and valuable amendment to a highly imperfect Bill. Apart from the gain in convenience to the traders holding "C" licences, who could not expect to find in even the best-run Government service the same flexibility and fitness to their individual needs as in a service run by themselves, the nationalised road haulage system itself is, by this deletion, given a better chance, on balance, of becoming efficient. It is true that it will now lose a large volume of traffic that would have contributed to its overheads. But there is a substantial compensation for this. The most enlightened monopoly, commanding the services of the best possible brains, using the best possible accounting system, and seraphically free from any taint of restrictionism, whether in the interests of profit or of the mental comfort of its governing hierarchy, is handicapped in its quest for efficiency by the lack of the external objective test that competition provides. In a perfectly integrated planned economy the handicap may not (according to rather rarefied theory) be fatal; but short of that theoretically perfect integration, how very much simpler to leave a pacemaker in the field—particularly when the abolition of that pacemaker, in this case, the absorption of the "C" licence business into the Government monopoly, would itself put a heavy strain on the monopoly's administrative efficiency.

But welcome in itself as is the emancipation of the "C" licence holder, it would be still more so if it indicated—as it may do—not merely a sense of tactical expediency but a real change of direction within the Government. It may not, if this interpretation is correct, be the last such change. Not merely the "C" licence provisions of the Bill, but the Bill itself—at all events in its present form and with its present time-schedule—causes "increasing and growing anxiety" to industry and commerce. Postponement of the vesting date, or even temporary shelving of the Bill pending an objective enquiry, might not be impossible. For its own sake, the overburdened Government may come to desire the former, and a long-run supra-partisan view of the national interest—aided possibly in due time by a little pressure from the House of Lords—could achieve the latter. One swallow does not make a summer. But one can always hope.

* * *

Gloom Marches on

Beer and Bible have won another famous victory. In the House of Lords on Tuesday the Government, after very properly rejecting an amendment to cut the right to apply for a licence out of the Civic Restaurants Bill altogether, surrendered half the

principle by agreeing that drinks should only be served with meals; and, further, that no licence should be granted to a restaurant attached to or used for the purposes of any church or chapel. The Chestertonian thunderbolts are no longer at hand to blast the heathen; but it is necessary, even in these days of gloom, to saddle the Church of G.K.C. with the prejudices of Little Bethel? In days long past it was the Englishman's boast that he left his neighbour alone; and the great quality of British democracy lay precisely in this, that a man was free to follow his own inclinations without fear of the imposition of an unwanted way of life. To-day, when the public inspector has become an even greater menace to freedom than the Puritan, is it too much to ask the temperance interests, not to touch the hated liquid themselves, but at least to leave one remaining avenue open to free choice and enjoyment? And has it never occurred to them that the unholy alliance of dry Christianity with brewing and catering interests and enemies of municipal reform may be even more unedifying to the general public than the sight of a glass of beer on a British Restaurant table?

There are in any case plenty of more mundane reasons why the Government's decision is regrettable. Civic restaurants have in some areas been establishing themselves as badly-needed social centres and meeting-places. Above all, they have begun to provide a form of family centre which, precisely because it catered for the family as a whole, was a definite counter-attraction to the type of public house which gives the temperance case its strongest arguments. The new clause will not prevent further development on these lines; but it will certainly not assist it. And why, in the name of Heaven, is it necessary to greet the bread shortage with legislation to promote the compulsory consumption of unwanted sandwiches?

* * *

No Bouquets for Egypt

Arab League communiques always convey an atmosphere of brotherly harmony. They are a true reflection, therefore, of the League's attitude to Palestine. But they become a mere gloss when they aim to conceal internal rifts such as that which is splitting the League's present committee deliberations about Egypt's attitude to the Sudan. Iraq, Syria, the Lebanon and Transjordan all came to independence with international blessing. They feel that if they endorse Nokrashy Pasha's claim that the Sudan shall be permanently hitched to Egypt they will be denying to the Sudanese right; that they themselves secured and prize. They also recognise (which many Egyptians do not) that there is a spontaneous independence movement in the Sudan and that here is a potential new League member. King Ibn Saud has therefore privately protested to King Farouk about Egypt's rigid attitude. Syria and the Lebanon have publicly offered to act as mediators in renewed negotiations with Britain. The gist of their comment is that if Egypt insists on carrying matters to Uno, it must think up a case that they can support; but they advise against this course because, on a long view, Egypt—and with it the Middle East—is likely to get less interference, and therefore a better bargain, from the British than from elsewhere.

This argument places King Farouk and Nokrashy Pasha in a difficulty. Their trouble is that they cannot take a long view because their hearts are set on keeping the Wafd (which boycotted the last elections) out of Parliament and office. They won a temporary respite from its pressure when they created a wave of popular fervour by announcing that they would appeal to Uno. Now they are in a quandary about what to say. Their indecision is reflected in the King's smooth acceptance of the new British nominee, Sir Robert Howe, as Governor-General of the Sudan.

If they are obliged, for lack of support, to abandon their claim to permanent sovereignty over the Sudan, their case against Great Britain becomes thin, because virtually identical with proposals already tabled by the British Government. The British Army is ready to go on terms to which they have agreed; their Nile waters are safeguarded by international agreement; their claim to greater representation in the Sudan administration encounters the snag that they are pledged to its Sudanisation, and that this is progressing apace. Eighty per cent of the civil service is already Sudanese. There are to-day 104 Sudanese in the top grade of the administration compared with 91 last year and 71 in 1945. And the process will be greatly accelerated if, as seems likely, the new constitution prepared by last year's Administration Conference, and providing for an elected Sudanese Legislative Assembly, comes into force this summer.

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Undoubtedly, Egypt's strongest course now would be to forgo the claim to a "permanent" link—which neither Britain nor Una

nor, it seems, even their fellow-Arabs will concede. At the same time, it could suggest that, pending the day when the Sudanese decide whether to link with Egypt or no, a truer condominium should operate with an administration increasingly Sudanese but responsible to a joint Anglo-Egyptian body. But the act would involve a sacrifice of some of the catchy slogans that are so useful in home politics. In view of Wafd strength, no politician can afford to take such an initiative. The only person possessed of sufficient popularity to take the plunge is the King.

* * *

The Jews and the Terrorists

The essential problem facing all responsible persons in Palestine is how to secure the collaboration of Jew with Briton in putting an end to public insecurity. Neither party can do the job single-handed. Hagana pickets, for instance, have not been able to protect Jewish individuals against robbery with violence by needy terrorists, or Jewish school teachers against unwelcome visits from Irgun intruders who incite their pupils to do and dare. Similarly, British martial law and curfews, operated in isolation, have not curbed the attacks. Indeed, they have temporarily simplified the attackers' task, since the Jew crouching behind the oulvert can be sure that the approaching vehicle is military and a desirable target. Yet there are some signs that the two contributions to the same end are bringing the Jews to realise that they must help or they will be the worst sufferers.

The Jewish Agency, handling the matter at its current meeting in Jerusalem, has not gone so far as to offer to help the authorities, but it has said that it will not impede Jews from doing so. Naturally it takes the line that appeasement—alias a return to a generous immigration quota—would cause all Jews to act faster and more firmly. But this argument leaves out of account the fact that the terrorists have no fixed price for stopping, and tend to raise their bid with every concession.

The British authorities, for their part, give the impression that the inconveniences created by martial law in Tel Aviv and its area, and in one quarter of Jerusalem, have produced a little of the help they need with promise of more to follow. The reason why they are probably right is that the pocket of the Jewish community has been gravely hit by a fortnight's forced inactivity. Martial law directly affected one quarter of the Jewish population and cost the Jewish community £1,000,000 a day. This loss falls heavily not only upon private businesses but on the great public concerns—the co-operatives like *Tnuva* and the contracting companies, of which the biggest is *Solel Boneh*, which are directly affiliated to the General Federation of Labour (*Histadruth*). The *Histadruth* is, on account of its connection with such concerns, not an ordinary TUC. It is so closely related to the Agency that it will be bound by that body's decision not to give its help, as an organisation, to the authorities; but there is reason to think that it will—in the interest of its related industrial and commercial undertakings—encourage its members to be co-operative.

* * *

Talking Turkey

The Minister of Food's tour in Canada and the United States has resulted in a promise of American aid to build up wheat stocks in time for next winter, and the purchase of enough American beef to ensure the maintenance of the current meat rations, as well as of a few thousand turkeys. It is hoped that Britain will obtain 100,000 tons of wheat a month, or double the amount received on the last American allocation. The details of the discussions and agreements remain a close secret since, as usual, "it would be contrary to the national interest to publish them." Is there any real case for the continuance of this secrecy? If the conditions of the bargain cannot be disclosed for the sake of national interests, it clearly implies that one side has been forced to make a greater sacrifice; and past experience leaves very little doubt about which. If by a miracle it should not be Britain, cries of alarm would already be audible from the well-informed lobbyists of Washington.

But this is only part of a broader issue. State trading may in certain circumstances be efficient; its main disadvantage is that the absence of competition leaves no incentive or guarantee for efficiency. The only check existing is constructive and informed criticism both inside and outside Parliament. But the critics must be in possession of all information, including the stock position. Ever since the end of hostilities the Minister of Food has maintained that the disclosure of stocks would put Great Britain at a disadvantage in bargaining with other countries. Time has proved this argument to be specious. What country has not forced Britain to the limit, with perhaps the exception of the

Dominions, who undoubtedly are told of our position? In any case, stocks of some foodstuffs can be estimated from the data already published. The question of the purchase of turkeys is yet another case in point. Even though they could be acquired at a price which would not make them a luxury, surely Mr Strachey would not wantonly waste dollars on the purchase of a few thousand tons of poultry? Their disposal will present quite considerable administrative difficulties, even though they are destined for catering establishments. Is the answer that the United States have imposed a condition of sale—"you may buy beef so long as you also purchase our surplus turkeys"? If this is the case, the facts should be brought to the public notice immediately.

* * *

Food Horoscope—Official

Few subjects are more interesting or more speculative than the potential contribution which British agriculture might make to the saving of foreign exchange. The Government has now been so bold as to contribute its own informed guess—it cannot be put higher—on this subject.* Unfortunately, the survey on which it is based was made as long ago as the winter of 1944-45, so that the fairly optimistic forecast for 1947-48 has already been robbed of reality. But the long-term prospects are the important thing, and reality can be restored to the forecast for 1950-51, which is taken by the survey to mark the restoration of fairly normal conditions, by projecting the date a few years onwards. More unsatisfactory, though scarcely surprising in a document originally intended for internal circulation is the attenuated character of the White Paper's argument; no competent private survey would put down so many figures with so little explanation.

The Government's estimates are made in terms of pre-war prices. It concludes that the net output of British agriculture could be raised (presumably now by 1955 instead of 1950-51) to £318 million, which is about £40 million higher than in 1944-45 and £80 million higher than before the war. The bulk of the increase over pre-war would be concentrated on livestock products; a rise of 50 per cent in pigs and poultry, 25 per cent in milk output, 12½ per cent in beef cattle and 7 per cent in sheep is thought to be possible. It is assumed that imports of feeding-stuffs will be at the same level as before the war. But surely the aim should be to make them a good deal higher, since their conversion into animal products in this country can save about 60 per cent of the cost of purchasing such products overseas? The Government considers that the additional output could be secured with roughly the present labour force, but would require new capital investment of the order of £250 million (from where, incidentally, is the capital to come?). Other highly pertinent questions that need to be answered concern the effect of increased output on average farming costs and the prices or other inducements needed to call forth the increased output.

Theoretically, then, £80 million of foreign exchange might eventually be deducted from the pre-war cost of food imports. But food consumption will not remain static. The Ministry of Food, in its part of the survey, tentatively budgets for liquid milk and vegetable consumption to be some 50 per cent higher than before the war, together with a very modest increase in the consumption of meat, bacon, and milk products. This would reduce the saving of foreign exchange to virtually nil. On the assumptions the Ministry posits—that full employment and social insurance policies will be implemented and that food will be kept relatively cheap—food consumption may well rise much higher than this. The Government's forecast thus raises policy issues of the first importance. It should help to end glib talk about Britain's capacity to grow her own food; it underlines the fact that steps to boost exports and to raise the productivity of British agriculture are complementary and equally urgent; and it suggests that it may well prove impossible to keep food very cheap (thus stimulating demand at the taxpayer's expense) without a permanent continuation of rationing. Although any such intention is firmly disclaimed, it is pointed out that the maintenance of rations at the 1944 level, in conjunction with the expansion of British agriculture, might mean a saving of £116 million (again at pre-war prices) on food imports.

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The Wheat Conference

The International Wheat Conference which met in London this week has before it a draft memorandum prepared in January by the International Wheat Council, bearing the imprint of the food proposals put out early this year by the Food and

* Post-War Contribution of British Agriculture to the Saving of Foreign Exchange. Cmd. 7072. 2d.

Agriculture Organisation. The wheat memorandum now under discussion contains in concrete form all the dangers to a large commercial food-importing nation such as Britain which were implicit in the FAO proposals, together with a few new dangers of its own. The first step in the proposed agreement would be the fixing of maximum and minimum world prices of wheat. This proposal is not bad in itself, although the difficulty of securing prices which are fair without being artificially high, has already been illustrated by the failure to get agreement on wheat prices to rule for the first four-year or five-year period. The majority of governments favour an initial range of 125 to 155 Canadian cents per bushel, although several exporting nations want the maximum to be as high as 180 cents. In any event, the range will be wide and 125 cents is a rather high minimum; the minimum price in the Canadian contract will fall to 100 cents in three years' time.

But the real dangers to Britain lie in the subsequent steps. The dangerous device is adopted of allocating among the main exporting nations export quotas, which may not be exceeded without subsequent heavy penalties. When, however, an exporting nation has completed its quota and piled up its permitted maximum of stocks, it may export its surplus wheat at specially low prices to needy nations for nutritional schemes approved by FAO. The assurance that these special sales will not operate to keep up the price of normal commercial exports has clearly been received with an outside pinch of salt.

At the same time, importing nations are put under several obligations. They are required to hold stocks in order to help buttress the agreed range of prices, although they may draw on their stocks if the world price rises within 5 per cent of its ceiling. They can revise upwards, but not downwards, their agreed basic import requirements. They may on no account go on importing from a nation which has exceeded its export quota, unless, presumably they are able to class themselves as "needy nations." They are given equal representation with exporting nations on the Executive Committee of the proposed International Wheat Council, but the advantage of this is rather diminished so far as Britain is concerned by the proviso that no nation may have more than one seat or one vote.

These proposals might seriously upset Britain's long-term wheat contract with Canada and might amount to a permanent acceptance

of unnecessarily high wheat prices. Coming in the same week as the Government's forecast of a permanent need for very large imports of foodstuffs, especially—incidentally—cereal imports, they make strange and gloomy reading as the basis of discussions which have been proposed and blessed by the United Kingdom Government.

Shorter Notes

In the Civil Estimates for 1947-48 the anticipated trading deficit of the Ministry of Food is put at £313 million, which compares with a final figure of £281 million for the year just ending. It seems more than likely that this figure will be revised, probably in an upward direction, during the course of the year. So far as individual items are concerned, the loss on cereals and cereal feeding stuffs (a £100 million deficit) is expected to be almost doubled, and milk products will be more costly; but the loss on eggs and egg products, owing partly to reduced supplies, is likely to diminish.

More than ten billion dollars will be needed this year for relief and reconstruction in twelve devastated countries. The Economic and Social Council had this figure before it when it decided earlier this month to form the Economic Commission of Europe. It was estimated that 6,840 million dollars could be got from the foreign-exchange and other resources of the needy countries, leaving a deficit of nearly 3,500 million dollars. It was pointed out that the International Bank could lend no more than about three-quarters of a billion dollars and, under its various rules, could not assume more than a fraction of the burden. Several hundred million dollars in gold might be available from German external assets and the return of loot; conversion of other German assets would be unlikely this year. Whatever the undevastated nations may offer in the way of relief grants and credits will still leave a colossal deficit. No one knows how it is to be met and the figures for Asia and the Far East are not yet ready. The countries affected are Belgium-Luxemburg, Czechoslovakia, Ethiopia, France, Greece, Netherlands, Poland, Yugoslavia, Austria, Finland, Hungary and Italy.

Letters to the Editor

Development or Welfare?

SIR—Your article in your issue of March 15th draws attention to the need for a far greater investment of capital in the Colonies than is contemplated in the ten year plans. You suggest that it is probably "more than a coincidence" that public corporations are now being formed to carry out development projects in the Colonies, over and above the 10-year plans under the Development and Welfare Act. It seems to me that, not only should it be "more than a coincidence" that public corporations and development and welfare plans run side by side, but it should be a matter of deliberate and proclaimed policy that these two methods of financing development are complementary to each other and need to be pursued with equal vigour. The Development and Welfare funds are too small to make any real impact on the low level of colonial productivity. All they can do is to help, together with local taxes and loans, to provide a framework of public utilities and social services on which economic enterprise must build.

Any general discussion of how much of this development and welfare money goes to "development" and how much to "welfare" seems to me both fruitless and irrelevant. All this money should be devoted to providing the general foundations of a decent economy, and individual circumstances will decide how much goes to social services, how much to roads, irrigation or agriculture. But the real economic enterprise must draw from entirely other sources. It needs scores of millions of pounds and entirely different techniques (such as the groundnuts scheme). This is where the public corporation comes in. The Treasury may not have sufficient money to finance a dozen groundnuts schemes, but money may be available through banks and the ordinary money market, or through the semi-public industrial finance corporations in this country, for colonial investment.

One is never told that the difficulty lies in a lack of investment money, either here or in the Colonies, but there appears to be inadequate machinery for channelling it in the right directions under some form of public control. At all events the possibilities of raising capital for investment in enterprise should be kept

distinct from the development and welfare planning, and should be recognised to be of at least as much importance. We are frittering away opportunities by thinking only of development and welfare and arguing how these relatively small sums should be divided, when the crux of the matter is that huge investments are needed over and above anything that may be done by the development and welfare plans.—Yours faithfully,

RITA HINDEN

Fabian Colonial Bureau, 11 Dartmouth Street, S.W.1

The Coal Target

SIR—Now that power has been restored to the factories and the immediate fuel and power crisis is over, we feel that consideration of some of the technical factors involved may help in developing plans to avoid even more severe power cuts next winter and in succeeding winters.

In this country, we depend on coal for power production. We have no native oil as an alternative fuel and there are not very many opportunities for using water-power. Nevertheless, we believe it is more important that some power stations, particularly those near oil refineries, should be fitted with the necessary equipment to make possible a switch-over to oil fuel during an acute crisis such as that we have just passed through. The necessary equipment is inexpensive and could be made available rapidly. More important is that we should make full use of those resources of water power that we do possess; the Severn Barrage would save nearly a million tons of coal a year and hydro-electric schemes in the Highlands could save as much more.

But even if such schemes are carried out coal will still be the main basis for production of power. The factors involved in increasing coal output are now well known. The miners are setting an example to the nation in the way they are contributing to increased output, but even if all interests follow their example and provide the mining industry with all it needs, an increase in output of 5 per cent, or thereabouts, is all we can hope to achieve in 1947. A much greater contribution can be made towards balancing power production against power needs by greater

efficiency of coal utilisation. On an average in this country, we only use 20 per cent of the energy available in the coal we burn, the other 80 per cent is wasted. While it is not practicable to achieve a 100 per cent efficiency of utilisation, we believe that an efficiency of 40 per cent could be reached; this has been done in Germany. Both industrial and domestic consumers can help. The main technical steps that would be involved are:—

(i) Increasing the average of steam-raising efficiency in industry to the level of the best firms. This would mean providing old-fashioned hand-stoked boilers with the much more efficient automatic stoking equipment, small firms being provided with credits where necessary. Farmers can now be dispossessed for bad husbandry; we believe a salutary effect would be achieved by penalising failure to reach certain minimum standards of fuel utilisation in industry.

(ii) The domestic open coal fire must be replaced by stoves burning processed coal (coke, coalite or gas) whatever sentimental sacrifices are involved. All housing estates should be fitted with such stoves, or, better still, district heating schemes should be developed using where possible waste heat from power stations.

Technical improvements such as these cannot be carried out without detailed planning and allocation of priorities by the Government; this is what is now needed.—Yours faithfully,

15 Half Moon St., London, W.1

F. B. COPE,

Hon. Sec., London Area Committee of Association of Scientific Workers

The Case for Deflation

SIR—I fear my letter of last week failed to convey my meaning, for you comment that "the total of personal money incomes greatly exceeds the supply of goods."

My contention is that the total of incomes is *always equal to* the output of goods.

That there are "transfer" incomes which are paid for by no current services, such as the national debt, old age pensions or charitable or family gifts, does not affect the principle. The exclusion of transfer incomes from calculations of the national income is well recognised by statisticians and economists (for example in the annual White Paper which accompanies the Budget). They are best treated as portions of the taxpayers' or donors' incomes delegated to the recipients. If that is understood, all incomes are derived from production and all production generates incomes. The incomes and the production are two different aspects of the same quantity. Inflation occurs when expenditure exceeds incomes; demand then exceeds output, and prices are driven up. Incomes are increased, but are still equal to output at the higher price level.

The excess demand is made possible because people can supplement their incomes by drawing on balances. Inflationary Government finance cannot cause a disparity between incomes and production, but, by creating money out of nothing, it adds so much to the balances to be drawn on.

The misconception which I am seeking to remove is dangerous because it suggests that the problem to be solved is a matter of the hundreds of millions of current deficit, not of the thousands of millions of redundant money. The new money created merges in the existing stock. An ordinary budget surplus would make little impression on so vast a total.—Yours faithfully,

R. G. HAWTREY

29 Argyll Road, London, W.8

[It is now a commonplace of economic theory that the total of all incomes must equal the value of output. But Mr Hawtreys would surely not deny that the total of personal incomes can exceed the value of output. Suppose the State prints some additional currency and hands it over to its employees. Personal incomes have gone up, without any increase in things to spend them on. Total incomes have not, because the increase in personal incomes is offset by the deficit ("dis-income") of the State. Mr Hawtreys is talking about total incomes; we were talking about personal incomes, and we persist in the beliefs (a) that an excess of personal incomes is dangerous; (b) that the danger is not merely potential, like the (admitted) danger of spending of past hoards, but actual; and (c) that it can be corrected by fiscal policy.—EDITOR.]

Census of Distribution

SIR—As an economic statistician, I wish to place on record my deep regret that the Government have now decided, after the postponement of the Census of Distribution, to postpone the taking of a Census of Production until 1949. As a Census of Population will not be taken until 1951, and as the analysis of all these Censuses takes considerable time, it will be not until

well in the 1950's that we shall obtain an overall picture of the British economy.

In recent years many of us started empirical investigations into the structure, productivity, inter-relations, prices and costs of British industry, with the general aim of arriving at practical conclusions which would help in the advance of British industry and the raising of our standard of living. In these investigations data for the 1930's were used, in the hope that in due course up-to-date and more comprehensive statistics might be substituted. These hopes now vanish one by one. To mention one example, one cannot at the present say anything about the overall productivity of British industry compared with a pre-war date, and it is shocking to realise that this position could not be remedied before 1950.

One would have imagined that the crises through which British industry is passing, and the Government's alleged intention of planning production, would have made the taking of a Census of Production more imperative than ever before. One would also have imagined that our acute shortage of manpower, and the virtual lack of knowledge about the efficiency of distribution, would have made the taking of a Census of Distribution equally imperative. In fact, the Government will have no information on which an overall and consistent economic policy could be based until it might be too late to apply such a policy.—Yours faithfully,

T. BARNA

Houghton Street, Aldwych, London, W.C.2

Design in Industry

SIR—It is not only in the motor industry that producers must study appearance. From time immemorial the eye has played an important part in assessing qualities, and it will continue to do so. If the eye is not pleased how often no further interest is taken.

In days when Britain was the major industrial producer and machines were more crude, low prices were in themselves sufficient to ensure large markets and quality of design was not of major importance in securing sales. This situation has now been reversed. Each of the two great wars has converted importing countries to producers. Each new country so converted installs the newest machines it can buy. Each hopes to break into the export market. Most of them pay considerable attention to design to increase their chances.

The United States is design-conscious. Her great producers employ design specialists to work with technical experts as a team to satisfy the eye and hand of the consumer, through form, materials and their proper use, fitness for purpose and ease in handling, seeking to build up goodwill through pride in possession. We may not always like what they do, but it is folly to ignore and even decry methods adopted by our chief competitors which have proved successful, and still more foolish if we wish to sell more of our goods in the American market.—Yours faithfully,

The Studio Limited,

F. A. MERCER

66 Chandos Place, Strand, London, W.C.2

From The Economist of 1847

March 20, 1847

In proportion as the State charges itself with the duties of individuals, it exonerates them from the performance of their duties. If it should educate their offspring, it should also clothe and feed them. To some extent this is done, and to a larger extent it is proposed. The consequence, however, must be to reduce the bulk of the people to be mere tax-paying automatons, without any of the motives for good behaviour which nature has implanted in parents. It substitutes the State for the order of Nature. Now, as the State comes in the end to mean the one only mind which conceives the law, and the one or two persons only who carry it into execution, this contrivance really, in the end, substitutes the skill and wisdom of one or a few for the skill and wisdom of the many. But it is clear that the skill and wisdom of the few never can equal the skill and wisdom of the whole, of which they form a part. This contrivance, then, necessarily substitutes comparative ignorance for wisdom. It destroys in the many natural motives for exertion, and makes them the slaves of a system devised and carried out by a few. It never can be beneficial to substitute the State for the many parents, and not beneficial, therefore, to regulate education by public authority, instead of leaving it to individuals.

Books and Publications

Stalin—The Bad Neighbour

"The Great Globe Itself." William C. Bullitt. Macmillan and Company, Ltd. 259 pages. 8s. 6d.

MR BULLITT minces words so little in his analysis of Soviet policy that even its bitterest critics may find some of the argument hard to digest. There are 180 pages of indictment and recommendation and 70 pages of appendices. Of these appendices the first gives a list of Soviet violations of international treaties and assurances, placed side by side with charges preferred against the German war criminals at Nuremberg—the number of charges coming to 28. The second gives a series of extracts from the New York *Daily Worker* showing that paper's efforts to keep in line with changes of policy in Moscow between 1939 and 1945. These, though amusing, can be ignored and attention concentrated on the main argument, which is clearly, vigorously and fairly put.

What do people, in fact, fear in this post-war world? asks the author; the answer is given in one sentence: "The only totalitarian imperialism that threatens war in the world to-day is the Soviet Union." Part of the blame for this state of affairs is laid on President Roosevelt who, it is argued, should have got from Stalin as the price of American help assurances that no European nation should lose its independence as a result of the war, and should have laid during the war the foundations of the federation of independent democratic states in Europe proposed by Mr. Churchill. During the Teheran negotiations, it appears, President Roosevelt gave "a seminar" for Stalin's benefit, on the good neighbour policy, in the course of which Stalin gave a sweeping declaration of his desire to conciliate his neighbours in Europe. But when it came to Yalta, Mr Churchill was left alone to fight against the Soviet demand for a slice of Eastern Poland and the redrawing of the Western frontier of Poland. The opportunity then missed Mr Bullitt wants to see recreated. Force must be used to give moral ideas time to grow; in other words, the United States must state what are the tolerable limits of Soviet expansion and organise an intra-European League to preserve them.

Its purpose would be defensive; Mr Bullitt rejects outright as immoral the idea of a preventive war. Within the framework of the United Nations he would create an association of Western independent states bound together by ideology and economic interest, supported in the final ordeal by President Roosevelt's "Atlantic Doctrine." Like Wilson, he puts his ideas into 14 points, some of which overlap. The principal one are: support Uno, but recognise that it is still not a security organisation; treat the Soviet Union as a totalitarian dictatorship—but with scrupulous fairness and correctness—and give the American public more facts about its activities in Europe; maintain superiority in the air and make more atomic bombs; refuse to give atomic secrets or economic assistance until the Soviet Government gives up the Communist creed of world conquest; start conversations for a European federation of democratic states and give Congress facts to justify American support.

As part of his case Mr Bullitt gives a sketch of Russian history, which amounts to saying that the Soviet way of life and government springs directly from Russian historical experience; but this approach appears to justify the very "appeasement" of which he accuses Mr Roosevelt. Much more cogent is his analysis of Soviet foreign policy since 1917, with its six fundamental changes of direction in 30 years, and his account of the weakness of post-war Europe. He finds the mainspring of Soviet policy in the fact that Moscow is the headquarters of an international faith which, according to Lenin, cannot live side by side with other faiths. He can find no need of space, of raw materials, of trading opportunities, or security which will justify Stalin's behaviour. He does not discuss the possibility that the Soviet rulers genuinely fear an American—and British—attempts to subvert the Russian people from their allegiance to the way of life and work to which Lenin's successors are pledged, nor that Washington and London may look from Moscow like headquarters of a rival international organisation.

What is most disappointing about the book is its failure to provide, from Mr Bullitt's own experiences as Ambassador in Moscow, illustrations of the inevitability of his general conclusions. He must have seen something of the complexity of affairs; now, ten years later he makes everything look too simple.

Federalism in America

"The Fiscal Impact of Federalism in the United States." By James A. Maxwell. Harvard University Press. London Geoffrey Cumberlege. 427 pages, 28s.

THE latest volume in the Harvard Economic Studies constitutes by far the most comprehensive treatment to date of the fiscal implications of federalism in the United States. The events of the thirties created a virtual revolution in the fiscal relationships of federal and state governments, a revolution which has so far been studied only in certain aspects; thus the development of federal grants, the administration of public works, or the problems of conflicting taxation have, in isolation, all been treated with a fair degree of thoroughness. But this book is the first to bring these problems together, and to consider them in relation to each other. The author proceeds from a historical résumé of the changing fiscal relationships of state and federation to a detailed examination of each field of government action—defence, justice and police, education, public assistance, etc.—and then to a similarly detailed study of the sources of taxation—income tax, commodity taxes and so on. The result is not only an extremely thorough examination of all the main fiscal problems, but also, since fiscal control is the key to power in a federation no less than elsewhere, an unusually revealing exposure of the springs of power beneath the complicated surface of the American constitutional structure.

Mr Maxwell, to a degree not often found among authors of academic treatises on his subject, has a shrewd nose and sound judgment for the political realities which underlie legal and constitutional forms. This enables him not only to unmask the economic interest, public or private, which is swagging in the robes of states rights or national sovereignty. It also helps him to observe the far more elusive attempts of a large and diversified country to maintain both a national direction from the centre and a maximum of local control. "For some countries federalism is appropriate because only federalism is practicable." This awareness permeates the entire book, and in consequence the relation between even the most recondite fiscal problem and the social, political and economic facts of contemporary America is always kept in mind. There was a time when Dicey's dictum that "federalism is legalism" truly reflected the constitutional struggles which dominated the American scene. Today many of those struggles have been transferred from the courts to the counting-houses. But the fundamental factor of diversity in unity remains. It is perhaps the supreme merit of Mr Maxwell's excellent book that it continuously recognises, respects and illuminates that fact.

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AMERICAN SURVEY

The New Monroe

(From Our US Editorial Staff)

IT is true to say of the Greek crisis that only the news of it was new. But it was major news. The economic, political and military difficulties of Greece have been duly reported, through private channels and to a considerable extent in the newspapers, for months. The British compulsion to reduce overseas commitments has also been obvious over a period; the anticipated withdrawal of British troops from Egypt was announced as long ago as March 7, 1946.

But however much about the crisis might have been foretold, the fact remains that the Administration gave no forewarning. So the country has been very suddenly confronted with major commitments, and shocked by the clear inference as to who must meet them. The chronology of shock is worth listing. Bracketed between the blizzard of February 10th and the blizzard of March 7th in the British Isles, came three British announcements. On February 20th, Mr Attlee gave notice that British troops would be out of India by June, 1948. On February 25th, Mr Bevin proposed handling the Palestine problem through the United Nations. On February 28th, came news of the Greek withdrawal, with March 31st, one month off, as the financial deadline.

But it was the weather that really did it. Except for State Department experts and minority groups whose personal connections made them sensitive to particular conditions, the areas from which the British were withdrawing might have been regarded by the general public as far away countries of which they knew little. But few Americans had ever expected to see a time when they might be called upon to carry coals to Newcastle. The snowfall, by exaggerating the shape of things in Britain, revealed to a people accustomed to complain of the difficulties of life with father, what life would be like with father no longer there. The rather-too-promptly-published obituaries seemed, many of them, to take insufficient account of the likelihood of a spring thaw; and it was curious how many people, who previously had seen small merit in British imperialism, were heard to speak of the departed with delicate regret. But the assessment of the British domestic position, however inaccurate, underlined implications of the overseas situation which might otherwise have been too lightly taken, or ignored. Pax Britannica is over. Who then shall be the keeper of the peace?

The gravity of this question was made much heavier by Mr Gromyko's speech at the Security Council on March 8th. His refusal, which seemed definitely to bar the way to any international control of atomic energy, is a major item in the chronology of shock.

These facts were known, and at least partly realized during the interval before Mr Truman appeared at the joint session of Congress on March 12th. Even his financial recommendations had been forecast with assurance. For that reason, his rather rapid, unemphasized reading of his Message gave somewhat the effect of the second reading of a Bill.

The major uncertainty preceding the speech was whether it would parallel the policy of piece-meal peace-making which this Administration has followed, putting the case of Greece and Turkey as a narrow instance of crisis, or whether emergency action would be proposed in a wider context. A considerable part of the initial approval of the proposed policy may well be due to the decision—fortified, it is understood, by Mr Vandenberg—which made Mr Truman say: "I am fully aware of the broad implications involved if the United States extends assistance to Greece and Turkey," and then go on to spell them out.

For a comparable spelling out of American policy in peace-

time,—and for a startling continuity of thought—one must go back to President Monroe's message to Congress of December 2, 1823. In a period when transatlantic travel was a matter of weeks, President Monroe said:

A strong hope has long been entertained, founded on the heroic struggle of the Greeks, that they would succeed in their contest and resume their equal station among the nations of the earth. It is believed that the whole civilised world take a deep interest in their welfare.

—Then, turning to the affairs of Spain and Portugal,

The citizens of the United States cherish sentiments the most friendly in favour of the liberty and happiness of their fellow men on that side of the Atlantic. In the wars of the European powers in matters relating to themselves we have never taken any part, nor does it comport with our policy so to do. It is only when our rights are invaded or seriously menaced that we resent injuries or make preparations for our defence. With the movements in this hemisphere we are of necessity more immediately connected, and by causes which must be obvious to all enlightened and impartial observers. The political system of the allied powers is essentially different in this respect from that of America. . . . We owe it, therefore, to candour and to the amicable relations existing between the United States and those powers to declare that we should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety.

The extent of action advanced by President Truman "to support free peoples who are resisting attempted mobilization by armed minorities or outside pressures" contrasts sharply with the series of steps taken against German totalitarianism in the latter 1930's. Before World War II, there was neutrality, quarantine, boxes and bales—first on a cash-and-carry basis, then on lend-lease—but not men. Until after Pearl Harbour, not men. The present proposal is for funds, commodities and personnel—both civilian and military—right away.

★

Only the first indications of reaction are yet visible. The grimness of the mood, which includes but affects much wider circles than Congress, recognizes the dark possibilities of the President's words: "This is a serious course upon which we embark. I would not recommend it except that the alternative is much more serious." Comments such as "If we fail, this aid to Greece is the lend-lease of World War III," indicate the belief that a near miss is the best alternative available.

The new policy exacerbates the problem of political bed-fellows. Senator Brooks, whose opinions often coincide with those of the *Chicago Tribune*, and Representatives Marcantonio and Powell, whose opinions often coincide with those of the *Daily Worker*, join in viewing with alarm. But shorn of extremes, substantial Republican support as well as Democratic backing is expected. The middle-of-the-road opposition will probably rely on two arguments: American strength should

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not be dissipated around the globe—let the other fellow wear himself out; and, the United Nations is the proper vehicle for handling these matters.

The present moment may, however, be the peak of popularity for the new policy. The next phase will get down to specifics, and hence to specific disagreements. What sorts of governments will actually be backed? If, as Mr Truman said, the *status quo* is not sacred, will it nevertheless be sacrosanct? How well-thought-out are the economic plans to be put into effect in April, and how competent is the staff being prepared to undertake them? How great an allocation of the nation's resources, including manpower, to military uses will the new policy require? What does it do to prospects for a tax cut? Will a policy of containing communism abroad induce witch hunts as well as

security measures at home? The next weeks' debates will see all these matters aired.

Yet there is in this policy some sense of a long-term recovery of balance. It affirms democracy as an article of export with a willing market. Since the onslaught of the 1929 depression, the self-criticism of a nation aware of wasted and wasting resources, followed by outside criticism from totalitarian regimes organized to confuse and divide, have put the country on the defensive, made it aware of the gaps between public professions of democracy and the daily practices of private life, led it to expect initiative to come from the totalitarian side. Here is an affirmation that a system which believes in the Bill of Rights is best. Here is an initiative which cannot be declared in advance to be too little and too late.

The Role of Government

(From Our US Editorial Staff)

WHILE Congress is struggling with the question of what limits it is to place on appropriations for the federal government and encountering great difficulty in doing so, local governments are rapidly discovering that they too face great problems. Indeed, discussions of the local issues have become fully as prominent as the national matters. While the citizenry is concerned with national defence, veteran care, debt service and federal bureaucracy, it is also concerned with local transportation, education, crime and care for the ill and the injured. Activities of both types are costly and the needs great.

New York City is facing its subway (i.e., Underground) problem again—in more acute form than ever. Mr O'Dwyer, the Mayor, calls the situation "chaotic." At rush hours crowding is indescribable and the local press uses such words as uncivilized, barbarous and disgraceful; subway riders use terms more vivid but unprintable. Everyone agrees that something must be done, and the cost of reasonable modernization is estimated at \$400,000,000. The city, which owns and operates the lines, already has a budget of about \$1 billion for the fiscal year 1947-48 and a debt of about \$3 billion—the next largest governmental indebtedness to the federal. The real estate interests, who provide most of the tax revenue, vigorously assert they are already overburdened and urge a rise in the subway fare from 5 cents to 10 cents. Numerous groups oppose such an increase as falling hardest on those least able to pay, and the city government, after hearings, has taken a stand against a fare increase. Its solution is to appeal to the State government for aid—but the Republicans at Albany, the State capital, seemed inclined to let the Democratic city administration find its own ways and means.

The New York subway is only the most extreme example of the problem of local transportation which exists at many places in the nation. With the return of petrol, traffic on city streets is badly congested. Local bus and trolley systems badly need much new equipment.

In education, the crisis is pronounced. An extreme shortage of teachers exists throughout the country and there is every reason to believe it will become worse next year and the year after. The *New York Times* is currently reporting on an extensive study it has just completed and the story is striking. About 6,000 schools in the country are closed for lack of teachers and 60,000 of the total of 850,000 teachers to-day have only a high school education or less, while another 100,000 have completed only one year of college. About 125,000 are teaching on emergency substandard licences issued by authorities whose only alternatives are to close the schools, to cut the already reduced curriculum, or to crowd already overcrowded classes. Twenty-five years ago 22 per cent of the country's college students were in teacher training while the present figure is 7 per cent. The average classroom teacher today gets \$37 a week and 200,000 of them receive \$25 a week or less. They can earn more in many other occupations, even including

garbage collection, truck driving and bartending. Teacher morale is very low and the *Times* says that at least 2,000,000 children are getting "impaired, inadequate education." Enrollment in primary and secondary schools is now about 26,000,000 and will rise for several years due to the large increase in births during the war. The *Times* reports that the United States spends 1.5 per cent of its national income on education, compared with 3 per cent in Great Britain and 7.5 per cent in the USSR. The teacher crisis is only more severe than the problem of school buildings. The *Times* says bluntly that a "deplorable" condition exists.

A similarly acute condition is reported in libraries. That of New York probably is more extreme than some but the condition just revealed by the President of the Public Library is indicative. The New York Public Library last year had a staff turnover of 44 per cent. Of the total staff of 868 only six are paid as much as \$4,000 a year. Service to children in hospitals, orphanages and welfare institutions has had to be eliminated, other services greatly reduced.

The condition in public hospitals is bad. Mr O'Dwyer, in his appeal for State aid to the city, revealed that by last October the city hospitals had reached a condition where there was one nurse for each 52 beds and that space and equipment shortages made it necessary for some patients to be put on the floor. Pay increases have alleviated the condition somewhat since then—but at the cost of a higher budget total. Hospital conditions elsewhere are also critical in many cases.

These conditions currently receiving publicity are only the more extreme examples. New York and many other cities have police forces inadequate to cope with the criminal tendencies which are appearing now as after the other war. Fire protection is below reasonable standards. Overcrowded slum housing breeds disease and crime and calls for rectification even more loudly now than ever before.

The way of the budget cutters is therefore hard at the local as well as at the national level. At the local as well as at the national level, the nation is struggling with the basic question of the appropriate rôle of government, or, to state it differently, with the question of the most appropriate allocation of resources. The problem is complicated by the overemployment which the nation is still experiencing. It is complicated by the impact of the inflation and rise in costs since pre-war. And it is complicated by the large shifts of population which occurred during the war.

But these are only complications. Fundamentally, much of the population still believes that that government is best which spends the least, and instinctively and emotionally opposes expansion of any expenditure for any purpose at any time. How is this attitude to be squared with the evident need for better local services, and with federal government functions compatible with the nation's international position and the requirements of urbanized society?

American Notes

Cracks in Republican Solidarity

It has taken only three months of power to show that Republican "unity" is only slightly less fictitious than that of the Democrats. True, there is no solid Mason and Dixon line running down the middle of the party, no single demarcation based on geography, economic interests, and state of progress. But the divisions are already sufficiently marked to have elicited a plea for teamwork from Mr Reece, the Chairman of the National Committee, a plea which Senator Morse, of the party's small liberal wing, has denounced as a "brazen demand for reactionary control." Sixteen "freshman" Senators, including such experienced old political hands as Senator Bricker and Senator Baldwin, have demanded a bigger voice in the forming of policy. On the far right, Senator Bushfield accuses the party of betraying the voters who put it in power—a charge with which the Democrats heartily agree, and which has cut Senator Taft to the quick.

On the most important issues before Congress, there are sharp disagreements between the leaders, or between the leaders and their followers. The Lilienthal appointment is opposed by Senator Taft and Senator White; it is supported, though not very loudly, by Senator Vandenberg. The Vandenberg-Millikin tariff compromise was received with a very ill grace by Senator Taft, who has publicly doubted whether it modifies any of the substantial objections to the Reciprocal Trade Agreements Act, but who grudgingly concedes that no legislative alterations could over-ride a Presidential veto. The House and Senate are still deadlocked on the size of the bite to be taken out of the President's budget, and how much is to go to tax reduction, how much to debt reduction. On labour questions the extreme right, strongest in the House, favours drastic measures like the abolition of the closed shop and the end of industry-wide bargaining; the Senate bill will be drawn more prudently. On aid to Greece, Senator Taft is being brought into closer touch to win over his support.

None of these divisions is likely to be, or will be allowed to become, fatal to the party fortunes, and compared with earlier Congresses, this session has not been unusually dilatory. Spade-work in committee is well advanced; the Republicans have had, in addition, to cope with the changes of the Reorganisation law. What the party are suffering from is the gap between the realities of government and the wildly improbable campaign promises they made last year. They are encumbered, as well, by too many potential leaders, and too little agreed policy. Thus there is a constant temptation to put the election of 1948 ahead of the issues of 1947—with a consequent blurring of the legislative record which candidates like Senator Taft hope will stand them in good stead eighteen months hence. Lucky the candidate, like Governor Dewey, who has no rivals in his own particular pond. And lucky President Truman, who has inherited a policy, has no formidable contenders, and whose party, according to the latest Gallup poll, has recaptured 51 per cent of the voters.

Another Round of Strikes

(From Our US Editorial Staff)—Labour relations are confused again, and the outlook has probably become somewhat more dubious in the last 30 days. The major development has been the marked increase in commodity prices which is moving through to the cost of living. The other uncertainty arises from the Supreme Court decision in the United Mine Workers' case; while this has been taken by some people as a curb on strikes, the validity of this conclusion is not yet established. Meanwhile, significant disputes are reaching the critical point of the calendar. A dispute between telephone employees and their employers has reached the point where a strike appears a definite possibility, and the present deadline is April 7th. The next critical date is April 30th in the steel industry. The Union of Financial Employees is talking of a strike, and the critical date is in April. Mr John Lewis, in deference to the recent Supreme Court ruling, has withdrawn the coal strike notice timed for April 1st. But he is by no means reconciled, and there are a great many cases of individual companies or smaller industries which are reaching the showdown stage in coming weeks.

Only a few weeks ago, the view was frequently expressed that this year's labour controversies would not reach the point of national significance and of lost production that was seen in 1946. There were several reasons for this hopeful view. With the ending of controls, it became possible to reach wage settlements at the cost of higher prices. Corporate profits in some industries are

high and could permit some adjustments. On the other hand, last year's painful experience of idleness and loss of income would restrain the workers. Pending labour legislation by Congress would also be a restraint since strikes would enhance the risk of more unfavourable measures. And prices and the cost of living had not generally been expected to be rising during the spring—indeed, a stable or even declining tendency was frequently anticipated. The new developments have raised significant questions about this hopeful point of view.

"Management's Front Line"

The first word on the right of foremen to organise was spoken this week when the Supreme Court in a 5 to 4 decision declared that they shared with other employees the protection extended by the Wagner Act. The last word undoubtedly will come from Congress. The right of foremen to organise already agitates many a Congressman, and Senator Taft has pointed out that pending legislation would free managements of the obligation to bargain collectively with organisations of foremen.

In the majority decision, Justice Jackson plainly invited Congress to write its own recipe. The case before the court was brought by the Packard Company, which insisted that its 1,100 foremen were in the "front-line of management" and refused to bargain with their union on the ground that foremen were not employees in the meaning of the Wagner Act. Mr Jackson insisted that there was no reason for believing that the Wagner Act was intended to bar foremen from the benefits of collective bargaining, but he said: "It is for Congress, not for us, to create exceptions to the plain terms of the Act" and that the Court could not base legal decisions on the "wisdom of the legislation." This is a self-denying ordinance as useful now to the majority as it was twelve years ago to a majority of a very different political hue. Justice Douglas, on the other hand, insisted in a dissenting opinion, that if foremen's unions were to be considered appropriate bargaining units, the same privileges could hardly be denied to a hypothetical union of vice-presidents.

The Packard case is more straightforward than another now working its way to the Supreme Court. In the present instance, the foremen's union is independent; in the Jones and Laughlin case the Court will have to determine whether a foremen's union may be affiliated with a union of production workers and still retain its bargaining rights.

Mr Schwellenbach, the Secretary of Labour, recently warned the House Labour Committee that industrial chaos would follow if Congress outlawed the closed shop and other union security safeguards. He said that about 77 per cent of union workers have some form of the closed shop. In passing he pointed out that when in 1943 foremen at the Maryland Dry Dock Company were not allowed to bargain collectively, there was such an increase in strikes that the Labour Board was forced to reverse its decision. He might also have reminded his hearers of the serious set-back to war production in 1944 when foremen walked out of thirteen plants in Detroit. There may be some point in refusing to allow foremen to join production unions, but to refuse to allow them to bargain on matters affecting their own interests is asking for trouble.

Three-Dollar Wheat

Three-dollar wheat is something of an achievement, even for the Chicago wheat pit in a boom year, but the price for March delivery has gone above this level during the last few days, and dealers are discussing the narrow margin between the current level and the all-time record of \$3.25 a bushel reached in 1917. The rise in farm product prices has, in general, surpassed the climb between the beginning of the first World War, and the top of the post-war commodity boom of 1919-20.

The current flurry is the more remarkable because it follows a distinctly depressing survey of farm product prices from the Bureau of Agricultural Economy at the beginning of March, a survey which is said to have been responsible in part for a bad day on Wall Street. The Bureau, after surveying the trend of national income payments and consumer purchasing power, declared that farm prices in 1947 might easily fall by 20 to 25 per cent. Washington may have timed this forecast in order to break the more speculative elements in Chicago, since it is known to be concerned by the abnormal price movement in advance of the World Wheat Conference which opened in London this week, and

it has taken steps to enforce heavier cash payments on future transactions.

Chicago itself is clearly not sure of the future, since September deliveries have been quoted around \$2.20. All recent advices suggest that the winter crop has not been seriously damaged by weather conditions, and the yield from the winter planting is expected to soar to an all-time record of 1 billion bushels, with a further 300 million from the spring crop.

The main factor in the speculative buying, of course, is the new level of 350 million bushels set for 1947 exports. If crop estimates are fulfilled, such a shipment would leave the United States with a better stock than in 1946, although that stock would be not more than one-half of the average carry-over figure in the decade before the war. An aggravating factor, in the face of recent attempts to push shipments for relief purposes, has been the shortage of railway cars for transport. Crop developments may yet enforce still higher price levels, for any serious damage to the crop would bring a serious situation throughout the world, so long as the US market remains the only material channel for relief supplies. A rise of 80 cents a bushel from the early January level, however, must surely leave the bulls vulnerable in the absence of any serious blow to crop prospects.

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Conflict in Metals

An "era of dynamic demand" for the light metal industries is forecast by trade observers, at least so long as the general level of industrial activity continues to tax the capacity of all metal producing and fabricating industries. Many of the high-cost magnesium plants—scheduled for more or less immediate redundancy with the close of the war—have enjoyed a new lease of life as pre-war price relationships have become completely distorted, although it is still recognised that the specialised qualities of this metal put fairly severe limits on the possibility of expansion.

For aluminium, however, the story is very different. Before the war, with the Aluminium Company of America in undisputed control of large-scale output, the price was stabilised at near 20 cents per lb., and an effective limit on new consumption channels

was provided by the competitive merits of copper, which ranged from 1938 to 1945 between 10 cents and the war-controlled level of 11.87 cents. Within recent months, however, with aluminium ingots pegged steadily at a 15 cents level (12 cents in Canada), copper has for the first time in more than twenty years outstripped the aluminium level—it is now selling above 21 cents.

The result has been a vast increase in the demand for aluminium. Yearly domestic copper output went above the one million tons level in several war years, but output at this rate puts a maximum strain on capacities, and in future the United States will probably be fortunate to achieve it. Aluminium output, which was 148,000 short tons only in 1939, last year took second place in US metals output (the copper industry was crippled by strikes lasting for five months) with nearly 420,000 short tons. This year the industry is going for at least 500,000 short tons, and Washington wants more than 600,000.

In most consumer industries, and more especially in the electrical industry, the prestige value of copper is very high. But aluminium possesses many of the qualities essential for this work, and in many other fields this very lightweight metal, tough, durable and non-corrosive, has now become a formidable competitor, even against zinc and steel. From a tonnage basis, the steel industry, with a rated capacity of 90 million tons, has nothing to fear. But aluminium has made good gains in the shipbuilding, automobile and constructional industries, and for railway passenger cars, progress has been exceptionally rapid.

This progress coincides with a considerable change in the structure of the aluminium industry. There is no doubt that the Aluminium Company is now seeking to attain high-volume and low-cost markets, and in this work it enjoys high-grade mineral resources, very cheap power facilities, and a strategic position of enormous strength. But the competitive position is now somewhat stronger, and a nation-wide interest in the potentialities of the industry may well enforce, at some later stage, a further relaxation of ALCOA'S still very tight hold on fabrication and production. In the meantime, the present price leaves a very comfortable profit margin, and many of the new markets won by aluminium should remain despite any considerable retreat by copper from its present high level.

THE WORLD OVERSEAS

Shaping the New Italy

(From Our Rome Correspondent)

THE elections to the Constituent Assembly last June put an end to the provisional Esarchia or Six-Party Government. Three parties emerged which were based upon solid popular support, but none of them with an absolute majority in the Chamber. A Government was thereupon formed from among the leaders of the Christian-Democrats, the Socialists and the Communists, together with a couple of Mazzinian Republicans; Giannini's Quilunquisti formed the largest oppositional element, and subsequent local elections to some extent justified their pretensions to be recognised as a mass party too.

Of the three big governmental parties only the Communists were well organised and homogeneous. The Christian-Democrats represented the most divergent opinions, but were held together by the personality of De Gasperi. But in January the Socialists fell apart, Saragat and his friends and the Republicans went into opposition and the three-party Government broke down. Now, even if Saragat should succeed in creating the big non-Communist Progressive block after which Italy has been straining for so long, it is difficult to feel that he timed his secession very happily. At the moment when the new constitution had not merely to be drafted but to be realised as the political expression of the new Italian republic, De Gasperi formed his third Cabinet, a two-party Catholic-Communist coalition, with the orthodox Socialist rump under Nenni still attached to it. This Government was welcome in all conservative circles, because the Treasury and Ministry of Finance and the Ministry of Agriculture had passed from Communist into Christian-Democrat hands. Greater financial confidence was immediately manifested. But the two main Government parties carry on a running fight in the press and on the posters which seem to cover the walls of Italian cities, and they hold diametrically opposed views on the main issues now under discussion in the Assembly; never can a Cabinet's solidarity have been less convincing.

For the next few months the Italian Constituent Assembly will be discussing the draft constitution which a commission of seventy-five deputies has framed; the debate opened on March 4th and is likely to continue until the end of June. The *Progetto di Costituzione* is an interesting document. It is dominated by a determination to block the way to Fascism for ever and by an aspiration after the social and economic justice of which Italy is so sorely in need. By it Italy renounces war as an instrument of conquest, blesses the family, abolishes the death penalty, guarantees personal liberty, and private enterprise, the right to work, the right to strike, and at least eight years' schooling to every Italian child; this last, should it be fulfilled, is perhaps the most revolutionary point of all, for hitherto the working population was lucky if its children had three or four years at school.

Local Autonomy

The first week of the debate on the draft constitution has shown that some of its most controversial clauses are those according to which administrative decentralisation is to be achieved. The House of Savoy was habitually blamed for extending a French prefectorial system, not unsatisfactory for a small area like Piedmont, over the whole of Italy; the problem of the south was only aggravated by this attempt to deny its existence. In the Fascist period centralisation was carried to fantastic extremes, and in the "clandestine" days of resistance all the anti-Fascist parties, with the exception of the Communists, worked out plans for local autonomy of every kind; there were some who even wished to establish a cantonal system on the model of the Swiss Confederation. Articles 106 to 125 of the draft constitution are the fruits of this decentralising ardour. They add two to the historic Regions of Italy, thus recognising twenty-two Regions each containing its self-governing communes. The old provinces—over 90 in all—each ruled by its prefect, are ignored. For the islands, Sicily and Sardinia, and for the bi-lingual districts of the Val d'Aosta and Alto Adige special autonomy statutes are to be

worked out. As for the other eighteen regions, the draft constitution assigns a great many powers (including the right to legislate in a number of directions) to them and provides them with an elective assembly and executive body; but the thorny question of their exact relationship to the State above them and the communes below them is left more or less open. The fact is that the decentralising fervour of the Italians has cooled; partly perhaps because of the sporadic separatism manifested by the Sicilians, partly perhaps because the Peace Treaty has made slogans about national unity more popular, and partly because when it comes to working out a practical plan for a perfected local autonomy difficulties spring up like warriors from dragons' teeth.

Only two parties have now remained entirely faithful to the *decentramento*, the Christian-Democrats and the Republicans. It is said by their opponents that the Christian-Democrats take up this position because they are sure, through the priests, of carrying weight in every locality, whether large or small. The Republicans, a relatively small group of Mazzinian purists, not to be confused with the large mass of Italians who voted the Monarchy out last June, are local autonomists on principle: though Mazzini himself was centralist, his Party is untrue to him in this respect, for it has become convinced by the teaching of Cattaneo that centralisation was the instrument of monarchical tyranny and that the Republic must pursue the opposite course, since self-government requires a pyramid built up on a broad base.

Dangers of Bureaucracy

While the most clerical and the most anti-clerical parties are thus agreed in the support they give to the draft constitution with regard to the regions and communes, it is amusing to find the extreme Right and the extreme Left are at one in opposing the articles concerned. The ultra-conservative Liberals, who would like best to put the clock back by about fifty years—back to the days before Giolitti's social reforms—are naturally alarmed by the prospect before them. Nitti has protested that Cavour's life-work and the unity of Italy will be undone, while people like Professor Einaudi have pointed out more precisely that all the new local authorities spell more bureaucracy and more expense. A good many people of every political colour probably feel slightly disconcerted at the prospect of quite so many subjects as the draft constitution indicates being discussed—with the possibility of legislation—at three levels. It is also pointed out that all economic tendencies are making for larger political and administrative units and that autonomy will cut off the poorer regions from the resources of the richer ones.

The regional issue seems to divide the Constituent Assembly and even the Government as sharply as that of the relations between Church and State, the special problem of Italy. Although the Church threw all her weight into the scales against the Republic last summer, the Republic, thanks to the magnitude of the Christian-Democrat Party in the Chamber, was, it seemed, to be very much the child of the Church. Article 5 of the draft Constitution lays down that the relations between Church and State are to remain regulated according to the Lateran Pacts arrived at between Pius XI and Mussolini in 1929. Of these the Concordat greatly increased the influence of the Church over education which is now to be so widely extended in Italy; the Concordat also denied the possibility of divorce. It should not be forgotten that the framing of Article 5 has coincided with a rising tide of anti-clerical feeling and of indignation against the growing political activity of the Vatican; unfavourable comments may also be heard about the alleged economic interests of the Church.

In the first week of the debate on the Constitution it was felt that the *Progetto* would be accepted passively with little modification. Many people thought that the Communists would sup-

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port it out of a cynical indifference towards an order which they intended to overturn as soon as they felt strong enough, and that the oppositional parties lacked the conviction necessary for effective resistance. This situation was dramatically transformed in the afternoon session on Tuesday, March 11th, by a speech from the Communist leader, Togliatti, which was then crowned by an appeal from no less a person than Croce himself. After a discursive oration from a Christian-Democrat speaker, who was listened to with some impatience, the Chamber seemed almost spellbound by Togliatti, leader of a Government party yet not himself a member of the Cabinet, who spoke with his accustomed lucidity and his habitual moderation. After cogently pointing out that the city or commune was the traditional Italian entity for local autonomy and that he saw no reason to interpose the Region between it and the State, and after condemning the conception of a State religion, he made clear that the Communists will oppose the draft constitution on both regional and religious issues. (It is clear that all the Socialists will do so.) Togliatti's is generally regarded as the best mind in Italian politics to-day, and there is a wistfulness in the air when he speaks as if everyone were murmuring: "If only one could take you at your word!" The venerable philosopher Croce wound up the day's discussion first with an indictment of the confused and heterogeneous character of the *Progetto*. And as Togliatti had condemned the offending articles in the name of a future workers' Italy, so Croce condemned them in the name of Machiavelli and Mazzini and the Italy of Cavour. The battle is joined, the outcome uncertain; it looks almost as if the supporters of the Catholic Church had overplayed their hand.

Russia in 1947—II.

Drive for Efficiency

[FROM A SPECIAL CORRESPONDENT]

THE current Five-Year Plan is based on a system of priorities in which the renewal and the expansion of industry's capital equipment is ruthlessly promoted to be the first and foremost objective of the national economy. Even though in 1946 the Plan was not fulfilled in many branches, the progress made in re-equipping industry was by far more rapid and energetic than the overall increase in the output of consumers' goods. The disappointingly slow increase in the gross output of civilian goods—20 per cent—is contrasted with a 50 per cent increase in machine building. In the long run the principle is certainly sound; and it is sure to pay handsome economic and political dividends. But it may be argued that in sacrificing the immediate interests of consumers to the long term objectives of its economic policy the Soviet Government has been overplaying its hand; that the half-famished consumer is a poor workman; that the chronic, and in recent years aggravated, shortage of consumers' goods results in low productivity of labour; and that a more liberal treatment of consumers' needs would in the end benefit the producers' industries as well, because it would lead to higher overall efficiency. British Governments, it has often been argued, by caring too much for the present standard of living and too little for the re-equipment of industry, have been sacrificing the nation's future standard of living.

But the argument is not new; it apparently carries no more conviction now with the Soviet planners than it did in the course of the first Five-Year Plan. The relentless drive to restore and increase the nation's capital assets is on: and no real "respite" for the mass of consumers is contemplated. In spite of all appearances to the contrary, this policy has been empirical to the last degree. Soviet planners prefer to have as many machines as possible produced now, even at a lower rate of efficiency, than to rely on the hypothetical higher efficiency that could be expected in the future from a better-fed, better-clad and better-housed working class. What one might call the anti-consumer outlook of Soviet planners has evidently been enhanced by the experiences of the war. "What would have been Russia's position now—it is often argued—if in the thirties we had given in to the pressure of consumers' interests; if we had not sacrificed our light industries to our heavy industries? Soviet Russia would have been crushed by the Third Reich." And, since nothing succeeds like success, the principle that the consumer comes last—never quite so openly avowed—has now been promoted almost to a national dogma.

By what means then does the Soviet Government intend to overcome the present crisis? The means recently adopted are

not new—they have been used and tested in previous Five-Year Plans; but they have now been carried a few long steps further. The shortage of manpower is being overcome by what looks like a real *tour de force*. The number of workers in industry was increased by three million people last year; for the current year the Plan provides for total employment amounting to 31.6 million people. This is 1.2 million more than the total employment in 1940, Russia's last year of peace. It had been planned that the average annual intake of labour in industry would be at the rate of one and a quarter million throughout the Five-Year period. The intake in the first year was thus much more than double that rate. The intake for 1946 and 1947 will amount at least to about 5,000,000. Where does this new labour come from? In the main, from the armed forces; but even the most drastic demobilisation would hardly have allowed Russia to keep her employment at a level so much higher than that of before the war, since Russia's manpower has been reduced by millions of casualties. Apparently most of the female and juvenile labour, drafted into industry during the war will be staying on.

In addition, a drastic regrouping of the available labour resources is taking place which aims at transferring great masses of people from less to more productive jobs. Thus the establishment of the economic civil service has now been cut by 730,000 posts—the personnel thus released is to be employed in actual production. (Incidentally, a few months ago the journal of the Planning Commission had suggested a reduction in the economic civil service by 20 per cent. If the figure of 730,000 corresponded to that percentage one would get some idea of the vastness of the administrative machinery in Soviet economy.) A similar redistribution of workers, especially of the skilled ones, is taking place in agriculture. The administrative staff of the collective farms had also become inflated. As Mr Andreev has stated, half of the number of agronomists and experts employed in them is redundant and will be directed to actual production. This striking swelling of bureaucracy had been stimulated by the privileged position of the administrative staffs. "The closer to production they are the less pay they get," said Mr Andreev, referring to the salaries of agriculturists. On Mr Stalin's initiative, the salaries of agriculturists employed on administrative jobs will from now on be 25 per cent less than those of "agronomers" working in the field. The whole set of measures designed to deflate economic bureaucracy is very characteristic. For many years the regime has had a vested interest in inflating the administrative cadres, since politically they have been its most reliable prop. But now that vested political interest has very obviously clashed with the demands of national efficiency, the regime has had to sacrifice a section of that social group whose privileged position it has hitherto carefully sheltered.

Strict Watch on Bonuses

However, the most important emergency measures have been taken in wages policy. Payment by results, rewards for skill and efficiency, progressive piece rates have been the guiding principles ever since the inception of Stakhanovism in 1935. The policy is now being pushed to new extremes in both its positive and negative aspects. Output above the standard norms is to be even better rewarded than hitherto; the standard norms are to be raised; and often output below the standard norms is to be penalised through decreasing scales of payment. The new collective agreements that are to be signed between the industrial trusts and the trade unions in April will embody these principles. Last year the structure of wages was still planned in connection with the then contemplated abolition of rationing. In practice, this would have amounted to abolition of the national minimum wage that had been guaranteed to the worker during the war. Meantime the drought has compelled the Government to keep rationing in being, but the national minimum wage has been virtually abolished by a fairly steep increase in the prices of rationed goods. The process is now to be completed by the raising of the standard norms of productivity. The worker will have to produce much more than hitherto, not only in order to get bonuses and special rewards, but also in order to earn his previous minimum. At the same time control over the payment of bonuses is to be tightened up. Output above the standard norm will from now on not be specially rewarded if costs of production rise together with output. Indeed, in some industries lowering of costs is to be made the condition for the payment of bonuses. Technical and administrative personnel responsible for the building of new enterprises will not be paid any bonuses at all until plants or mines are actually ready for production and taken over by the producers.

But the most sweeping and thoroughgoing change—one that affects two-thirds of the Soviet population—is being made in the structure of agricultural wages. Until now the system of payment in the collective farms was a combination of time and piece rates:

The time rate was the pay for the so-called working day. The working day and its pay was equal for all; and all collective farmers were obliged to do an equal number of "working days" during the year. From now on the uniform payment per working day is abolished, and all agricultural wages are to be calculated on the basis of efficiency—that is, in relation to harvests.

The strong bias in favour of incentive wages has in the past undoubtedly stimulated the growth of an élite of skilled workers in Russia; and to this extent it has been justified by the results. But an over-emphasis on incentive wages may also lead to undesirable consequences. The lower-paid worker becomes disgruntled and unwilling to produce. The enterprising individuals grow even more enterprising, while the "unenterprising" mass grows rather apathetic. What develops is a too deep cleavage between a well-trained, efficient and privileged labour élite and a dull, inefficient and disgruntled mass of workers, a cleavage that must seem rather unnatural under a "proletarian dictatorship." At the early stages of Stakhanovism the first symptoms of the cleavage had already led to social tension. However, the Soviet Government are now apparently determined to take the risk. They are confident that, in the short run, no social tensions can cause trouble and lead to any political opposition. What matters now is that the initial hitches and failures of the new Five-Year Plan should be overcome; that labour should be geared up for the all-out effort of reconstruction, and that the wheels of industry should turn at full speed. In the past, planned economy took initial obstacles in its stride, and there is—so it is evidently believed—no reason why it should not do so again.

[The third and final article of this series will discuss the Russian financial situation.]

France and Her Foreigners

[FROM OUR PARIS CORRESPONDENT]

NOT least among the differences between France and Britain is that the one is a country of traditional immigration and the other is not. The flow of foreigners into France since the middle of the last century has made the process seem right and natural; recent French experience may be worth consideration now that the British are seeking labour from abroad.

In the past the foreigners who came to France were landless peasants and surplus workers from Eastern and Mediterranean Europe, where high birth-rates are accompanied by low standards of living. France for them was a land of plenty, where, untroubled by public obscurantism or a dictatorial state, they could earn the decent living denied them at home. Conscious of their own falling birth-rate and finding often that hard manual labour was better left to others, the French accepted gladly these destitute immigrants. Poles, Italians, Hungarians and others became the miners, manual labourers and artisans of the toughest trades in France.

This movement of immigration, haphazard, unplanned, and often unnoticed, has greatly influenced the development of the French people. Morazé has pointed out that, while "in 1851 the immigrant population represented one per cent of the autochthonous, in 1931 it represented seven per cent, or 3,000,000 people." Landry has estimated that 5,500,000 of the present French population, or over 13 per cent, must be regarded as the direct or indirect product of comparatively recent immigration.

In 1945 the need for a new wave of immigration was clear.

For one reason or another—timely prudence, flight, deportation, or death—the number of foreign workers in France has greatly diminished since the war, perhaps by as much as a million. In 1946 there were only 2,000,000 of them (in contrast with the United States, French naturalisation is difficult, foreigners being issued with special papers and retaining their original nationality for long years and often for life). The Monnet Plan asked for an extra 1,200,000 workers by 1950; less official estimates put the necessary figure at 2,000,000 or even higher. Recruitment could no longer be left to the haphazard movement of peoples. Employers, experts and the trade unions were all agreed that it must be planned.

Trade Union Support

It was clear to those who governed France after the liberation that national recovery, in the wide sense, could be achieved only by more than making good the ravages of war—that is, by catching up on the intensive industrial development of the victorious Powers as well as by putting back what had been destroyed. France's claim to the status of a great Power would be allowed only if she could take part in international agreements on a level not far removed from equality with the Big Three. Even if this were too optimistic, as many thought, at least it might be said that France could retain the international responsibilities withheld from small Powers only by a great national effort. For that, additional labour was essential.

This conviction underlies the trade union campaign for planned immigration. The *Confédération Générale du Travail* has done more than accept the principle of immigration: it has actively encouraged and sponsored the arrival of foreign workers. The union leaders see in high production and greater prosperity a vital factor contributing to their policy of reaching socialism while (as they would say) protecting France from the penetration of American and British capital. Higher production depends upon coal and labour, and the unions have consciously rejected the temptation to concentrate on short-term benefits by conserving a scarcity of labour.

Their agreement to expand the labour force by several millions is a sign of the confidence which the unions now have in their political and economic influence. It is a long-term policy, inseparable perhaps from their Marxist view that the working-class, in the end, must prevail, and that a strong and prosperous working-class is the best guarantee for the achievement of socialism. It goes without saying that the Communist majority in the CGT has had to fight this out with the minority, which clings to the traditional ideas of syndicalism and sees the be-all and end-all of the trade union movement in the struggle by individual unions for the best immediate conditions they can obtain. The majority in the CGT is no longer content with this restricted role: it aspires to a share in the framing of national policy.

Recruitment in Germany

The decision having been taken to import an almost unlimited number of foreigners, the next problem was to know where to look for them. Poland was not only unwilling or unable to resume the post-war flow; it asked that the Polish miners in the Pas de Calais—productively one of the most important groups in the French working-class—should be given facilities for returning home if they so wished. Most of them have asked to go, and the one condition which the French could impose was to arrange their departure in gradual stages. Czechoslovakia had none to offer; nor had



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Hungary, Switzerland or the Balkan countries. The Spanish Republicans now working in the Midi, a labour force of many thousands, would stay for the time being; more could not be expected from Spain.

There remained only Italy and Germany. An "experimental agreement" for the transfer of 20,000 Italians for the French coal mines was signed with the Italian Government on February 22, 1946; a much larger agreement, for the import of 200,000 workers of many kinds during 1947, was concluded on November 30th. Up to January only 6,000 had been recruited; but in the first half of February alone there was an influx of 5,500, and the rate of recruitment is said to be likely to improve. The French hope for 30,000 young men fit for training as miners, for 70,000 agricultural workers, and the remainder for building and other basic industries.

Recruiting in Germany

Recruitment in Germany is a complex problem. At present there are about 440,000 German prisoners of war engaged in civil industry and agriculture, including 55,000 in the coal mines and 200,000 in agriculture. A recent American demand for the liberation of most of these prisoners—taken by the Americans and loaned to the French—has much embarrassed the French Government. It has now been agreed to phase their release in gradual stages so as to reduce the disorganisation of economic activity. The policy-makers have already accepted the principle of inviting German labour to France, although for obvious reasons they are making no great noise about it. There are plans for the recruitment of Germans in the three western zones and in Austria; it is likely that a special "statute" for German immigrants will be framed.

Recruitment from Italy was long obstructed by the question of wage transfers. Labour needs won the day, and in the November agreement France generously conceded that all Italian immigrants with families in Italy, whether married or single, may transfer up to 40 per cent of their wages. If they have families in France, they may transfer up to 20 per cent. Another concession is that family allowances (payable under French law with effect from the second child) will also be transferable by immigrants with families in Italy.

The task of collecting recruits is a complicated routine. A French employer needing foreign labour sends his request to the labour office of his *département*. From there it goes to the Ministry of Labour in Paris, this double check ensuring that the workers in question really cannot be found in France. The Ministry countersigns the approved request and passes it to the Office National d'Immigration, which asks of the employer the sum of 6,000 francs (about £12) for each worker to cover temporary maintenance and transport.

The immigration office then transmits the request, probably as one among many, to its standing commission in Rome, where recruitment is discussed with the Italian emigration authorities. Once the worker is found, he is sent for a succession of interviews (medical, security, technical) to the French recruitment mission of the immigration office, situated in Turin (and shortly to be supplemented by another at Ventimiglia). The medical test is fairly stiff, an average of one prospective miner in two, and 10 to 15 per cent of others, being rejected. The immigrant who is accepted receives a "bilingual engagement contract," a French visa (the consular authorities being relieved of this), and his fare to one of the "reception centres" established in France. All this is done with the close co-operation of the French and Italian trade union federations.

Arrived in one of the six "reception centres," soon to be increased to ten, the immigrant is then offered the contract for the work proposed for him. This contract specifies in great detail the conditions and wages of his work, which must be equal to those of Frenchmen, and is supervised by the Ministry of Labour. The system is known as the "anonymous contract," because the employer's name is not mentioned until the immigrant arrives in France. Another form of contract is also used in which the employer and prospective immigrant confront each other in Italy; but the Italians dislike this method, as they think employers may undertake selective recruiting on their own. Of the 200,000 immigrants specified in the November agreement only 10,000 were to be recruited by means of this second type of contract. The contract which the emigrant receives in France defines the type of work in which he is to be engaged; and he may accept no other kind unless specifically authorised by the Ministry of Labour's inspectorate.

This technique of transfer, the fruit of long experience, may hold lessons for other countries seeking foreign labour. Two basic principles stand out: first, that the interests of French workers must be protected against any tendency to make French

and foreign labour mutually competitive, whether by differentiating wages or by importing foreigners into industries where no native shortages exist; secondly, that the foreigners who come to France must be restrained from swelling the ranks of the non-productive industries.

Recovery in Singapore

[FROM A CORRESPONDENT]

GEOGRAPHY designed Singapore as the commercial and financial centre of S.E. Asia. Though the development of direct trade-routes tended to divert some of its trade, the skill of its labour, the freedom and equipment of its port, the acumen of its entrepreneurs and the fact of its being the outlet for half the world's tin and rubber made it appear commercially, as well as strategically, impregnable. Yet the Japanese occupation killed its trade at a stroke and revival is taking time. New industries are slow to start; old industries are senile. Many "cottage industries," started by the Japanese, such as cigarette-making, are fading out. Only one pine-apple canning factory remains out of five; the area under pines has sunk from 50,000 acres to 5,000. Much of the heavier trade, such as that in timber and oil with the NEI, is gone.

Less disabled by war losses and political changes than its rivals in Shanghai and the N.E.I. ports, Singapore is trying to recapture its position, but the handicaps are legion. The docks suffered much capital loss; cranes have been removed; lighters, launches, junks and rolling stock are scarce and obsolescent. Rehabilitated junks and *tongkangs* are coffin ships. The turn-round of ships, though improving, may still take up to a month. Pilferage is universal. Because the local inhabitants dislike heavy work in towns, the port depended on immigrant labour from China or India. The war shut off this supply, and many of the surviving labourers want to revisit their home countries. During 1946 16,000 Indian labourers were repatriated.

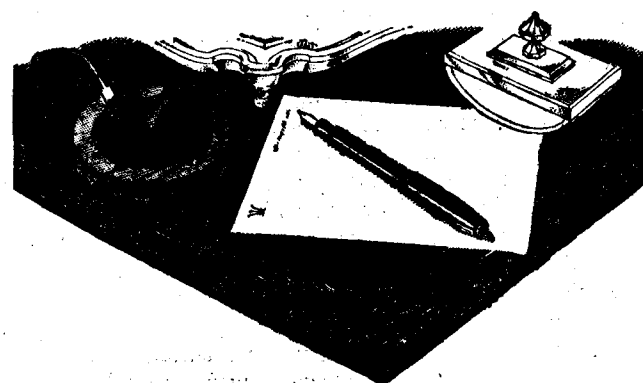
The shortage of labour is so acute that wages rose without any time-lag. Even at three times pre-war rates they are unattractive, and hawking goods on behalf of black-marketeers is more profitable than dock-work. Of the labourer's wage 56 per cent is spent on food, and it is his food which has risen most in price. He can buy one-third of his rice requirement at the controlled price of 16 cents per katty (3.36 pence per pound), but the remainder has to be bought in the black market at six times that price. The People's Restaurants run by the Government are supplying meals at 8, 10 and 35 cents and help to bring square meals and the monthly wage within measurable distance of each other. So long as rice is dear, labour is dear. Strikes are incessant. A newspaper, which did not disclose the basis of its calculation, has estimated the damage caused by strikes over a three months' period at \$35 million. Traders complain that the system of quotas, permits, licences and controls adds intolerably to their work, stifles their business and favours overseas non-Malayan interests.

The short-term outlook is perplexing. The purchasing power of a large number of troops in a seller's market has inflationary effects. Supplying them absorbs precious cargo space and the warehousing of their stores has locked up 81 of the available godowns. On the other hand, the disposal of army stores, good, clothing and engineering, has lowered prices. In December canned milk, jams, vegetables, meat and butter were auctioned, and local food dealers grumbled that the consequent fall in prices had cost them \$10 million, a loss which the general public bore with exemplary fortitude.

Fear of further price reductions and lack of godown space deter merchants from carrying large stocks. Buyers hold back in the hope that goods produced on the continent, and cheaper than English manufactures, may soon arrive. Numerous mushroom firms are springing up which import goods through local merchants on payment of a 25 per cent deposit; on arrival of these goods they may default, refusing delivery and forfeiting the deposit. Legislation to expedite auction in such cases is being considered. The creditors are the importers, shippers and Customs Department. Nevertheless prices of all commodities are falling, for goods are at last arriving in quantity. This fall is not reflected yet in controlled prices, but the black market reacts quickly. White drill, for example, is controlled at \$1.10 a yard, the same material in the black market cost \$5.00 in August, but in December the price had fallen to \$3.00. Pork is controlled at \$2.25 per lb.; in September the black market charged \$3.75. The arrival of Siamese supplies in December lowered the price to \$1.20.

An early trade and industrial revival cannot be expected. Though capital is available, it can find no outlet or employment in the starting of new industries, for these must wait upon the arrival of machinery and labour.

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Budget Targets for 1947—II.

A Dis-inflationary Budget

THE first aim of budgetary policy, in this year of crisis, should be to restrain the inflationary pressures which are accentuating the critical lack of balance in the national economy. The problem of devising the right Budget policy in this situation is twofold. It is necessary, first, to decide how small an overall budget deficit or how large an overall surplus is needed to reduce the inflationary excess in the flow of personal incomes over the flow of available goods. Secondly, the detailed measures within this general framework must be adapted so far as possible to impose the maximum restraint at those points where the spending pressures are greatest and the specific non-essential uses of resources most wasteful and most troublesome.

Consider, first, the overall target. One test, it might be said, of a dis-inflationary or at least a non-inflationary policy would be one which stopped the creation of additional money. And since Government borrowing from the banks has been the principal cause of this creation in the past, this criterion might suggest that what is required is either to stop new Government borrowing altogether or at least to restrict it to loans direct from the public. Such a prescription would naturally relate to the Exchequer accounts as a whole: it would involve a restriction of borrowing not only for the "ordinary" account which is conventionally called the Budget, but also for the below-line items and the "extra-budgetary" accounts. Now that these extraordinary operations are becoming so large, a comprehensive and up-to-date statement of the total of these accounts—if not of each one separately—ought surely to be presented simultaneously with the conventional Budget accounts, if not more frequently. In the absence of such a statement it is becoming almost impossible to obtain a coherent picture of the national finances as a whole, and the re-classification employed in the National Income White Paper makes it for some purposes an indifferent substitute.

There is, however, a more important objection than this statistical one to the facile money-and-borrowing approach to the problem of checking inflation. War finance has driven home the truth that budgetary policy cannot be considered in isolation—a prescription for a dis-inflationary Budget cannot be found by looking solely at the Treasury accounts, however fully displayed. In certain conditions, even during full employment, the Government can run a larger deficit than is financed by borrowings from the public without producing any immediate inflationary pressure. The Government's "uncovered" expenditure may be generating a flow of income in excess of the current output of goods, but this excess will not press upon prices if the deficiency of output is being made up by importing more goods than are exported or by drawing on domestic stocks. This was the position during the early years of the war, when inflationary pressure was also being relieved by the fact that, although the Government was spending much more than its income, a large segment of industry was spending much less than its income, because normal plant maintenance and new capital works and housing had to be severely curtailed. In such circumstances, and to that extent, the Government could safely borrow from the banks because the money thus created did not increase the demand for goods but was held idle by overseas lenders or in industry's reserves.

The position now is very different. In the coming year there

will still be a net inflow of goods from abroad financed by drafts on the dollar credits, but the amount will be much less than it was in the war years, and less, too, than the amount of the dollar drafts, because a portion of British exports will in effect be employed not in paying for imports, but in repaying war-time borrowings or in making new loans. Secondly, no further relief can be obtained by drafts upon stocks. Thirdly, whereas during the war industry as a whole was spending less than its income, now increasingly it will be spending more than its income by capital outlays which will be pushed to the limits of the available physical resources. The combination of these demands for capital from non-Governmental sources will largely offset, and may more than offset, the big reduction in Governmental demands.

It is conceivable, therefore, that even a balanced budget would not be enough, and that a budgetary surplus would be necessary to remove the present inflationary pressures from the economy. On the facts, known to the public, it is impossible to say; it depends on whether the flow of domestic savings plus net borrowings from abroad is or is not enough to cover the net capital expenditure of industry plus the Government's deficit on its extra-budgetary accounts.

What is required, therefore, is not merely a Budget in the technical sense but also an overall income-and-outgo account which will reduce the Government's total borrowings from domestic sources to the point at which private capital outlays can be financed from the remaining volume of spontaneous domestic savings. What kind of Budget would this prescription for dis-inflationary fiscal policy dictate? The "Economic Survey" suggested that the minimum target for capital formation and re-equipment (including housing) should be one-fifth of the national income this year. No estimate was given in terms of money, but presumably the target outlay will be in the vicinity of £1,500 million. Only a part of this very large programme will be undertaken and financed privately, but the structure of the Governmental accounts makes it impossible to know what proportion will be financed, directly or indirectly, by the Government. Loans by the Exchequer through the Public Works Loans Board for housing, grants to Development Areas and advances to the Coal Board are obvious examples of specific governmental finance; but other governmental payments, such as EPT refunds and war damage payments (other than for chattels) have the same financial effect. Only the Treasury experts, with access to all the figures, can say what proportion of the £1,500 million target will be provided for by Exchequer outlays such as these. The search for a precise non-inflationary formula for the 1947/48 Budget must, therefore, be made with quite inadequate charts, and with little more than a general sense of direction to serve as guide.

With this proviso, these principles may now be related to last week's calculations of the Budget prospect as it looks on the basis of existing taxation and in the light of present economic policy. Those calculations suggested that the ordinary Budget would be approximately balanced, but with a tendency to tilt towards a deficit. The accounts "below-the-line," however, will show a substantial excess of expenditure. Even if no further payments are made on the post-war credits, it seems most improbable that the below-line expenditure in 1947/48

will be less than the £350 million which, on the target estimates, will on balance be borrowed abroad.

On this basis, there is a possibility that the below-line account (especially if the surplus income of the Unemployment Fund is taken into account) may be financed in such a way as not to exert any positive inflationary pressure—and, incidentally, probably without any further borrowing from the banking system. But unless the proportion of the £1,500 million investment programme which is financed by the Exchequer is very large, it seems unlikely that the flow of spontaneous private savings will suffice to finance the remainder of the programme without setting up inflationary pressures. To put the matter in more concrete terms, is it likely that new private savings out of income will suffice to finance (a) drafts on past savings by encashment of Savings Certificates, Defence Bonds etc. (b) purchases of gilt-edged and any industrial securities sold by industry to finance reconstruction (c) purchases of gilt-edged securities from the banks to offset the monetary effects of rising demands for bank advances and (d) any other excess outlays by industry and the public utilities, e.g. by reduction of their cash balances. If private savings will not suffice for this purpose, there is plainly no scope at all within a non-inflationary policy for further Government borrowings for the ordinary Budget. On the contrary, if there is a deficiency between the spontaneous flow of savings and private investment outlays, it ought to be made good by a corresponding surplus on the ordinary Budget—a surplus which would enable the Treasury to repay indebtedness and thus to release finance for private investment.

In the absence of sufficient data to make precise estimation possible it is, perhaps not necessary to assume that the capital deficiency will be large. But it would certainly be extremely rash to work on the assumption that there might be, on the contrary, any surplus available to finance a Budget deficit. In other words, Mr Dalton should now plan for an honest balancing

of his accounts—for this purpose strictly excluding from his receipts any adventitious surpluses which conceivably could be brought in from moneys already accumulated (e.g. against sales of surplus stores already completed).

Since the prospective Budget, even including some further non-recurring income, is barely balanced on the present basis of taxation, it is clear that a non-inflationary policy leaves no scope for any further overall reduction in taxation on the existing basis of expenditure. This means first, therefore, that there cannot be any overall tax reduction unless it is balanced by a reduction in expenditure already projected for the coming year and, secondly, that any further concessions in one part of the tax system must be balanced by increased taxes in another part. There is, in fact, wide and profitable scope for manoeuvre within the tax system as it now stands; but the possibilities deserve detailed discussion which will be undertaken in a separate and concluding article.

There is, however, one important block of expenditure which could profitably be re-examined, even at this late stage, without in any way upsetting the Government's main spending programme. A very large proportion of civil expenditure is now absorbed by the cost-of-living subsidies, which even in 1946-47 will have cost roughly £370 million. The subsidies were imposed with the object of restraining the wage-prices spiral. This is often described as an anti-inflationary policy, and it is true that it is an attempt to avoid the rising prices that are a symptom of inflation. But in so far as they widen the gap between the total of incomes and the total (at ruling prices) of the goods available to be bought, the subsidies tend to feed the fires of the very inflation against which they are aimed. To remove them at one blow might lead to demands for wage increases and to a consequent further rise in incomes. The important question is whether the reduction of subsidies by £100 million would or would not lead to an increase in per-

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sonal incomes of £100 million. If so, the removal would be an inflationary act; if not, it can properly form part of a disinflationary policy.

In any case, from the narrower budgetary standpoint, the burden of the subsidies cannot be allowed to rise indefinitely, and even last April Mr Dalton affirmed that he could not guarantee to stabilise the cost-of-living beyond the end of the calendar year. Unless something is done, the cost of the subsidies will inevitably rise further in 1947-48; the differential between the artificial pegged price level and the true price level will become even wider, and the difficulty of reducing or removing the subsidies still greater. But, if the cost-of-living is allowed to rise, a large block of wages will rise automatically, unless the sliding scale agreements can be revised.

The only logical way to break this deadlock (as a writer in the current issue of *The Banker* points out) would be to offer the workers concerned a carefully balanced plan under which

reductions in subsidies would be balanced as nearly as possible by equivalent tax concessions to persons in the income groups which would be most affected by the withdrawal of subsidy. If the plan were carefully devised to achieve the maximum of equity, and if the underlying fiscal dilemma were clearly explained to the workers most closely concerned, it is not inconceivable that a revision of the sliding scale agreements might be conceded. If so, the way would be clear for a gradual reduction of subsidies, which would have the advantage first of restoring some measure of normality and flexibility to the price structure, and secondly of producing a means of reducing working-class taxation in the manner most calculated to promote incentive. Indeed, if monetary concessions (as distinct from real increases in the standard of living) still have any psychological force, a planned approach to the subsidies problem offers the best chance, in a non-inflationary budget, of introducing substantial incentive measures.

Oil Stocktaking

THE spectre of world shortage has never been far behind the scenes in the oil industry. In the United States, which has the world's largest output and consumption of oil products per head, the prospective shortage of domestic oil supplies underlies some of the main recommendations of the recently published final report of the Special Senate Committee on oil. American oil strategy is rapidly changing; new fields have been acquired in the Near East, and new agreements have been concluded between leading American oil concerns and Anglo-Iranian, under which the latter will supply large quantities of crude oil to the former during the next twenty years. In addition, American companies, already interested jointly with other countries in large oil-bearing areas in the Middle East, are themselves developing the potentially rich fields of Saudi Arabia. Behind the manoeuvres in the Middle East and the Senate Committee's findings lie the real questions: Where are the world's most prolific supplies? Who owns them? Are they being efficiently worked from the consumer's point of view to make the best use of every drop of oil?

There are definite signs of change in the relative importance of different oil-bearing regions. The first table opposite compares the proved world oil reserves in 1943 with those in 1946, and shows the degree of control which is exercised by a small group of countries. In Russia the oil reserves are owned by the state, and in America by the country's nationals. In other areas, including some of the most prolific in the world, foreign exploitation of oil reserves is almost universal.

The figures are, of course, only estimates and for Europe and the USSR probably very rough estimates. Scientific boring to ascertain workable reserves has been held up during the war, but the available figures clearly indicate the growing importance of Middle Eastern oil fields; last year's estimates show that these areas are now practically equal to the United States fields as potential sources of oil, and further boring over the next few years should give the Middle East a clear lead.

Table II shows the production of crude oil by main geographical areas for 1938 and 1944 to 1946, together with a division into the most important sub-areas. Preliminary calculations for 1946 suggest that US output last year was about 63 per cent of the world total. Venezuela, which almost doubled its output during the war years and is the world's second largest producer, has recorded the next largest increase in output; production in 1946 was 26 million metric tons higher than in 1938. Thus the American continent, north and south, was still the world's largest source of crude oil in 1946, accounting for over 80 per cent of estimated world output. At current rates of extraction,

America is drawing heavily upon proved reserves; but estimates of proved reserves have to be taken with great caution, for their scope, workability and value at any time depend on a large variety of technical factors and on the price of oil. The search for new reserves has, of course, been retarded during the war in order to use man-power on current production and at least a moderate expansion in proved reserves is in prospect.

Compared with these levels of output, the Middle East's production is as yet quite small. Persia, the largest wartime Asiatic producer, had an output in 1946 only one-third of the size of Venezuela. Saudi Arabian production was only 7 million metric tons, though this represented a tremendous wartime leap in output from the 67,000 metric tons produced in 1938. It is quite clear that unless there is a violent, unexpected fall in world consumption, or vast new fields are discovered in America (which is equally unlikely, though proved reserves may keep pace with extraction for a number of years to come) the world's oil supplies in twenty years' time will have to come largely from the Middle East. This concentration of interest on Middle Eastern sources of supply has already produced important political and economic consequences. Large oil groups and governments themselves are busy staking their claims in territories that are known or thought to be oil-bearing.

*

The prospective change of balance from American to Middle Eastern supplies will involve important economic consequences, and major technical changes in oil transport. A wide difference presumably exists between production costs in twentieth-century America and those in Arabian deserts. But just how much less or more the change to new sources of supply will cost the world consumer for his oil is still unknown, because Middle Eastern production costs are not disclosed and world oil prices are based on American prices. All that is certain at present is that Middle Eastern costs can only be a fraction of American costs. If there were a world oil price, fixed by the "higgling" of the market, as increasing supplies of Middle Eastern oil come on to the market, there might be a downward adjustment of oil prices with revolutionary effects on consumption and production.

Table III gives an indication of the expansion in refinery capacity in different areas. Capacity expanded greatly during that period in the United States and the Netherlands West Indies. But there were significant increases also in South America and the Middle East. Refinery capacity is now being expanded in the United States. Increased equipment is also being installed in South America, partly to overtake the arrears on construction programmes planned before the war, and partly

in line with the inevitable insistence of those countries upon the establishment of self-sufficiency in petroleum products and a full-scale petroleum technology. Refinery capacity in the Middle East has been further extended in 1946. But the ultimate structure of the Middle Eastern oil refining industry has yet to be decided. In Europe, the immediate target must be to restore capacity destroyed during the war.

Opinion differs within the industry about the most economic location for oil refineries, within given conditions of extraction and the type of market to be supplied. But even if the economic factors were not themselves a controversial issue and even if, under given circumstances, the best location for a refinery could be established beyond doubt, political factors intervene to prevent economic considerations from being given full play. Sovereign states normally wish to have at least some refinery capacity available within their own borders, especially if crude oil is extracted on their own territory. In many cases, this line of development finds favour with those large oil groups which already have large refinery installations on the oilfields.

Wartime consumption of oil products was abnormal, and it provides only a very tentative basis for estimating the trend of post-war consumption. A forecast made soon after the war of a decline in the demand for high-octane motor spirit has already been proved wrong. Present indications point to an increase in the number of vehicles on the roads and a higher mileage per vehicle than in the past, not only in the United States but also in devastated Europe and the East. The long run demand for petrol from this source may offset any fuel economies that may result from better engine design and better quality fuel.

*

A feature of the oil market during the war has been the increased demand for distillate oils, following the widespread use of the diesel engine in industry, marine engineering and agriculture. At the same time, the scarcity and rising cost of coal in many regions is creating a demand for fuel and gas oil even greater than during the war. This rising demand for all refined oil products is being accentuated by the need to replenish stocks. Estimates must necessarily be tentative but it has been calculated that the world consumption of oil products (excluding the USSR) during the five years 1946 to 1950 may rise by 9 per cent. A possible consumption trend on this basis for the main refined products is set out in Table IV.

The figures reflect neither a sudden burst of world prosperity—including a drive to industrialise the Far East and mechanise its transport system—nor a world slump, which might retard reconstruction in Europe and reduce the demand on machinery and power resources in the United States. They anticipate an increased demand for crude oil, and also a further, if slight, increase in the relative use of fuel oil and distillates in some regions. Further progress with engineering and industrial techniques successfully developed during the war, such as the kerosene consuming gas turbine engine, would help to realise this estimate and it is important that these techniques should be fully developed, for if the world's supplies of oil are limited they must be used to fullest advantage. The eventual prospect of some limitation in oil supplies enhances the need for the oil producer, the engineer, the metallurgical chemist and the economist to consult together on the best application of oil to industry.

A national oil policy involves the weighing of many factors, including available raw materials, sources of power, and dependence on international trade. In addition to the technical questions involved in relating oil consumption to the requirements of expanding chemical and engineering industries, there remains, for Western European countries, the impact of oil requirements on their balance of payments. The need to fit these considerations most carefully into a national balance-sheet of resources is not least obvious in the case of this country.

TABLE I—CRUDE OIL PROVED RESERVES AND OWNERSHIP

	1943	1946	Percentage owned in 1946 by		
			U.S.	U.K. and Holland	Rest
U.S.	20,883	21,078	95	5	...
Caribbean	7,334	7,600	67	24	9
S. America	150	150*	3	12	85
Canada	5,735	5,735*	50	50	...
U.S.S.R.	620	600	...	27	100
Europe	15,500	20,750	26	62	47
Middle East	36	36*	...	100	6
Africa	950	1,070	...	72	...
S.W. Pacific	203	...	...	...	28
Asia	...	...	...	...	...

* 1945: but probably little change for 1946.
N.B.—These reserve figures are only approximations. The value of reserves at any given time depends on the technique of extractions and consumption and the price of oil.

TABLE II—CRUDE OIL PRODUCTION†
(Thousands of Metric Tons)

	1938	1944	1945	1946†
North America	172,876	236,567	241,434	244,600
Of which:—				
United States	164,102	226,723	231,198	234,000
Mexico	5,460	5,500	6,057	6,700
Trinidad	2,450	3,050	3,079	2,900
South America	35,944	47,235	55,078	62,530
Of which:—				
Venezuela	28,059	38,340	46,368	54,000
Argentina	2,450	3,470	3,276	3,100
Colombia	3,030	3,205	3,252	3,300
Europe‡	36,952	29,300	26,269	28,750
Of which:—				
U.S.S.R.	29,700	23,000	20,000	22,400
Asia	24,477	23,380	27,278	36,160
Of which:—				
Iran	10,359	11,522	17,109	19,000
N.E.I.	4,364	4,271	4,712	4,470
Saudi Arabia	7,394	4,400	1,359*	1,300
Remainder	67	1,063	2,872	7,000
World Total	3,895	2,925	1,745	2,100
World Total	274,144	339,407	353,163	373,140

* Including estimated enemy production before liberation.

† Preliminary figures.

‡ Source: *Palistine Press Service*.

§ Includes only U.S.S.R., Germany, Hungary, Austria, Rumania—U.S.S.R. figures are only broad, unofficial estimates.

TABLE III—WORLD REFINING CAPACITY
(Thousand Barrels Per Day)

	1941	1946	1941	1946
U.S.	4,461	5,300	E. Mediterranean†	63
Netherlands W. I.	508	580	Mid-East* and India..	402
Venezuela	76	151	Canada	222
Colombia	14	17	Mexico	245
Trinidad	79	82	U.K.	133
				97

† Palestine, Syria, Iraq and Egypt.

* Iran, Bahrain, Saudi Arabia.

Source: *The Oil and Gas Journal*; U.S. 1946 figure assumes output represented 90 per cent of capacity.

TABLE IV—ESTIMATED WORLD DEMAND FOR MAJOR OIL PRODUCTS
(Thousand Barrels Per Day)

	1938*	1946†	1950†
U.S.A. :—			
Petrol	1,435	1,853	2,074
Gas Oil, Distillate Fuel and Kerosene	1,375	837	1,008
Residual Fuel Oil	...	1,224	1,156
Western Hemisphere (as U.S.A.) :—			
Petrol	116	176	235
Gas Oil and Distillate Fuel	...	88	110
Residual Fuel Oil	259	362	439
Kerosene	...	28	37
Europe and North Africa :—			
Petrol	436	322	439
Gas Oil and Distillate Fuel	192	219	271
Residual Fuel Oil	234	285	385
Kerosene	74	59	74
Eastern Hemisphere (inc. U.S.S.R.) :—			
Petrol	96	151	182
Gas Oil and Distillate Fuel	91	121	146
Residual Fuel Oil	129	287	242
Kerosene	61	51	72

* Actual consumption. † Figures for 1946 and 1950 are *World Petroleum* estimates.

Saving and Dis-saving

Small savings, the public was triumphantly told last week, have passed their 1946-47 target of £520 million with three weeks to spare. This is certainly no moment to denigrate the efforts of the National Savings Movement, but it really is questionable whether these shouts of triumph are good tactics psychologically. The National Savings Committee works to gross targets, without taking account of the rising level of encashments of Savings Certificates and Defence Bonds, and always contends that any emphasis upon "dis-saving" damps down the enthusiasm of workers in the movement. If that is really so, it is time that serious efforts were made to bring home to all local organisers and canvassers the fact that an important part of the movement's functions now is to facilitate the stream of necessary encashments—for example, by those who are now restoring their homes—by encouraging additional savings by those whose domestic circumstances are less pressing. From the point of view of combating inflation, a gross target is almost meaningless: it can make sense only if properly related to realistic forecasts of the amount of dis-saving. Naturally there is no means of knowing whether in the past year this has been larger than the authorities forecast, but it has continued to rise steadily.

SMALL SAVINGS, 1946-47 (to March 8th)

	Purchases and Deposits (£ million)	Encashments and Withdrawals (£ million)	Net Cash Receipts
Savings Certificates	157.7*	129.7	28.0
Defence Bonds	202.1*	34.3	167.8
Savings Banks	689.8	587.7	102.1*
	1,049.6	751.7	297.9
Less Defence Bonds redeemed on maturity			22.2
			275.7†

†This compares with "target" savings of £520.9 million, comprising the sum of the items marked with an asterisk plus £59 million of interest accrued on savings deposits. Accrued interest on savings certificates during the period amounted to £53 million.

Thus, although "target" savings produced £520.9 million (including £59 million of accrued interest) in the first 49 weeks of the financial year, the actual net cash receipts were only £275.7 million, and even if all accrued interest is included, the total is no more than £387 million. Moreover, it is questionable whether even the trend of gross savings can be regarded as a measure of the volume of savings in future. Sales of Savings Certificates and Bonds during the 49 weeks totalled £360 million compared with £401 million in 1945-46, but this performance is much less satisfactory than at first appears—first because £22 million of Defence Bonds have been repaid on maturity, and secondly because sales have been artificially stimulated both by Mr Dalton's "last-chance" tactics and by the raising of the limits on individual holdings. Of the year's sales of Defence Bonds, probably at least a quarter represented purely anticipatory purchases stimulated last spring by the imminent withdrawal of the 3 per cent issue. No doubt the effects of these big purchases at that time have been felt in correspondingly smaller purchases since, but this influence was certainly substantially offset by the attraction of "large" savings into the small savings totals by the device of raising the limit on holdings. And since the Chancellor gave notice of the coming withdrawal of the current series of Savings Certificates, every effort has been made to ensure that as much money as possible is raked in before the turn of this financial year. Examination of the figures suggests that possibly £25 million has been secured in this way, which means that the volume of sales in the new financial year will be correspondingly less. Once again, however, the effect on actual sales will be obscured by tapping the resources of the large saver to whom, even after the substantial cut in interest, Savings Certificates will still be very attractive.

France's Dollar Needs

Ominous news about France's utilisation of her dollar credits has been given this week in Paris by the American Ambassador. He pointed out that of the total of \$1,920 million of credits arranged in the United States by France, as much as \$1,200 million had actually been disbursed by the end of October, 1946, and that orders placed after that date for delivery in 1946 and 1947 amounted to about \$900 million. This suggests that France's dollar commitments exceed available dollar credits by about \$180 million. The tale is reinforced by the figures of French short-term assets in the United States, which from a total of \$490

million at the end of 1940 had declined to \$275 million by September 30, 1946. The pressure on France's dollar resources is further apparent in the extent to which the Bank of France has had to ship gold in recent months. The last such operation occurred last month in connection with the payment of France's gold subscription to the International Monetary Fund. The French gold quota calculated at one-tenth of the French gold and dollar reserve amounted to about \$90 million. In order to provide for this payment a law was enacted authorising the transfer of Fr. 12,000 million of gold from the Bank of France to the Exchange Stabilisation Fund. This Fr. 12,000 million would be equal to approximately \$100 million, and the balance of \$10 million between this figure and the amount needed for France's IMF subscription is at the disposal of the Exchange Stabilisation Fund to provide urgently needed dollars. This transfer of gold to the Stabilisation Fund is the last of a number of such operations, the effect of which has been to reduce the Bank of France's gold reserve to little more than one-quarter of the figure at which it stood at the outbreak of the war. The change can best be expressed in terms of volume since this avoids the complications of two intervening valuations of the French currency. In September, 1939, the gold reserve at the Bank of France amounted to 2,408 tons. It had fallen to 1,778 tons by the liberation, and has since then been reduced to 628 tons or \$718 million.

The immediate balance of payments situation promises continuing strain on that somewhat exiguous reserve. The current deficit for 1947 is estimated at Fr. 188 milliard, or \$1,600 million, of which exactly half is "in hand" as a result of sales of external assets and further drafts on the Lend-Lease Export-Import Bank credits. Part of the estimated deficit for 1947 is, of course, a sterling deficit, which will be presumably met by transfers of sterling securities to the British Government. It is evident, however, that the French gold reserve may have to take an almost obliterating strain this year unless the International France comes to the rescue with the \$500 million loan for which France has been waiting so long.

Companies Bill and Disclosure

The final committee stages of the Companies Bill in the House of Lords last week produced a rather surprising concession, when the Lord Chancellor undertook to consider, before the Report stage, an amendment moved by Lord Swinton which would have the effect of adding shipping companies to banking, discount and assurance companies which, under the Bill, are specifically exempted from the need to make full disclosure of hidden reserves. Lord Swinton argued that the strategic importance of shipping gave it a special place in the national economy, and that the disclosure of its full reserves would provide welcome information for its foreign competitors. The Lord Chancellor not only admitted this case, but also suggested that it would not be wise to confine the exemption to shipping. This erosion of the principle of full disclosure is regrettable, for the grounds on which it has been conceded to shipping companies can hardly be denied to many other companies with establishments or business overseas. The concession admits a real danger that the principle of full disclosure for which the Cohen Committee so cogently argued may in the end be seriously diluted.

An amendment moved by Lord Lucas of Chilworth sought to include the amount of a company's trading turnover in its accounts. Lord Lucas, after a dig at British industrialists who in the past had told the public as little as they could, argued that the suspicion which was attracted by apparently high profits would be abated if it were related to the turnover from which the profit was secured—and, he might have added, the real capital which was required to earn it. This is a matter on which the Cohen Committee decided, after consideration, to make no specific recommendation, and it was hardly to be expected that the Government would accept a suggestion which, compared with most of the Bill, was somewhat controversial. But the Bill is in many respects based on widely accepted good practice which not so many years ago was in the pioneer stage; so, to-day, at least a handful of companies give information about turnover without encountering any of the difficulties involved in special cases like three-year contracts to build bridges, such as the Lord Chancellor put forward in rejecting the amendment.

Floating Debt Policy

Mr Dalton, as last week's Note in these columns pointed out, certainly chose a fortunate date for his claim in the economic

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BALANCE SHEET, 31st DECEMBER, 1946.

(The Figures of certain Branches previously Enemy-occupied which have not been re-opened, are taken from the latest Returns received.)		ASSETS.	
LIABILITIES.	£ s. d.	ASSETS.	£ s. d.
CAPITAL, STOCK, AUTHORISED AND ISSUED (There is under the Charter a reserve liability of the Stockholders equal to the amount of Stock issued.)	3,000,000 0 0	CASH IN HAND AND AT BANKERS	18,723,243 6 0
RESERVE FUND	5,000,000 0 0	GOVERNMENT AND OTHER SECURITIES	66,236,909 0 8
NOTES IN CIRCULATION	2,452,748 5 7	HONGKONG GOVERNMENT CERTIFICATES OF INDEBTEDNESS FOR SUMMERLAND COIN AND CASH LODGED AGAINST NOTE ISSUE	21,666,206 18 9
CURRENT AND OTHER ACCOUNTS, including provision for Bad and Doubtful Debts and Contingencies and Exchange Adjustments	98,035,721 15 10	SECURITIES LODGED AGAINST NOTE ISSUE	919,849 8 0
FIXED DEPOSITS	7,644,929 1 3	ALLAHABAD BANK LTD.—37,648 Ordinary Shares of Rs. 100 each, of which 14,905 are fully paid and 22,983 are paid up to the extent of Rs. 60 per share, at cost	2,879,756 6 9
BILLS PAYABLE	1,731,540 19 7	BILLS OF EXCHANGE, including Foreign Treasury Bills	747,705 1 10
ACCEPTANCES, including Undertakings to accept, on Account of Customers	2,961,311 18 5	ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS	3,186,334 10 3
LOANS PAYABLE	675,000 0 0	LIABILITY OF CUSTOMERS FOR ACCEPTANCES, including Undertakings to accept, per Contra	29,606,760 18 0
PROFIT AND LOSS ACCOUNT	704,518 5 4	BANK PREMISES AND FURNITURE AT THE HEAD OFFICE AND BRANCHES	2,961,311 18 5
NOTES:—		BALANCE OF REMITTANCES, DRAFTS, ETC., IN TRANSIT BETWEEN HEAD OFFICE, BRANCHES AND AGENCIES	1,899,138 16 10
(1) There are contingent liabilities on Bills re-discounted, £1,677,501 8s. 8d. (of which £1,139,867 8s. 11d. has run off at 10th March, 1947) and commitments in respect of Confirmed Credits, Guarantees and Forward Exchange Contracts.			1,785,610 7 3
(2) Currency Assets and Liabilities have been converted at the following rates:— Rupee 1s. 6d., Straits Dollar 2s. 4d., Guilder 2s. 0d., Tical 6d., Indo China Piastre 6d., Hongkong Dollar 1s. 3d., Chinese Dollar 12,600 to £, Philippine Peso 2s. 6d., Yen 1s. 3d., and United States Dollar 5s. 0d.			
	418,174,870 6 0	V. A. GRANTHAM H. MACNAGHTEN J. L. MILNE	418,174,870 6 0

REPORT OF THE AUDITORS TO THE STOCKHOLDERS.
We have examined the above Balance Sheet with the books at the Head Office in London and with the Returns from the Branches open at 31st December, 1946, certified by the Branch Managers. No Returns are available as to the Assets and Liabilities at 31st December, 1946, of certain Branches which had not then been re-opened after enemy occupation, and the figures included in the Balance Sheet in respect of such Branches are those shown in the last Returns received: currency figures in such Returns have been converted into Sterling at the rates stated on the Balance Sheet. Under existing circumstances, it has not been possible to reconcile all outstanding transactions between re-opened Branches previously occupied by the Enemy and the Head Office and other Branches. Subject to these observations, in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us and as shown by the books at the Head Office and the Returns referred to.

W. A. BROWNE & CO.
DELOITTE, FLENDER, GRIFFITHS & CO. } Auditors.
Chartered Accountants.

London, 12th March, 1947.

PROFIT AND LOSS ACCOUNT, for the Year ended 31st December, 1946.

LIABILITIES.	£ s. d.	ASSETS.	£ s. d.
Interim Dividend at 30th June, 1946, less Income Tax at 9/- in the £	87,750 0 0	Balance brought forward from 31st December, 1945	883,635 13 0
Balance proposed to be dealt with as follows:—		Profits after providing for Bad and Doubtful Debts, Taxation and Contingencies, including results between the date of the last certified returns received and 31st December, 1946, of Branches re-opened during 1946, so far as can at present be ascertained, but subject to unascertained results of Branches not re-opened at 31st December, 1946	378,632 12 4
Dividend at 31st December, 1946, less Income Tax at 9/- in the £	410,250 0 0		
Officers' Pension Fund	100,000 0 0		
Widows' and Orphans' Fund	100,000 0 0		
Bank Premises	887,258 5 4		
Carried forward to Profit and Loss New Account	470,268 5 4		
		V. A. GRANTHAM H. MACNAGHTEN J. L. MILNE	470,268 5 4

W. R. COCKBURN, Chief Manager.
R. W. BUCKLEY, Manager.
G. H. TANKARD, Chief Accountant.

THE NATIONAL BANK OF INDIA, LIMITED.

Registered in London under the Companies Act of 1862 on the 23rd March, 1868.
ESTABLISHED IN CALCUTTA, 29th SEPTEMBER, 1863.

LIABILITIES.	£ s. d.	ASSETS.	£ s. d.
Subscribed Capital	24,000,000	Cash on hand, at call, and at Bankers	16,111,123 11 10
Paid-up Capital	23,000,000	Indian and Ceylon Government Rupee Securities	16,055,868 8 0
HEAD OFFICE		British Government Securities, Indian Government Guaranteed Debentures and other Securities (of which £500,000 War Loan lodged with Bank of England as security for Government Accounts)	17,076,775 6 11
Capital: Authorised and Subscribed, 160,000 Shares of £25 each, £4,000,000.	2,000,000 0 0	House Property and Furniture at cost, less amounts written off	562,468 7 7
Paid up £12 10s. per share	2,200,000 0 0	Bills of Exchange, including Treasury Bills	4,804,469 12 4
Reserve Fund		Discounts, Loans Receivable, and other sums due to the Bank	13,170,310 0 8
Current, Fixed Deposit and other Accounts, including provision for Bad and Doubtful Debts and Contingencies	62,598,997 16 5	Customers for Acceptances per Contra	100,000 1 8
Bills Payable	1,015,407 11 5		
Acceptances for Customers	199,636 1 8		
Profit and Loss Account, as under	566,608 19 1		
	668,580,650 8 7		668,580,650 8 7

Bills receivable, re-discounted £1,453,136 3s. 5d. of which up to 13th March, 1947, £1,174,376 1s. 8d., have run off. Forward contracts outstanding for the Purchase and Sale of Bills and Telegraphic Transfers, £20,779,318.

PROFIT AND LOSS ACCOUNT. For the Year ended 31st December, 1946.

Dr.	£ s. d.	Cr.	£ s. d.
To Balance at 31st December, 1945	180,000 0 0	By Balance at 31st December, 1945	574,478 19 6
Dividend at the rate of 16 per cent. per annum for half-year ended 30th June, 1946	566,608 19 1	Deduct—	
Balance		Dividend at the rate of 14 per cent. per annum for the half-year ended 31st December, 1945	140,000 0 0
		Staff Pension Funds	60,000 0 0
		Contingencies Account	100,000 0 0
			300,000 0 0
		Balance brought forward	274,478 19 6
		Net Profits for the year ended 31st December, 1946, after charging Director's Fees amounting to £8,595 17s. 8d. and providing for Taxation and all Bad and Doubtful Debts	452,129 19 7
			572,608 19 1

T. T. K. ALLAN, General Manager.
G. W. HARKNESS, Accountant.

J. K. MICHIE
A. N. STUART
W. H. MILNE } Directors.

REPORT OF THE AUDITORS TO THE MEMBERS.
We have audited the above Balance Sheet with the Books in London and the certified Returns from the Branches. We have obtained all the information and explanations we have required. In our opinion such Balance Sheet is full and fair, containing the particulars required by the Regulations of the Company and is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Company.

COOPER BROTHERS & CO.
W. A. BROWNE & CO. } Auditors.
Chartered Accountants.

London, 12th March, 1947.

policy debate that Treasury revenue surpluses were already producing a deflation of bank deposits. In each of the three weeks since the last clearing banks' statement there has been a deficit on the ordinary Budget. The total for these weeks amounts to over £92 million in contrast with only £38 million in the similar period of last year, so that the prospective out-turn of the 1946-47 accounts looks correspondingly less satisfactory than it did a few surpluses was marked by interesting changes in floating-debt policy. Except in 1940, when the floating debt was still carrying the main burden of war financing, the heavy tax gatherings of the first eight to ten weeks of the calendar year have always produced a contraction of the "tender" supply of Treasury bills. But this year, although the revenue surplus was unusually heavy, the supply of Treasury bills has actually expanded. Since end-1946, the outstanding total of tender bills has risen by £45 million to the new high level of £2,185 million, in contrast with a fall of £120 million in the similar period last year.

The whole of the seasonal impact upon the active portion of the floating debt has thus been concentrated upon Treasury deposit receipts, which, except for the end-1945 last-minute rush for the 3 per cent Savings Bonds, have declined more rapidly than ever before. The contraction of the outstanding total since the turn of the year amounts to £242 million, compared with £75 million in 1946. These changes seem to mark a further stage in the post-war policy of shifting the emphasis of floating-debt borrowings from TDRs to bills. The TDR issue still remains the normal fluctuating element in the debt, and in consequence the use of current revenue surpluses to reduce it is in conformity with past practice, but this is the first time that the authorities have reinforced the seasonal influence upon TDRs by actually increasing their borrowings on Treasury bills. At £1,435 million the TDR issue is now only some £65 million above the low point reached last June and is £750 million less than the outstanding issue of tender bills. When TDR borrowing was at its heaviest, the total often exceeded the bill issue by more than £500 million.

* * *

Imperial Tobacco and the CIC

Lord Dulverton's speech at the Imperial Tobacco meeting this week—his last as chairman of the company—revealed that the company's application for permission to raise new ordinary capital had been refused by the Capital Issues Committee. This refusal might indeed have been deduced from the reference in the report to the proposed increase in borrowing powers to £82½ million, for this was evidently put forward as an interim policy "pending a satisfactory adjustment of the position on a permanent basis." The group's financial problem emerged quite clearly from the recent balance sheet. Last year the value of stocks increased by almost £21 million, largely owing to the resumption of the pre-war practice of paying for purchases when made, instead of deferring payment, as happened during the war years, until tobacco had been actually imported into this country. To finance this increase in the stocks, the company (which had already created £10 million of 10-year notes) borrowed a further £10 million last year on acceptance credits, and its bank overdraft rose to £26.3 million. In all, therefore, short-term liabilities now exceed £46 million, and are within £4 million of the issued share capital.

The directors have sought to rectify this unbalanced position by an issue of ordinary capital sufficient, doubtless, to wipe out the bank overdraft. This could easily have been done by a rights issue, within the limits allowed by the CIC's policy. But the directors were not satisfied with this course, holding that the ordinary share issue should be made at such a price as would reduce the present rate of ordinary share dividend to a figure appreciably closer to the rate of earnings on the capital effectively employed in the business. In other words, they intended that although the issue price should be close to par, the element of true bonus involved would have been negligible, because cash amount of dividend would be only slightly increased and the rate proportionately reduced. Clearly the replacement of short-term funds by permanent capital would have contributed little or nothing to earning capacity, and a new share issue on the lines proposed would have merely linked the issued capital more closely with the company's earning power.

It is hardly surprising that the Capital Issues Committee has proved unresponsive to this line of argument, for it raises the question whether current share prices are too high (on which a number of industrial concerns have held different views from the CIC in putting forward the terms of their "rights" issues),

but whether directors of industrial companies are to be allowed to adjust their issued capital and dividend payments into closer accord with real capital and real earnings. Imperial Tobacco might have sought to make the capital adjustment through an increase in prior charge capital (which would have left the ordinary dividend almost unaffected), but this would not have secured the directors' aims, and would have added to the existing three classes of preference capital a new class of preferred ordinary shares.

The fact is that their proposal is inadmissible, not because it lacks logic and financial reasonableness, but because it strikes at the political basis of the bonus ban—namely, that the propaganda value of high nominal dividends is so high that any attempt to reduce its effectiveness by adjusting issued capital to earning power must be resisted. The policy of the CIC is, of course, made in the Treasury, and although the Chancellor of the Exchequer submitted the question of bonus issues to the National Investment Council last autumn he has remained quite obdurate to any change. In view of the present state of the gilt-edged market it would be unrealistic to expect any change—for the wartime policy of capital control was founded on fears of competition with the gilt-edged market, and these have not lessened during the last week or two.

* * *

Timber Prices and Supplies

The Timber Control has agreed with the trade to raise the price of imported softwood by £8 10s. a standard as from April 1st. The Control's basic price at present for European flooring, to give one example, is £44 per standard, but conversion and other charges may bring the final price to £80 or more. A levy of a similar amount is also imposed on all stocks in the hands of merchants at that date, when the new quota period opens. The increase in price, sharp though it is, has only limited significance owing to the desperate shortage of timber supplies and the curtailment of all forms of use. No doubt it can be justified on the ground that higher prices have to be paid to producers. The imposition of a levy on existing stocks is an obvious method of ensuring that all purchasers on and after April 1st pay the same price and will thus eliminate any differential prices and possible discrimination or leakage which might result from them. It will, however, present the Timber Control with a "windfall" amounting possibly to well over £1,000,000, which will help it to offset past deficits. This seems to be a further step in the Government's policy of gradually raising prices of basic raw materials and reducing its trading losses.

The dearth of timber presents a serious problem. Total stocks of softwood at the end of 1946 were just over 214,000 standards (the lowest on record), compared with 563,000 standards at the end of 1945 and nearly 700,000 standards at the end of 1940. Peace-time stocks were generally considered to average about 1,000,000 standards. Last year's consumption naturally showed a sudden jump compared with previous years, owing to the housing programme, but the drop of over 60 per cent in stocks clearly shows that home production and imported supplies lagged far behind requirements. Even with the lower allocation of 1.6 standards of softwood per house, stocks at the end of last December were only sufficient to build just over 130,000 houses, without allowing a single standard for other uses. The Ministry of Works are encouraging further economies in the use of timber, but little further saving can be secured in the construction of traditional dwelling houses—joists may be made slightly smaller, or their centre-spacing increased, but these are only marginal reliefs. Real economy in timber can only be effected by a modification of present housing designs or the introduction of permanent pre-fabricated houses. Since the suggested alternatives to timber are mainly materials such as steel, base metals and plasterboard, which themselves are already scarce, the scope for substitution is limited indeed. Most house-builders are not used to some of these materials. Steel or concrete joists call for fillets of timber or some other means by which floor boards can be nailed down. Again, builders may need special hoists to lift steel roof joists into position, and if the brickwork is slightly out of alignment, steel and concrete are not so workable as timber.

*

It is doubtful if the housing programme can be achieved unless additional timber supplies can be secured to build traditional houses. The United Kingdom last year negotiated a deal with the Soviet Union for 25,000 standards, but by the end of the year only 11,000 standards had arrived. Pre-war shipments from

Russia averaged some 350,000 standards annually. The timber areas of Northern and Central Europe are now within the Russian orbit, whilst Scandinavian countries could increase their supplies only in exchange for coal and other commodities which British cannot at present provide. It is understood that Mr Bevin will raise the question of timber supplies with the Russian authorities during his Moscow visit. Contracts have been made with Canada for 450,000 standards and it is hoped to obtain some 200,000 standards from the United States. These will give an increase in supplies of over 250,000 standards compared with last year, but if consumption this year is at the same level as 1946 stocks next December will stand little higher than 100,000 standards.

* * *

Sweden's Balance of Payments

Sweden has taken drastic measures this week to arrest a grave deterioration in her balance of international payments. Following the recent prohibition of imports of inessentials such as toys and jewellery, a general ban on imports has now been put into operation. This ban is subject to the issue of special exemption orders which are being issued only for absolute essentials such as skins, cotton, wool and oil products. The immediate reason for this drastic move is the substantial decline which has recently occurred in the Riksbank's gold and foreign currency reserves. The gold holding declined from Kr. 1,734 million at the end of 1945 to Kr. 1,371 million at the end of 1946, and to Kr. 1,114 million on March 4th last. The foreign exchange holding has fallen similarly from Kr. 930 million to Kr. 827 million and Kr. 609 million respectively.

Sweden's balance of payments problem, indeed, bears many resemblances to that of Britain. There was a current trade deficit of some Kr. 800 million last year, but the hard currency deficit was considerably larger than this. The distortion in the Swedish balance of payments has undoubtedly been increased by fairly generous grants of credits to countries like Norway, Finland, Poland and Holland—credits which have undoubtedly put a considerable strain on the Swedish balance of payments with Canada, the United States and some of the South American countries. Sweden thus provides an exact replica of the British problem of surpluses with soft currency and deficits with hard currency areas. The extent of that distortion is evident in the sharp decline of the gold and foreign currency (almost exclusively dollar) reserves. The position has no doubt been aggravated by the decision taken by the authorities last July to revalue the Swedish crown by 14 per cent in terms of gold and dollars. Taking the long view and bearing in mind the current rise in dollar prices, this may well have been a wise move but in the short run it is proving decidedly expensive.

Sweden is now faced with some of the domestic repercussions and implications of its exchange decision, namely a policy of high taxation, of conscious restriction of domestic consumption and stimulation of exports. While this policy is being worked out and a system of import licensing developed, the blanket prohibi-

tion on imports should serve to hold the position. One can but admire the vigour and ruthlessness with which the problem is being tackled, and wish that similar courage could be applied in other countries where the need for defensive measures of this kind are even more pressing than they are in Sweden.

* * *

Railwaymen's Wage Demands

The claim of the three railway unions for higher wages and shorter hours was considered at a joint meeting of the two sides of the railway industry this week, but no decision has been reached and the companies are still considering the matter. The unions are asking for an all-round increase of £1 a week, with a 40-hour week for operative grades and a 35-hour week for clerks and salaried employees. It seems out of the question that the companies will concede these demands, which would be in direct conflict with the labour and wage policy of the "Economic Survey" and would hardly be considered as a matter strictly between the men and the companies, in view of the vesting date on January 1st next year. The claim will almost certainly have to be referred to the industry's negotiating machinery.

It is only fair to say that the men's claim was formulated some time before the "Economic Survey" was published. They argue that railway workers are among the worst paid of any industrial workers—the lowest paid, a second grade porter, receives £4 7s. a week in London and £4 4s. in rural areas—and that railway wages have stood still since the end of the war, while other wage-earners have benefited by increased rates and shorter working weeks. With the withdrawal of the Essential Work Order many workers have been leaving the railways to seek higher-paid employment. And the "profit" which the State is expected to earn from railway nationalisation—so widely advertised by the Chancellor of the Exchequer—is an obvious incitement to increased wage demands.

Nevertheless, the wage increases asked for, which would affect some 600,000 employees, would represent a burden in wage costs, which the railways, under private or public ownership, could not afford in their present condition. The increased costs would assuredly be passed on to the consumer by additions to existing fares and higher freight charges for goods. There may be a case for a revision of the wages to raise the standards of the lowest paid sections, but a blanket increase of £1 a week would involve a penal increase in industrial costs, and would encourage other trade unions to follow suit.

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Courtaulds' Accounting Date

The directors of Courtaulds Limited have declared a second interim dividend of 5 per cent actual for the year 1946, making with the first interim 7½ per cent. This second interim dividend is to be paid at some date, after April 5, 1947, to be determined (Continued on page 434)

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in Records and Statistics. Notes on the following company reports also appear in the Supplement: Gallaher; Radiation; International Nickel; Rubber Plantations Investment Trust; and A. W. Gamage.

Prices, Jan. 1-Mar. 19, 1947		Name of Security		Price, Mar. 12, 1947	Price, Mar. 19, 1947	Net Yield, Mar. 19, 1947	Gross Yield, Mar. 19, 1947	Prices, Jan. 1-Mar. 19, 1947		Last two Dividends		Name of Security		Price, Mar. 12, 1947	Price, Mar. 19, 1947	Yield, Mar. 19, 1947
High	Low							High	Low	(a)	(b)					
British Funds*																
103½	101½	Conversion 3%, 1948-53.....	101½	101½	£ s. d.	£ s. d.	113½	109½	(a)	(b)	(c)	Other Securities				
103½	102	War Bonds 2½%, 1949-51.....	102½	102½	0 7 2	1 10 0	105½	100	(d)	(e)	(f)	Australia 3½%, 1965-69.....				
102½	101½	Exchequer Bds. 1½%, 1950.....	101½	101½	0 10 6	1 10 7	102	100½	(g)	(h)	(i)	Birmingham 2½%, 1966-71.....				
105	102½	War Bonds 2½%, 1951-53.....	102½	102½	0 13 6	1 15 10	137½	122½	(j)	(k)	(l)	Argentine 3½%, 1972.....				
105½	102½	War Bonds 2½%, 1952-54.....	102½	102½	0 16 2	1 18 7	151½	118½	(m)	(n)	(o)	Anglo-American Corp. 10%.....				
106	104	Funding 2½%, 1952-57.....	104½	104½	0 14 9	2 0 3	42½	37½	(p)	(q)	(r)	Anglo-Iranian Oil (L).....				
108½	105½	Nat. Defence 3%, 1954-58.....	105½	105½	0 17 11	2 4 10	96½	82½	(s)	(t)	(u)	Assoc. Port. Cem. Ord. Stk. (L).....				
109½	105½	War Loan 3%, 1955-59.....	105½	105½	1 0 4	2 6 11	243½	201½	(v)	(w)	(x)	Austin Motor A. Ord. Stk. 5%.....				
108½	105	Savings Bds. 3%, 1955-55.....	105½	105½	1 3 6	2 5 7	105½	88½	(y)	(z)	(aa)	Barclays Bank Ord. (L).....				
105½	101½	Funding 2½%, 1956-61.....	101½	101½	1 3 10	2 9 11	58½	51½	(ab)	(ac)	(ad)	Bass Ratcliff Ord. (L).....				
109½	104½	Funding 3%, 1959-63.....	104½	104½	1 8 7	3 10 7	77½	69½	(ae)	(af)	(ag)	British Oxygen Ord. (L).....				
122½	117½	Funding 4%, 1960-90.....	118½	117½	1 16 7	3 11 0	49½	41½	(ah)	(ai)	(aj)	Courtaulds Ord. (L).....				
110½	105	Savings Bds. 3%, 1960-70.....	105½	105½	1 6 9	2 9 9	55½	47½	(ak)	(al)	(am)	Dorman Long Ord. (L).....				
104½	101½	Savings Bds. 2½%, 1964-67.....	101½	101½	1 8 11	2 11 0	77½	66½	(an)	(ao)	(ap)	Dunlop Rubber Ord. (L).....				
123½	118½	Victory Bonds 4%, 1920-1961.....	106½	106½	1 6 8	2 12 0	84½	79½	(aq)	(ar)	(as)	Imp. Chem. Ind. Ord. Stk. (L).....				
111½	105½	Savings Bds. 3%, 1965-75.....	106½	106½	1 7 5	2 9 7	36½	34½	(at)	(au)	(av)	Lancs. Cotton Ord. Stk. (L).....				
108½	106½	War Loan 3½%, 1967-70.....	113½	113	1 17 1	2 11 3	58½	47½	(aw)	(ax)	(ay)	Lever and Unilever Ord. (L).....				
117½	109½	Console 4% (after 1961).....	110½	110½	1 2 9	2 12 6	39	35	(az)	(ba)	(bb)	London Brick Ord. Stk. (L).....				
100½	94½	Treas. Bds. 2½% (after 1975).....	95½	95½	1 7 3	2 13 5	107½	93½	(bd)	(be)	(bf)	L.M.S. 4% 1st Pref. Stk. (L).....				
110½	104½	Treas. Stk. 3% (after 1966).....	105½	104½	1 6 4	2 11 8	147½	118½	(bg)	(bh)	(bi)	N.-Eastn. Elec. Ord. Stk. (L).....				
117½	110	Redemption 3% (1966-96).....	110½	110½	1 9 1	2 12 11	96½	81½	(bj)	(bk)	(bl)	P'chin J'uson Ord. Stk. 10%.....				
99	94	Consols 2½%.....	94½	94½			107½	93½	(bm)	(bn)	(bo)	Prudential "A" (L).....				

* To earliest redemption, except £ flat yield and † assumed average life 17 years 6 months. Net yields after allowing for tax at 9s. in £.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. † Free of tax.

NATIONAL PROVIDENT INSTITUTION

GOOD INTEREST YIELD

The annual meeting of the National Provident Institution for Mutual Life Assurance will be held at 48, Gracechurch Street, London, E.C., on Tuesday, the 25th instant.

The following extracts are from the address which will be submitted by the chairman, Mr Vincent W. Yorke:—

The distribution of profits relating to the previous six years, which we made early in 1946, gave great satisfaction to our members, and I am glad to say that we can continue to allow interim bonuses to policies which become claims through death or maturity at the same excellent rates as we then declared.

INCREASED NEW BUSINESS

In 1946 life offices experienced a considerable revival of new business. The figures we report to you are more than double those of 1945, and the amount of new sums assured, after deduction of re-assurances, exceeded £2,600,000. These figures contain a slightly higher proportion of family protection benefit than usual. This is a death benefit in the form of a series of annual capital payments, and we welcome this increase because we know what great protective benefit this type of policy confers on the families of young men. Even if this were omitted, the 1946 new business would still be a record in our history.

The expense ratio for 1946 was £16 2s. 2d. per cent. (after deducting the special expenses in connection with the triennial valuation), compared with the figure

of £12 17s. 6d. per cent. for 1945. The increase in expenses directly attributable to additional new business represents about three-quarters of the total increase; the remaining quarter is attributable partly to items of a non-recurring nature and partly to the general rise in costs.

This year I again have the pleasure of reporting a favourable year in which mortality was lighter than we should have expected from the modern tables that we use. I am also glad that I can draw your attention to a slight but welcome increase in the rate of interest earned on our funds. The gross rate increased from £4 19s. 8d. per cent. to £5 0s. 10d. per cent., and the net rate, after deduction of tax, from £3 12s. 3d. per cent. to £3 14s. 8d. per cent.

I should like to draw your attention to the main changes in the balance-sheet during the past year. Firstly there was a reduction in the amount of Mortgage and Loans due to repayments, and we have also reduced our holding of Dominion and Foreign Government Securities. Against this, we have slightly increased our holding of Debentures, but this increase is likely to be of short duration in view of the Government's plans for nationalising certain industries.

Secondly, we had by the end of 1945 built up a solid block of British Government Securities, a larger proportion of our assets than we had ever shown before, except for a short period after the first World War. In view of this large holding and of the prospective replacement of "Nationalisation Stocks" by British Government Securities, we have somewhat reduced our gilt-edged portfolios. On the other hand we have considerably increased our holding of preference shares, but the largest increase among our different classes of investment is in Ordinary stocks and shares, since as the experience of past history points to a steady fall in the value of money over the years ahead, to that limited extent, the premiums of our members

are being invested in goods rather than in money.

There is a handsome margin between the value of the Stock Exchange assets as they appear in the balance-sheet and their market value at the end of 1946, but a time may come when the prices of securities may meet with a general setback. This margin would then serve as a useful cushion against such depreciation. I am pleased to repeat that our financial position is one of great strength.

The original purpose of Life assurance was to give protection, and in deciding what "protection" means to his family, a man should think first in terms of the income that is necessary to cover his family's needs. But it is difficult for a man to assure for a large enough capital sum to produce the necessary income on his death and in these circumstances he would be wise to add cover of the "Family Protection" type to such life policies as he could afford, especially as this is one of the cheapest forms of life assurance.

NEW PENSION INSURANCE

We have introduced a new policy which will appeal particularly to professional men and to those who have to provide their own pension—the "New Pension Insurance." This provides a series of capital sums half-yearly for 15 years after the selected age of retirement and under present regulations these capital sums are not taxable, and they continue for 15 years, whether the pensioner lives so long or not. Provision is also made for an ordinary life annuity to start after that period if he is still alive. This new policy has already proved to be popular, and we expect a large demand for it.

During the latter half of 1946 we have had our full branch staff working for us after the return of those who have been in the Services, and I am sure that members and agents appreciate the fuller services we are again able to offer them.

(Continued from page 433)

by the date of the Budget speech and by the ensuing period thereafter required for the preparation of dividend warrants. The directors have, however, decided to change the accounting period of the company from December 31st to March 31st, and the forthcoming report and accounts will therefore cover a 15 months' period to March 31, 1947. The question of a small final dividend, if any, on the ordinary stock to supplement the two interim dividends will be considered in June when the accounts have been completed.

The company has decided to make this change in accounting dates because of the difficulty of assessing accurately the income tax liability on trading profits for the calendar year—a liability which accrues in the following fiscal year commencing on April 6th. But it has been the company's practice in the past to issue the report and accounts within the first three months of the succeeding calendar year, and consequently the provision for income tax on trading profits has had to be estimated, without any precise knowledge of the rate of tax which they will attract. In pre-war years, when the standard rate of income tax was lower, and during the war years, when EPT was in force, this margin of potential error was not of major importance; in present circumstances, however, the directors feel that they should wait for full knowledge of the company's tax liability. The incidental delays, so far as the stockholders are concerned, will be limited to a mere month and some administrative advantages will accrue from synchronising the accounting period with the fiscal year, particularly in connection with PAYE.

By their decision, the directors of Courtaulds may set something of a precedent for other companies whose accounting year now ends on December 31st—though it will be noted that the tax problem which Courtaulds seek to avoid would not arise in quite the same form for other concerns which have been less expeditious than Courtaulds in preparing their final accounts. Within broad limits, there is a good deal to be said for spreading the publication of company reports more evenly through the year; at present they tend to be concentrated largely in the second quarter of the calendar year (mainly with accounting dates to the end of the preceding calendar year), and there is another secondary peak in the fourth

quarter, when many companies with accounting dates to September 30th issue their reports. The Courtaulds' change, if widely followed by British companies, might produce the odd result of accentuating the publishing peak; if so, it would render more difficult the task of investors and their advisers of dealing adequately with company reports.

Shorter Notes

The second allocation of tin metal for the first half of 1947 made by the Combined Tin Committee has been announced by the Ministry of Supply. Demands for allocations for the first six months of this year totalled almost 60,000 tons, against new supplies available for allocation from all sources of no more than 17,700 tons. As the first allocation totalled 10,915 tons, there remains only 6,785 tons for the second. The Committee will review the supply position again in May when the final allocation for the January-June 1947 period will be recommended. It is hoped that a further quantity of tin metal will be available from the remaining 4,000 tons of Japanese stocks. The deterioration in supplies results from retarded production in Malaya and Netherland East Indies due, among other things, to coal shortage, exchange difficulties with Siam and general economic and transport difficulties in China. Belgian tin output, however, is increasing.

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It has been reported from Ceylon that the 150 million lb. of tea required by the Ministry of Food would be provided by the local tea industry from the 1947 crop. The price paid by the Ministry will be 3d. a lb. higher than last year's purchases. In addition, the purchaser has to pay the export duty of 7d. per lb. The Government is considering the extent to which the export duty on tea should be passed on to the consumer. Free auctions for tea now operating in Colombo are handling the whole of Ceylon's exportable surplus. The Mincing Lane tea auctions have not been allowed to reopen; before the war they sold nearly half of Ceylon's exports.

COUNTY OF LONDON ELECTRIC SUPPLY COMPANY, LIMITED

THE NATIONALISATION PROPOSALS

SIR ROBERT RENWICK'S SPEECH

The fifty-third ordinary general meeting of the County of London Electric Supply Company, Limited, was held on the 18th instant in London.

Sir Robert Renwick, Bt., K.B.E., the chairman, in the course of his speech, said: So far as the balance sheet is concerned I propose to be extremely brief, since if the Electricity Bill goes through, all your assets, which you will see from the accounts total no less than £45,211,000, will, I regret to say, be taken over by the proposed Central Authority.

Turning to the revenue account, our total receipts on the credit side come to £8,732,000, compared with £8,308,000 last year; receipts from sale of current are up about 4 per cent. at £8,063,000.

Under the new Electricity Bill the directors are precluded from recommending to the stockholders a dividend in excess of that paid last year. I must say that while your board were of the opinion that 1946 might prove a difficult period for us, a strong reason we had for not restoring the 1945 dividend to its pre-war rate was that the Chancellor of the Exchequer had publicly asked all companies throughout the country, during the period of transition from war to peace, not to dissipate resources by the payment of much increased dividends. The Government in fact ask us not to increase dividends substantially and when we, as patriotic citizens, carry out their request they buy our shares on the lower valuation that the shares in consequence command. If this is not a case of "rigging the market" I do not know what is.

UNFAIR COMPENSATION

I consider that the basis of compensation—namely Stock Exchange prices—is grossly unfair. On the basis of these prices compensation will total £37,239,726. In this company alone we have stockholders, including debenture holders, numbering over 40,000. Assuming the new stock yields 2½ per cent., which is about the best that can be hoped for, our stockholders will receive an income of just under £931,000 compared with their present income of £1,418,626. This represents a drop of over 34 per cent. I say that the Government are doing them an outrageous injustice, and the reason given by the Minister is in effect that to do justice would take too long.

During the year we have made reductions in our lighting flat rates in rural areas throughout the group, involving reductions up to 22 per cent. in the accounts of the consumers affected.

LOAD SHEDDING

Having dealt with the services that we have rendered to consumers, you will expect me to say something on the fact that since the war consumers who have in the past relied implicitly on our service now find that their trust in the industry has apparently been misplaced. I want to say as emphatically as I can that neither the companies nor the municipal undertakings are in any way responsible for the shedding of load or the recent emergency restrictions.

UNFAIR CRITICISM

I consider it most unfair of the Minister of Fuel and Power to attempt in the House of Commons to attribute the emergency restrictions to bad estimating by the Central Electricity Board. The Central Electricity Board's estimates had to be stepped up sharply at a late stage because the Ministry had failed consistently to live up to their

promised deliveries of coal. The crisis arose because coal deliveries due before the cold spell were short of allocated quantities, and not because of any substantial error in estimating requirements.

I also ask myself how much this blunder has cost the country. Though it is too early to estimate the cost really closely in terms of money, particularly since the dislocation will be felt in industry for many months, I shall be surprised if the figure is lower than £110 millions.

The Prime Minister has stated that the coal saved by the power stations during the three weeks of major restrictions amounted to 550,000 tons—so that one could say that this coal has cost the country at least £200 per ton. Why was not coal bought from the U.S.A. some eighteen months ago, even at £5 a ton? In reply to a question in the House the Chancellor of the Exchequer has promised to provide information on this subject in 1948. The Government is quick enough to make its calculations when it decides to expropriate the property of sections of the community. Why not the same speed when it slashes the national income as a whole?

EFFECT OF PLANT SHORTAGE

With regard to load shedding due to shortage of generating plant, far and away the biggest contributory factor is the entirely inadequate rate at which new plant has been and is being brought into commission since the war ended, owing to lack of Government priority. By the end of this year, by which time the war will have been over 2½ years, the country will be lucky if the additions to generating capacity since the war total 350,000 kilowatts. In 1948 we may, if we are lucky, get an additional 615,000 kilowatts.

Yet at this moment we are short of some 2,000,000 kilowatts. Compare our present progress with that achieved in one of the blackest years this country has ever faced—the year 1941. In 1941, when some panic restrictions on new generating plant might have been excusable, the additional capacity installed was 700,000 kilowatts, and in 1942 we got another 700,000 kilowatts.

CONSUMER UNPROTECTED

Too much power is reserved by the Central Authority, and through the Central Authority by the Minister; these vast area boards will, if the Bill goes through as at present drafted, possess less authority than the managements of small undertakings at the present time. It is with very great concern, therefore, that I find in the Bill so little protection for the consumer, whose interests in the future will be in the hands of nominees of the Minister for the time being.

The new boards to be formed are to secure the use of the best methods of generation and transmission, the cheapening of supplies—only so far as is practicable—the avoidance of undue preference and the simplification and standardisation of charges and systems. Every one of these objectives, if they can be so described, have already been performed or are in process of completion by the industry as it stands to-day.

Your board will continue to oppose the Bill, since they regard it as confiscatory, ill-considered, ill-considered, vexatious and bigoted, and most unlikely to assist in the realisation of greater prosperity and happiness for this country, which men of all political beliefs should determine to put first.

The report was adopted.

BRITISH ASSETS TRUST, LIMITED

Mr W. H. FRASER'S REVIEW

The forty-ninth annual general meeting of British Assets Trust, Limited, was held in Edinburgh on Thursday, the 20th instant.

Mr W. H. Fraser, the chairman, was unfortunately unable to be present owing to illness, and Mr H. G. Sharp presided.

The following is the Chairman's statement which had been circulated with the report and was taken as read:—

INCOME AND DIVIDENDS

Our income for the past year (excluding arrears, special bonuses and underwriting profits, the net amount of which as in the past has been applied in strengthening the resources of the company) after allowing for interest on temporary loans and Dominion and foreign taxation but before deducting British taxes, amounted to £419,369, against the previous year's figure of £385,712. After providing for taxation, management expenses, interest and Preference stock dividends, the amount available for Ordinary stockholders was £92,101, equal to 35.74 per cent. gross on the Ordinary stock, compared with £72,421 or 30.9 per cent. a year ago. Stockholders received a reduced dividend for many years, but in view of the steps taken to strengthen the company over a considerable period of years the Directors feel that the Ordinary stockholders are now entitled to expect a dividend bearing a closer relation to the available revenue. They have, therefore, resolved to recommend that the dividend of 20 per cent. paid last year be now increased to 25 per cent., on account of which 7½ per cent. has already been paid. While the directors regard the results of the past year as satisfactory, stockholders must recognise that the return on our highly-g geared Ordinary stock must to some extent fluctuate in relation to revenue. Present estimates, however, lead us to expect that income will be maintained during the current year, but in these unsettled times I hesitate to hazard a guess beyond that period.

The market value of our investments at the close of the year showed an excess over book values of 60.90 per cent., compared with 36.39 per cent. a year ago. Too much importance should not, however, be attached to valuation figures at any given date, particularly at a time when inflationary influences are in evidence. By way of illustration it may be recorded that in 1931 our total gross income was £444,780 earned on investments worth £6,043,000, which compares with the record figure of £448,144 earned on £11,020,000 this last year.

Reference has already been made in the Press to the directors' intention to redeem the company's 4 per cent. Debenture stock which it is not meantime intended to replace.

SECOND BRITISH ASSETS TRUST

I would also refer to the directors' decision to dispose of the company's holding of Ordinary shares of Second British Assets Trust, Ltd. After very full consideration they came to the conclusion that no useful purpose was being served by the retention of this large investment. The offer of these shares to our Ordinary stockholders at the price quoted on the Stock Exchange on 15th January, 1947, but ex dividend in the proportion of one share for every six 5s. Ordinary Stock Units of this company, was made on 14th February last, and the offer has been largely accepted. In the interval Second British Assets Trust, Ltd., has converted these shares into stock transferable in Units of £1.

The U.S.A. tax position, to which I referred last year, has been in part clarified by the recent Tax Convention, which will relieve us from 1945 onwards of liability to double Income Tax, but our U.S.A. tax liability for the years 1942-44 is still not determined.

The report and accounts were unanimously adopted.

NORTHMET POWER COMPANY

INADEQUATE COMPENSATION PROPOSALS

LORD ASHFIELD'S SPEECH

At the annual general meeting of the Northmet Power Company, held in London, on Tuesday, the 18th instant, Mr. K. A. Scott-Moncrieff, M.I.E.E., who presided, said:—

You will be disappointed to learn that our chairman is unwell and is therefore unable to preside at this meeting. In Lord Ashfield's absence I have been requested to take the chair this morning. I will ask the secretary to read the speech Lord Ashfield has prepared.

The secretary, Mr. Evelyn Boys, read Lord Ashfield's speech, of which the following are extracts:—

It is now some seventeen years since I first had the pleasure of addressing you at these annual meetings as your chairman, and to-day may be the last formal meeting of the company, as the Electricity Bill introduced by the Government has passed its second reading and is now before a Standing Committee of the House of Commons. Under the provisions of this Bill the assets of your company and its subsidiary will, if the Bill becomes an Act, be transferred to a central authority or one of the area boards it is proposed to set up.

At our annual general meeting in 1930 I reminded you that certain parts of your undertaking were operated under electric lighting orders and under certain conditions were liable to purchase by the local authorities concerned, and pointed out that I could not prophesy whether these rights would be exercised at the appropriate time. I then went on to say: "But of this I am firmly convinced: that your company can provide a service at least as cheap and efficient as that of any authority." At that time I was referring to local authorities and to the situation as it then was. The present situation differs in that it is proposed that the company's undertaking is to be acquired by a national authority, but whether the authority is local or national I can see no reason why the statement I made to you in 1930 is not equally true to-day. Certainly nothing has happened in the interval to lead me to modify my views.

In 1919 the area of supply covered 326 square miles; it now extends to 671 square miles. The total consumers now number 350,000, as against 22,000 in 1919. The output to meet the demands of our consumers has grown from 53 million units in 1919 to roundly 1,220 million units in 1946, whilst the total capital expenditure to meet these demands has grown from something over one million to more than thirteen million pounds, and if you include the Station Company the total capital expenditure is over nineteen million pounds. Finally, let me add that we now have a staff of well over 4,000, compared with 700 in 1919. These figures cannot but show that we have, by our enterprise over the years, made within our area a consistent contribution to productivity, comfort and safety.

BENEFITS FOR CONSUMERS

We have never deviated from the sound policy to which I have referred in past years—the maintenance of the undertaking at the highest possible level of efficiency and the supply of electricity at the lowest possible cost to the consumer. Indeed, efficiency must be reflected in the cost of supply to the consumer. The average price per unit sold in 1919 was 1.463d.; to-day it is 1.108d. In other words, the price has fallen from nearly 1½d. to just over 1d. a unit, a decrease of over 24 per cent. When you consider the increase in the cost of plant and equipment and also labour and materials, especially coal, that has taken place over this period, you can readily see that a ceaseless and successful search for efficiency is always maintained.

The Government by the Bill to which I have already referred seek to co-ordinate under public ownership the electricity supply industry in Great Britain, and to that end the Bill provides for the establishment of a Central Authority and fourteen Area Boards who, generally speaking, will respectively generate and distribute electricity.

STOCKHOLDERS' LOSS OF INCOME

Under the compensation provisions in the Bill it is proposed that holders of existing securities are to receive an amount of British Electricity Stock, the principal and interest being guaranteed by the Treasury, of a value equal to the value of the existing holdings on the basis of the average of the mean of the Stock Exchange quotations during the first week of November, 1946, or if the resulting figure would be higher, on what amounts to the average of the mean mid-monthly quotations between February and July, 1945. The value of the new stock to be issued will be based on what, in the opinion of the Treasury, is the then market value of Government securities. Neither the rate of interest on the new stock nor the terms of its issue have, as yet, been fixed, but a very substantial decrease of the annual income will be suffered by all classes of the company's stockholders under these proposed terms of compensation and on certain assumptions made by the Chancellor of the Exchequer. On this question of compensation I can, of course, speak only for our own company.

I am confident that after making due and proper allowance for all adverse factors, it must on any impartial view be conceded that the financial position of the undertaking demands more equitable treatment than that afforded by the compensation provisions of the Electricity Bill.

You will see from the net revenue account that there is a balance from working of some £695,000, compared with approximately £823,000 for the previous year.

RECORD SALE OF ELECTRICITY

Whilst there has been a record sale of electricity and consequently an increase in the revenue of the company amounting to roundly £616,000, this increase has been more than offset by the increase in operating expenses.

To the balance from working should be added the interest and dividends received during the year, amounting to just over £112,000, giving a total of nearly £808,000 to meet the payment of mortgage, debenture stock and other interest, and the provisions for redemption funds and depreciation.

DIVIDEND PROPOSALS

After charging these items, we are left with a balance of some £279,000, and with the balance from 1945 there is an amount of approximately £359,000 available for appropriation. Your directors recommend the payment of the dividends, less tax, on the 6 per cent. and 4 per cent. cumulative preference stocks, which requires nearly £76,000, and a dividend of 9 per cent., less tax, on the ordinary stock, of which 3 per cent. has already been paid. The total amount required to meet these dividends is just over £234,000, leaving a balance of approximately £125,000 to be carried forward.

I am sure you will agree with me that your company has been fortunate in being served by an efficient and loyal staff.

The necessary resolutions were unanimously adopted and the meeting terminated with a vote of thanks to Mr. K. A. Scott-Moncrieff, the chairman of the meeting, and to Lord Ashfield, the chairman of the company.

EASTERN BANK, LIMITED

SATISFACTORY RESULTS

The thirty-seventh annual general meeting of the Eastern Bank, Limited, will be held, on the 26th instant, at the office of the bank, 2 and 3, Crosby Square, London, E.C.

The following is an extract from the statement by the chairman (Sir James Leigh-Wood, K.B.E., C.B., C.M.G.), circulated with the report and accounts for the year ended December 31, 1946:—

The results shown will, I hope, be considered satisfactory having regard to the many difficult problems of trade and commerce throughout the world from which the territories in which we specially operate have not been immune.

INCREASED PROFIT AND DIVIDEND

After provision for contingencies, the net profit of £110,916 is some £8,000 greater than last year and will permit us to pay a slightly increased dividend at the rate of 3½ per cent., making 6 per cent. for the year, and to carry forward £70,834. We have further strengthened the published reserve fund by appropriating £50,000 from the profits of the year, thus bringing the fund to £850,000.

We are glad to report substantial recoveries in Singapore of assets previously written off, but these have not been brought into profit as the amount required to meet British taxation has not yet been determined.

There are no striking changes in the balance-sheet as the relative figures for 1945 are much the same, with the exception of an increase of £732,003 in advances and £115,787 in acceptances for customers. In aggregate, cash, bills receivable and Government securities are virtually the same as last year.

We have entered into a contract for the sale of our remaining interest in a freehold property in Calcutta upon satisfactory terms which, upon completion, will clear the balance-sheet of that item shown as £29,925.

Since the end of the year the situation in India has deteriorated and the Stock Exchanges in Calcutta, Bombay and Madras are closed in protest against the provisions of the new Finance Bill, which would impose a further tax of 25 per cent. on business profits of individual traders and companies in excess of Rs. 1 lac, as well as a new tax on capital gains. This comes at a time when the share markets have experienced a heavy setback to adjust the speculative position built up during the past year.

DEVELOPMENT OF IRAQ

The Iraq Government has further advanced comprehensive plans for the development of the country and contracts have been entered into calling for large capital outlays to be provided by internal public loans. I am pleased to say that British contractors will be largely concerned in this programme of construction, which is justified by the financial position of the Government and will, when completed, add to the public revenues. Business in Iraq continues to run on an even keel, and cultivators and merchants are doing well.

It is difficult to give a clear report on Singapore. There is great activity, and profits are correspondingly good. Superficially there is general prosperity among merchants and traders, who are, however, confronted with very heavily increased charges for administration. Fresh firms are opening—British and Dutch—and the Chinese, who are born traders, are steadily increasing their influence. But Singapore has been infected by the general malady throughout the world and strikes under Communist influences are of constant recurrence, accompanied by lawlessness in many directions.

In common with all banking institutions at home and abroad, our charges have greatly increased, and the trend may continue until a measure of equilibrium has been reached.

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

SATISFACTORY RESULTS

LORD DULVERTON'S REVIEW

The forty-fifth annual general meeting of The Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held in Bristol on the 18th instant. Lord Dulverton presided. The following is an extract from his speech.

The form of our accounts follows the general principles of the Cohen Committee report, and this year we have for the first time issued consolidated accounts.

WORKING CAPITAL

The first and most important item in the accounts is the very substantial disparity between working capital and issued capital, resulting from the expansion of the company's trade, the enormous increase in the tobacco duty from 9s. 6d. to 35s. 6d. per lb., and the general rise in costs, particularly leaf costs.

After weighing up all the factors, your directors came to the conclusion that there were no valid grounds for anticipating any appreciable reduction in the working capital needed by the company in the foreseeable future, and that therefore the company's permanent capital should be increased. They further felt that this should be done by increasing the issued ordinary capital rather than by creating a prior charge or issuing further preference capital. Last autumn, therefore, we applied to the capital issues committee for authority to raise a substantial amount of new capital by an issue of ordinary shares in such a way as to bring our rate of dividend into appreciably closer relation to the rate of earnings on capital employed in the business. Our proposal was designed to meet our pressing need for increased issued capital, without any element of capital bonus. Up to now the capital issues authorities have not seen their way to approve our application, but we have not given up hope. As soon as it is practicable to put your company's capital structure on a more satisfactory basis we shall advise you of our proposals. Meanwhile we propose, as a precautionary measure, that the directors' borrowing powers be increased.

TRADING PROFIT

Our trading profit for the year marked a recovery to the 1944 level and showed a substantial improvement over 1945, but, compared with 1944, the 1946 result represents a slightly lower rate of profit on an increased turnover. Our net earnings, after providing for taxation, do not on the average exceed ½d. for ten cigarettes and ½d. per ounce of Pipe tobacco.

FUTURE DIVIDENDS ON ORDINARY STOCK TO BE SUBJECT TO TAX

The directors propose that in future dividends on the ordinary stock should be declared subject to tax, so that the rate of dividend will not be affected by changes in the income tax rate.

FACTORIES AND PLANT

Partly to cope with the present expansion of our business and partly to replace factory space no longer suitable for modern manufacturing processes, we aim to build three new factories within the next two or three years. Two will be for our W.D. & H.O. Wills branch—at Newcastle-on-Tyne and at Glasgow. The third will be for our John Player & Sons branch at Larkhall, near Glasgow. Each factory will be laid out according to best modern standards.

As to plant, we are renewing and modernising as fast as we can. We also

have in hand considerable research on improvements in factory processes, layout, etc., in addition to fundamental research into the character and properties of the raw materials we handle.

By these means we hope to keep your company's factories and processes in the forefront of modern development, and to make an effective contribution towards the national need for greater production per man-hour.

GIFT TO STAFF AND WORKPEOPLE

I am sure that once again stockholders will welcome the board's decision to make a gift to the staff and workpeople of 16 per cent. their normal salary or wage.

PERSONNEL

Human relations vitally affect the spirit that animates a business; and it can, I think, be fairly claimed that from the earliest days of the company your directors have never lost sight of this simple fact.

If this country is to win the hard battle of production that lies ahead, it will only do so by the maximum effort of all engaged in industry, whatever their function, and by the maximum co-operation between management and labour. We are doing all we can to promote that co-operation within the company.

THE FUEL SITUATION

During the fuel crisis, by the use of our oil-fired stand-by plant, we maintained full production at each of our main factories and full supplies to our customers, a result of which we can be justifiably proud, and one which reflects great credit on all concerned.

FUTURE PROSPECTS

The prospects of the company's business depend on our ability to purchase adequate supplies of leaf tobacco. Our two main sources of supply are the U.S.A. and the Empire. Our company were pioneers in the development and use of Empire tobacco, and our policy is to buy all the Empire tobacco we can. But the rate of expansion in Empire tobacco production is necessarily limited, and for some considerable time ahead the greater part of the country's needs of tobacco can only be met by purchases from America.

There has been some serious misunderstanding of the figures of dollar purchases devoted to tobacco. The United Kingdom yearly purchases of American tobacco do not account for more than 12½ per cent. of the country's current annual dollar purchases, and this figure includes requirements for manufactured exports, so that the proportion to cover domestic needs is even less.

Tobacco is an important consideration in the relations between this country and the U.S.A., forming, as it does, a considerable part of U.S. agriculture.

The U.K. Government's revenue from tobacco duty is £400-450 million a year, or the equivalent of about 3s. 6d. in the £ in income tax. Tobacco is a comfort and a solace, and it has a beneficial effect on morale.

I have tried to put aside any natural bias in favour of the tobacco industry and to look at the question from the standpoint of national interest. It seems to me that the country stands to gain rather than to lose by a maintenance of reasonably adequate supplies of tobacco, and I can only hope that means may be found of ensuring this.

The report and accounts were adopted.

LEWIS'S LIMITED

INCREASED TURNOVER

The thirty-eighth annual ordinary general meeting of Lewis's, Limited, was held on the 18th instant at the company's store, Renshaw Street, Liverpool.

The Rt. Hon. Lord Woolton, P.C., C.H., D.L., LL.D. (chairman and senior managing director), in the course of his speech, said:

You will find the accounts informative and clearly set out. They are again accompanied by a consolidated balance-sheet and income statement of the parent company and its three subsidiaries—Bon Marché (Liverpool), Limited, Lewis's (Midland), Limited, and S. Reece and Sons, Limited. Owing to the entirely different nature of its business it was neither possible nor advisable to consolidate the results of Lewis's Bank with those of the other companies. In the profit and loss account the different sources of the company's revenue have, for the first time, been shown separately, and you will note that before debenture interest, depreciation and taxation, the aggregate profit of £1,822,179 shows an increase of £279,694 over the previous year.

SUBSTANTIALLY BIGGER TURNOVER

Of the total increase, £236,086 is accounted for by increased trading profits, and £39,554 by increased dividends from subsidiary companies. This result reflects the substantial increase in turnover largely brought about by the improved flow of consumer goods. This increase more than counterbalanced (a) a fall in the percentage rate of gross profit resulting from the reduction in permitted margins which operated throughout most of the year, and (b) a steep rise in the expenses of operation. The latter was mainly due to higher wage costs, but we were also able, during the year, to restore some of the services that have perforce been in abeyance during the war and which help to make the lot of the harassed housewife a little less burdensome.

From this total we have to deduct no less than £1,245,793 for debenture interest, depreciation and taxation. Our taxation provision is higher than last year because this year we have assessed our Schedule D income tax provision on the basis of the current year's profits, which are larger than last year. This leaves us with a net profit of £576,386, which is £102,985 higher than last year.

SURPLUSES EXCEED £2,400,000

You will see from the appropriations made by the directors that we have continued our established practice of making ample provision for reserves, and the consolidated balance-sheet now discloses that our surpluses under various headings are £2,418,993. With regard to dividends, you will see that we have shown them net—that is, after the deduction of tax—and I need not tell you that this makes a significant difference to the amount of the net profit we declare on the other side of the account. Finally, after all these appropriations have been made, our carry-forward to next year's accounts of £78,053 is slightly higher than last year.

If you will turn to the balance-sheet of the parent company, you will notice that our total current liabilities of £2,435,687 are some £325,000 higher than last year, but you will see that as compared with the current assets on the other side of the balance-sheet which now total £3,194,378, the liquid position has considerably im-

proved. The excess of current assets over liabilities is now £758,691, as compared with £365,207 last year.

TOTAL REVENUE OVER £2,000,000

Turning now to the consolidated income statement, there is little on which to comment, except to express satisfaction that in Lewis's group alone, and leaving out of account the associated companies that are subsidiaries of Lewis's Investment Trust, our total revenue amounts for the first time to over £2,000,000.

The consolidated balance-sheet calls for little comment except to point out that the surplus for the group is now more than two-thirds of the paid-up capital. As compared with this figure, the intangible assets total no more than £26,076, and this sum entirely consists of premiums paid on shares acquired in subsidiary companies. It gives me considerable satisfaction to tell you that we have now eliminated the goodwill item from every company in the Lewis's group. I hope these few explanations about the accounts will have satisfied you about the great financial strength that the group has built up since it became a public company in 1924. What now of the future?

We start our new financial year under the shadow of crisis. The effects on the nation and on the supplies of consumer goods no one can at present measure, but they cannot fail to be far-reaching. At least three full weeks of production have been lost, and it must be many more weeks still before the rhythm of production can be properly restored. However, during the last seven years our team of buyers has had many testing emergencies to face, and we are indebted to them for the way that they have kept our stores supplied with goods to sell. I have no doubt that, coupled with the very close and friendly relations we have long established with our suppliers, the same spirit of enterprise and determination will see us through the next year.

But of all the possible consequences of this crisis the one that I fear most is that it will provide a pretext for clamping still more restrictions and controls on the commercial life of the nation. The myriads of detailed controls with which we are already oppressed are slowly suffocating the life out of the commercial community, while our administrative machine becomes increasingly expensive as it is obliged to employ people to see that every control is rigidly observed.

VALUE OF COMPETITION

The steady increase that took place in our stocks throughout the past financial year was some evidence that production was getting into its swing again, and but for the interruption that has now occurred the position would soon have been reached when, in some directions at least, controls might have been removed. It is earnestly to be hoped that in the interests of our customers the time may not be far distant when, as a nation, we recover our lost faith in the virtues and safeguards of competition. Let it not be forgotten that in peace-time it was the big retail distributors who played the principal part in raising the level of real wages.

As a result of keen competition between themselves and of exciting competition between suppliers, it was they who helped to reduce prices and to keep them low. From the point of view of our own business, we have installed a most intricate organisation to ensure that all the many millions of different articles we sell are all properly priced in accordance with their appropriate Order. That organisation requires a skilled, but wholly unproductive, staff to operate it, at a time when the man-power situation of the country demands that such labour shall be reduced to a minimum.

The report and accounts were unanimously adopted.

THE STANDARD LIFE ASSURANCE COMPANY

TRIENNIAL INVESTIGATION

VALUATION BASIS STRENGTHENED: DECLARATION OF BONUS

The one hundred and twenty-first annual general meeting of The Standard Life Assurance Company was held, in Edinburgh, on the 18th March, with Mr. J. H. Richardson in the chair.

The chairman, in the course of his speech, said: Gentlemen, I must refer in the first place to the resignation from the board of the Right Hon. the Earl of Balfour, which was rendered necessary by his acceptance of an important post under the National Coal Board. Lord Balfour served as a director only for a short period, but during that time we fully realised how valuable a colleague he would be. It is a source of great regret to all of us that his help is no longer available.

During the year under review many of our staff have returned from the services and taken up their duties at Head Office and Branches. I cannot let this occasion pass without saying how grateful we are to all the members of the staff for the energetic and enthusiastic way they have carried out their duties.

Turning to the accounts for the year ended November 15, 1946, I feel confident that you will agree with me when I say that they make a very good showing. Our new life assurance business for the year at the figure of £8,696,333 shows, naturally perhaps, a very large increase over that for the previous year; our new pension business was also highly successful, for we undertook new pension contracts involving prospective pensions of £2,451,952 p.a. I should particularly like to comment on the remarkable expansion of our business in Canada in the field of pension schemes, where our form of contract appears to be greatly appreciated.

PREMIUM INCOME INCREASED

It is satisfactory that the premium income of the life assurance and annuity fund this year is £4,414,000, whereas last year it amounted to £3,394,000. As regards the expense ratio, you will note that it has risen to 11.1 per cent., compared with a figure of 10.0 per cent. last year. It was, of course, inevitable that the ratio would show an increase, mainly as a result of the initial expenses of the much larger new business we have just transacted. I may remark, however, that we had fully expected the ratio to rise even more than it has done, and the fact that it stands at the comparatively low figure of 11.1 per cent. is due to the rapid growth of our premium income. Actually this is the lowest expense ratio in the long history of the company with the exception of the recent war years.

The net rate of interest at £3-18s. 1d. per cent. shows a decrease of 8d. per cent. from the rate of the previous year. We may still feel content that our net rate of interest has been so well maintained.

I cannot let this occasion pass without saying how grateful we are to all the members of the staff for the energetic and enthusiastic way they have carried out their duties.

PROGRESS IN LAST TWENTY YEARS

Since the year which has ended is the first full peace-time year for eight years—I will not call it a normal year—it is perhaps appropriate that I should for a moment glance backwards. I am able to say, after a full examination of all the relevant figures, that the Company has emerged from the difficult wartime period with its strength unimpaired. Twenty years ago the published assets of the company amounted to just over £17,000,000; to-day they amount to over £48,000,000. Twenty years ago the premium income of the life assurance and annuity

fund was £1,090,000; to-day it is £4,414,000. It would be a mistake, however, to assume that the company's influence in the community has increased in direct proportion to the figures I have given. There can be little doubt that the National Income, expressed as it is in terms of currency, has at least doubled during the last twenty years and consequently a certain amount of the increase in our funds and premium income merely represents an increase proportionate to the larger financial resources of the country as a whole. The efforts which our institution and others in the insurance industry are making to stimulate saving by the public through the medium of insurance must be of great value to the country at the present time.

OVERSEAS ACTIVITIES

I should like to say a further word in regard to our activities overseas. As I have mentioned already, our business in the Dominion of Canada has, during the past year, shown a very satisfactory expansion and the same may be said of other fields abroad. For many years the name of British Insurance has been well and creditably known throughout the world and, in spite of the trials through which offices have passed, I am convinced that their reputation stands as high to-day as it has ever done. We have received official assurance that no steps will be taken to deprive us of the right of managing our own affairs, a decision which was no doubt based upon a realistic appreciation of the facts. Insurance business of all descriptions secures for this country a valuable invisible export which it is unthinkable that any government could afford to sacrifice.

BONUS DECLARATION: VALUATION STRENGTHENED

A bonus was declared as at November 15, 1943, in respect of the five-year period ending then and your directors have now decided that, in the meantime at least, the company should revert to a system of triennial investigations. Accordingly on this occasion the manager and actuary has carried out a full actuarial investigation and I am pleased to be able to report that the results have been excellent and have enabled us to make a declaration of bonus, maintaining the rate which was declared three years ago. This rate of reversionary bonus, as you will see from the report, is 30s. per cent. compounded triennially with an intermediate bonus in respect of claims by death or maturity at a similar rate and corresponding bonuses for other classes.

In addition to the achievement of declaring this rate of bonus, we have been able to strengthen our valuation basis and I may be permitted to say again, as my predecessors have been able to say in the past, that so far as I am aware our basis is one of unexcelled strength. We have maintained our stringent basis of 2½ per cent. interest for the valuation of our annuities, but for assurances we have passed from the assumption of 2½ per cent. interest to 2 per cent. interest. We have also made a special reserve in respect of expenses of management and in addition we have set aside other special reserves which should enable us to face the future with confidence and enable our members to feel that their benefits have that degree of security which is so greatly to be desired in these unsettled times.

I now move the formal adoption of the report, revenue accounts and balance sheet submitted.

Mr. W. F. M. Whitelaw W.S., seconded this motion which was carried unanimously.

GOVERNMENT RETURNS

For the week ended Mar. 15, 1947, total ordinary revenue was £70,615,000 against ordinary expenditure of £106,515,000, and issues to sinking funds £316,000. Thus, including sinking fund allocations of £16,903,197, the deficit accrued since April 1st is £433,661,520 against £2,031,943,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1946-47	Receipts into the Exchequer (£ thousands)			
		April 1 to Mar. 16, 1946	April 1 to Mar. 15, 1947	Week ended Mar. 16, 1946	Week ended Mar. 15, 1947
ORDINARY REVENUE					
Income Tax	111,500	186,740	308,387	57,421	26,080
Sur-tax	86,000	64,179	69,342	3,800	3,330
Stamps, etc., Duties	140,000	114,746	149,194	3,180	4,100
Stamps	29,000	22,489	35,099	200	520
M.P.C.	325,000	33,671	31,102	580	630
M.P.T.	416,897	316,061	7,678	7,050	
Other Inland Rev.	1,000	631	579	10	110
Total Inland Rev.	168,800	194,002	167,825	51,666	44,440
Customs	595,000	545,381	586,655	12,086	14,820
Excise	2,200,000	1,778,000	1,748,000	2,800	3,000
Total Customs & Excise	118,700	1,069,381	1,334,655	14,886	17,820
Motor Duties	45,000	42,826	49,123	300	311
Surplus War Stores	150,000	...	135,084	...	1,660
Surplus Receipts from Trading	50,000	...	40,000	...	...
Post Office (Net Receipts)	...	...	3,150	...	D 500
Wireless Licences	5,300	4,720	9,110	...	...
Crown Lands	1,000	930	870	...	...
Receipts from Sunday Loans	15,000	10,762	23,625	45	45
Miscellaneous Receipts	22,000	66,505	56,235	22	7,040
Total Ord. Rev.	316,100	312,875	312,928	67,152	70,615
SELF-BALANCING Post Office Income Tax on E.P.T. Refunds	123,300	111,550	123,600	1,750	2,000
Total	328,400	324,425	340,528	68,936	73,306

Expenditure	Estimate, 1946-47	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Mar. 16, 1946	April 1 to Mar. 15, 1947	Week ended Mar. 16, 1946	Week ended Mar. 15, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	490,000	450,198	493,794	2,543	4,505
Payments to N. Ireland	20,000	10,789	18,021	...	...
Nat. Land Fund	50,000	...	50,000	...	...
Other Cons. Fund Services	8,000	7,735	7,081	22	5
Total	568,000	468,722	568,896	2,565	4,511
Supply Services	353,404	467,541	297,715	91,706	102,004
Total	410,204	514,463	354,604	94,270	106,515

SELF-BALANCING P.O. & Broadcasting Income Tax on E.P.T. Refunds	123,300	111,550	123,600	1,750	2,000
Total	422,504	526,013	381,809	96,026	108,519

After decreasing Exchequer balances by £417,025 to £2,679,506, the other operations for the week increased the gross National Debt by £58,216,766 to £25,526 million.

NET ISSUES (£ thousands)		Week ended	2½% Defence Bonds	Week ended	2½% Defence Bonds
P.O. and Telegraph	450	Dec. 21	4,400	Feb. 1	5,050
E.P.T. Refunds	844	Dec. 28	2,500	Feb. 8	4,700
Overseas Trade Guarantees Act, 1938, Sec. 4(1)	95	1947	1,960	Feb. 15	3,600
Housing (Temporary Accommodation) Act, 1944, Sec. 4(1)	17,000	Jan. 4	2,600	Feb. 22	4,600
Local Authorities Loans Act, 1945, Sec. 3(1)	1,250	" 11	3,500	Mar. 1	7,350
War Damage: War Damage Commission	2,900	" 18	3,700	" 8	6,700
Finance Act, 1946, Sec. 26(7) Post War Credits	239	" 25	5,100	Totals	*1,710,770
Finance Act, 1935, Sec. 36(1) 3 per cent. Local Loans	550				†107,003
Stock	22,428				

* 381 weeks. † 45 weeks. Up to Mar. 8th principal of Savings Certificates to the amount of £440,475,000 had been repaid.

Statistical Summary

NET RECEIPTS (£ thousands)	10
Land Settlement (Facilities) Acts, 1919 and 1921	10

CHANGES IN DEBT (£ thousands)		NET REPAYMENTS	
NET RECEIPTS	27,809	3% Defence Bonds	*2,281
Treasury bills	2,100	2½% Nat. War Bds.	50
Nat. Savings Certs.	2,300	1945-47	1,594
2½% Defence Bds.	54,587	3% Term Annuities	14,556
Other Debt	...	Tax Reserve Certs.	...
External	...	Other Debt	...
	86,796	Internal	43
		Ways & Means	1,555
		Advances	8,500
		Treasury Deposits	28,570

* Including £1,777,000 paid off on maturity.

FLOATING DEBT (£ million)		Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt	
Date	Tender	Tap	Public Depts.	Bank of England	Bank of England	Bank of England	Bank of England		
1946									
Mar. 16	1700-0	2577-2	435-2	23-25	1561-5	6297-1			
Nov. 30	2070-0	2460-5	372-4	...	1742-5	6645-4			
Dec. 7	2080-0	2487-3	376-1	...	1742-5	6685-9			
" 14	2400-0	2377-8	388-6	2-75	1729-0	6684-1			
" 21	2120-0	2496-0	375-4	17-3	1688-5	6697-5			
" 28	2140-0	2455-6	448-0	...	1676-5	6720-1			
1947									
Jan. 11	2150-0	2467-1	411-4	...	1686-5	6715-0			
" 18	2150-0	2457-2	412-2	...	1681-0	6700-4			
" 25	2145-0	2461-6	395-1	...	1657-5	6659-2			
Feb. 1	2145-0	2435-2	427-2	...	1633-5	6640-8			
" 8	2145-0	2418-2	439-7	...	1600-0	6602-9			
" 15	2155-0	2441-3	469-7	9-0	1540-0	6615-1			
" 22	2165-0	2506-5	446-5	...	1508-0	6626-1			
Mar. 1	2175-0	2565-5	530-3	15-0	1473-5	6759-3			
" 8	2185-0	2600-7	583-7	...	1443-5	6819-9			
" 15	2185-0	2628-5	582-2	...	1435-0	6830-7			

TREASURY BILLS (£ millions)		Amount		Average Rate of Allotment %		% Allotted at Min. Rate	
Date of Tender	Offered	Applied for	Allotted				
1946							
Mar. 15	150-0	233-9	150-0	10 1-46	51		
Dec. 13	170-0	295-8	170-0	10 0-14	45		
" 20	170-0	280-3	170-0	9 11-98	46		
" 27	170-0	285-8	170-0	10 0-27	47		
1947							
Jan. 3	170-0	273-7	170-0	10 0-69	54		
" 10	170-0	287-6	170-0	10 0-16	47		
" 17	170-0	273-4	165-0	10 0-41	51		
" 24	160-0	277-2	160-0	10 1-43	24		
" 31	160-0	303-0	160-0	10 1-14	37		
Feb. 7	170-0	290-6	170-0	10 1-52	46		
" 14	170-0	263-6	170-0	10 2-17	58		
" 21	170-0	277-9	170-0	10 1-79	41		
" 28	170-0	246-3	170-0	10 2-16	63		
Mar. 7	170-0	287-0	170-0	10 1-15	43		
" 14	170-0	273-9	170-0	10 1-59	51		

On Mar. 14th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 51 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. (£170 million maximum) of Treasury Bills are being offered for Mar. 21st. For the week ended Mar. 22nd the Banks will be asked for Treasury deposits to a maximum of £80,000,000.

NATIONAL SAVINGS CERTIFICATES AND 2½% BOND SUBSCRIPTION

Week ended		N.S.C.		2½% Defence Bonds	
1946					
Dec. 21	4,400	2,590	Feb. 1	5,050	4,620
Dec. 28	2,500	1,960	" 8	4,700	3,410
1947			" 15	3,600	2,500
Jan. 4	2,600	2,910	" 22	4,600	2,610
" 11	3,500	3,240	Mar. 1	7,350	4,200
" 18	3,700	6,750	" 8	6,700	2,983
" 25	5,100	5,820	Totals	*1,710,770	†107,003

* 381 weeks. † 45 weeks. Up to Mar. 8th principal of Savings Certificates to the amount of £440,475,000 had been repaid.

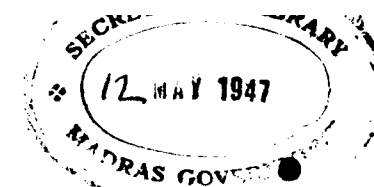
BANK OF ENGLAND RETURNS

MARCH 19, 1947

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	£
Incl. in 1386,826,907		Other Govt. Securities	1436,340,029
In Bank of England Department	63,420,926	Other Secs.	637,231
		Coin other than Gold	7,647
		Issue of Fid. Gold Coin and Bullion (at 172s. 3d. per oz. fine)	1450,000,000
			247,833
	1450,247,833		1450,247,833

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March 29, 1947

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The Faculty Board of Economics and Politics in the University of Cambridge will shortly proceed to the appointment of an Assistant in Statistical Research. The appointment will be open equally to men and women. The initial appointment will be for a period of one year, which may be extended for two further periods of two years. The duties of the person appointed will be to assist the Lecturer in Statistics and other members of the teaching staff of the Faculty with their statistical work, and he may also be asked to give temporary assistance with the teaching of practical classes in statistics. He will be expected to be available during a reasonable part of each vacation as well as during University Terms. Applicants should possess either an honours degree of a university in economics with some training in statistics or appropriate statistical experience in a government office or other organisation. The salary will be between £350 and £450 per annum according to experience.—Applications, including references or copies of testimonials, should reach the Secretary of the Faculty of Economics and Politics, The Marshall Library, Downing Street, Cambridge by April 19th.

LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(UNIVERSITY OF LONDON)

The London School of Economics proposes to appoint to Lectureships and Assistant Lectureships in Economics from October 1, 1947. Salary scales £500-£850 p.a. and £400-£500 p.a. respectively, with superannuation benefits and family allowances. Candidates are invited to give in their applications the names of three referees and an indication of any special interests in the field of economics.—Applications should be received not later than May 1st by the Secretary, London School of Economics, Houghton Street, W.C.2, from whom further information may be obtained.

EXPERT shorthand-typist available evenings.—Box 443.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 111 Broadway, New York, 6.—Saturday, March 22, 1947.

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CLAIMS PAID EXCEED £173,000,000
(1945 Accounts)

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). NOTICE TO SHAREHOLDERS. The Sixty-sixth annual general meeting of the shareholders of this company, for the election of directors to take the places of the retiring directors and for the transaction of business generally, will be held on Wednesday, the seventh day of May next, at the principal office of the company, at Montreal, at 12 o'clock, noon (daylight saving time, if operative). The ordinary stock transfer books will be closed in Montreal, Toronto, New York and London at 3 p.m. on Tuesday, the fifteenth day of April. The preference stock books will be closed in London at the same time. All books will be re-opened on Thursday, the eighth day of May.—By Order of the board, F. BRAMLEY, Secretary. Montreal, March 10, 1947.

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Applications are invited for two Lectureships in History on the salary scale £550-£25-£900 a year, the appointments to date from October 1, 1947. Applicants should be specialists in either Economic and Social Aspects of Medieval History or International Political Relations in 19th and 20th Centuries. Further particulars on request.—Applications should reach The Registrar, The University, Leeds, 2, not later than May 5, 1947.

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VOL. CLII NO. 5405

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316
ANNUAL POSTAL SUBSCRIPTION £3
BY AIR (U.S. and Canada only) \$24
Registered as a Newspaper, Entered Second Class Mail Matter at the New York Post Office.

A German Constitution

IT is a pity that when Mr Molotov and Mr Bevin do see eye to eye the fact should pass almost unnoticed—especially when the Russian uses a very sound and British argument to justify part of his policy towards Germany. What the world has chiefly been told about last week-end's exchange of papers on the political future of Germany was that there was a quarrel between the Russians and the Anglo-Saxons on whether or not the future Germany should be a "federal" state. What was largely ignored was the fact that the actual proposals of all three Foreign Ministers were much more similar to each other than might have been feared. Mr Molotov, raising his voice and pointing his words for the German people to hear, warned his fellow Foreign Ministers against any attempts to postpone or frustrate German unity by "federalisation":

If we consider not only the tactical advantages for the immediate future, but look ahead, the policy of federalising Germany is not justified by the interests of the democratic countries.

In other words, it would certainly in the short run weaken Germany to "federalise" it; but in the long run its will to reassert its unity would be stronger than the determination of the Allies to resist it. The idea of a united Germany would become the "possession of the German militarists." And if unity was wrested from the Allies by the pressure and propaganda of militarist parties, they would thereby win among Germans sufficient prestige and confidence to embark on new adventures in foreign policy. It is a safe bet that the first objective would be to regain the eastern territories lost to Poland.

This is certainly a sound argument, and if the British proposals were, in fact, running the risks that Mr Molotov suggests, they would be indefensible. But Mr Molotov was really only playing to the gallery. What he means by "federalist" has to be explained. In the first place it is used, like "Fascist," as a term of abuse. Then it is meant to cover those "circles" whom the Russians allege to be plotting a dismemberment of Germany which would give the wealth and power of the Ruhr permanently to the West. Further, it is meant to suggest to the Germans that if Moscow fails and the present partition of Germany accordingly continues, the fault will not be Mr Molotov's. He proclaims himself against "federalists," even though his own proposals before the Conference provide for "ensuring the constitutional rights of the Lands comprising the German State." The margin between Mr Molotov's proposals and Mr Bevin's is, in fact, small—though it includes at least one point of real importance. Both want to have a Central Government controlling such subjects as finance, industry, foreign trade, transport and communications. Both want to have subsidiary Governments in the ten or a dozen *Länder* of which the new Germany is to be composed. But whereas Mr Bevin specifically proposes that all powers not specifically allocated to the Central Government shall be assigned to the *Länder*, Mr Molotov reverses the process and specifically provides that police and education shall come under the centre. The significance of these two items is obviously great. It is

undesirable, to say the least, that a powerful Ministry of the Interior and national police system should be built up in Berlin; what would happen to it, and in it can be guessed from the experience of Eastern Europe. It is likewise undesirable, for religious as well as political reasons, that educational policy should be dominated from Berlin. Mr Bevin had these and other points in mind when he declared that "we do not want to see a Germany re-created in which one party or authority attracts to itself all power in the same way as that which led to the recent war." It was this, presumably, that laid him open to the charge of being a "federalist." It is one thing, in Soviet eyes, to be against the domination of Germany by the Nazi Party, but quite a different thing to be against all one-party systems.

The differences between East and West over the future political shape of Germany are thus by no means negligible. But they should not obscure the encouraging fact that there is also a fair amount of agreement among the Russians, the Americans and the British—though the French are often in solitary dissent. Specifically, four points of agreement—at least in principle—seem to emerge. First, there should be a Central German Administration set up in Berlin in the immediate future. This is presumably still subject to agreement on economic policy and on reparations, since without economic unity the central administration would have little to do. Secondly, the new German Government should assist the Control Commission in drawing up a new constitution for Germany—though it is also made clear that the occupying Powers have strong views of their own on what that constitution should contain. Thirdly, it is agreed that, whether or not it is "federalist," the new constitution will provide for a number of powers being confided to the *Länder* and that Prussia shall be split up among a number of these. Fourthly, it is agreed that the new constitution shall be submitted for approval to an eventual all-German Parliament.

*

It is natural to feel considerable relief that agreement has gone as far as this. But relief should not entirely remove the necessity to stop and inquire whether the principles that are agreed upon are good ones. The short-term risks of what is proposed are obvious enough; they are the reason for French opposition. For instance, it is just as much a British as a French interest to inquire what is likely to be the political result of giving the Germans a powerful Central Government in Berlin. Some say that it will inevitably be dominated by Communists; because they are ruthless and efficient, because the thrust of Soviet policy is behind them, because they have a clear-cut authoritarian doctrine such as Germans like; that Soviet-Communist influence will penetrate to the Rhine and the Ruhr; and that German nationalism and Communism will find a common platform. All these things might happen, especially if Western Germany remained hungry, poor and idle. But there are powerful factors working against the Communists: the patriotic resentment against the eastern frontier, kept burning by Schumacher and the Social Democrats; the strong conservative religious forces arrayed behind the Christian Democrats, who will probably win the forthcoming elections in the *Länder* of the British Zone; the presence in Berlin of all four occupying Powers; the bargaining power of Ruhr coal, the North Sea ports and American dollars. The Communists evidently think they will gain by the creation of a Central German Government, even in Berlin, but it is by no means certain that they are right. Another immediate risk to be weighed is that a German Government would immediately become a centre of resistance to Allied demands, that it would sabotage reparations deliveries, evade disarmament orders, play off one occupying Power against another, and finally refuse to

sign a peace treaty. The answer is that this is much more likely to happen five or ten years hence than in the immediate future. The intact Conservative bureaucracy, the General Staff, the organised political power of the industrialists, which achieved such things in the 'twenties, no longer exist; neither Social Democrats nor Communists could at present revive them. And so long as the bulk of Germany's food has to be bought with dollars the capacity for defiance is limited.

The short-term risks of the agreed policy—it might be better to call it the almost-agreed policy—should, therefore, be taken. But there are the longer-term effects to consider. Supposing we look forward, not five years but twenty-five, will the arrangements now being made still look good then? The answer will vary with different opinions of what would constitute a good result. To the French, the decisions of 1947 will be good if by 1972 they still keep Germany divided, dominated and weak. To the Russians, they will be good if they pave the way to a Germany united in its devotion to Communism and to alliance with Russia. What should the Americans and the British regard as a good result? In spite of the Morgenthauianic nonsense that was talked in such volume, in both countries, during the war, the great majority of opinion in both countries now regards the eventual re-emergence of a self-governing Germany, reasonably prosperous and strong in all meanings of the word save only the military, as desirable. Or if it is not regarded as desirable, it is certainly regarded as inevitable. Peacemaking should therefore look forward to the re-emergence of Germany. The Allies should not impose on Germany anything that they will not be ready to uphold; and what they do put in the treaty they must be ready to insist upon.

The second risk is becoming the greater, for it is already apparent that the peace settlement will present so many weak spots in the Allied front where it will be possible for the diplomacy of a revived Germany, without needing to be very clever, to insert an effective lever. Why add to the grievances, why add to the difficulty of upholding the settlement by imposing a constitution on the Germans? It is quite certain that the Germans will some day be in the position to devise their own system of government, and equally certain that anything that has been imposed by foreigners will be anathema to them. Why should the Allies give one more defenceless hostage to the future? If the new-German republic is to last, its constitution must be made by Germans and if, by waiting a year or two, this result can be achieved, the delay would be well worth while. The Allies have a right and a duty to insist on certain minimum guarantees. But it must be a very short list if it is to have a chance of survival. Two items must be on it: the new German republic must neither possess nor manufacture weapons of war; and it must guarantee to its citizens the essential rights of human liberty, enforceable if need be by appeal to an external tribunal. These two will be difficult enough to maintain, and the difficulty will increase in geometric progression with every addition that is made to the list. The path of wisdom for the Allies is to cut their list of essential restrictions on ultimate German liberty down to the very essentials and to leave all other questions for the Germans themselves to decide when they once more become able to do so.

This argument therefore reaches much the same conclusion as that being held by M. Bidault in Moscow—that there should be no hurry to decide and that all but the bare essentials should be left to the future. But it reaches the same conclusion as the French for exactly the opposite reason. The French are afraid of their allies giving the Germans too much self-government. The object of the British and the Americans should be to ensure that the return of the Germans to self-government, when it comes—as it surely will—does not find in its way obstacles which can only be removed at the cost of another war.

Planners and Politicians

THE Government have appointed their Chief Planner, and all those who realise the magnitude of the country's economic problem will wish Sir Edwin Plowden well. There has been a considerable delay between the creation of the post and its filling, and it would be understandable if there had been some reluctance to occupy a position which Ministers' tactics have made a very invidious one. The absence from Ministers' speeches in the economic debate a fortnight ago of anything else that was in the least new made it appear that the appointment of the Chief Planner was the Government's answer to the economic crisis. Anybody who now accepts the post will have to fight against the public conception that he is a miracle man, endowed with full powers to do what he wants. The statement in which the appointment was announced on Thursday wisely went some way towards correcting that view. It is clear that Ministers remain responsible for the economic policy of the country. Sir Edwin Plowden's task is to act as a co-ordinator on what is known as "the official level"; he is not, in substance, in any different position from the existing official advisers of the Government, whose advice may or may not be accepted.

It is difficult for outside observers to be sure what new development, if any, is to be read into the appointment of a Chief Planner. Clearly his task will have to be accomplished within the framework of Government policy—which at once limits its scope quite considerably. Presumably Sir Edwin will be free to tender advice to the Government on such things as the need for a wage policy or the desirability of extending schemes for payment by results, or the need for longer rather than shorter hours of work, or the disastrous consequences of suppressed inflation. But the Government have not been short of the most authoritative advice on these and similar subjects; what they have lacked—and what the appointment of a Chief Planner does nothing to remedy—is the political ability to act on the advice. The reason why these things are not done, as everybody knows, is not that they are not necessary but because the trade unions will not have them.

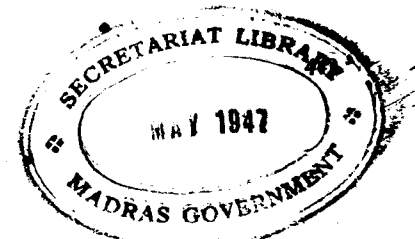
Planning, in the meaning attached to it by the Labour Government, is a far humbler process than it is in Soviet Russia. Here, "planning" appears to mean doing whatever can be done without a change of policy. Whereas in Russia the chief object of a plan is to increase production, in this country the planners are compelled, in effect, to take the volume of production for granted and to devote most of their time to the problems of allocating scarce supplies. On this plane there is, indeed, a great deal of most useful work to be done. There was sufficient

evidence in the pre-history of the coal crisis of a serious lack of co-ordination between the departments to justify the appointment of a co-ordinator. Hitherto, there has really been no impartial body to decide such inter-departmental squabbles. In the Cabinet, Ministers fight for their department's views and the Permanent Secretaries do much the same in the Steering Committee; Sir Edwin Plowden and his staff will at least provide an impartial court of first instance, even though their judgments will still be liable to be upset on appeal. It would be interesting to know how many of the constituents of economic policy will come under their review. Will the Treasury, for example, concede anything of its monopoly of decision on financial matters? To do so would be a revolution in British methods of government. Yet to allow the Chief Planner no functions in relation to the allocation of dollars, which will soon be the supreme bottleneck, is to deny the first premise of the new appointment. It would also be interesting to know whether the Ministry of Labour, which defended its prerogatives against all comers during the war, has surrendered any of its responsibility for the distribution of manpower.

But it is not by the most skilful and comprehensive rationing policy (for that is what "planning" seems to come down to) that the economic crisis will be solved. On the whole, there are not many complaints about the way in which the Government are allocating the available resources of the nation. The real complaint is that the Government seem to be so powerless to increase the available resources. It is not the spending of the national income that is badly wrong but the size of the income. And that is the province not of economic planning but of economic policy.

The distinction between planning and policy is vital, but is very little understood. For example, it has often been argued in *The Economist* in recent weeks that the most crying need of the country is for a general policy that would change the whole climate of economic activity in the country. But this has been interpreted by some people as support for the concept of a "general plan," and when the Prime Minister dropped a remark the other day about a five-year plan, he was understood in some circles to mean that the Government were proposing to draw up a document laying down in precise numerical detail exactly where the country will stand in 1952.

But it ought to be obvious to everybody that nobody can possibly draw up a plan for 1952. There are far too many unknowns. To what extent will the world market then be a



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sellers' market or a buyers' market? Will the terms of trade have shifted in favour of Britain, making it easier for us to pay for our imports? How much? Will output per manshift in the mines be higher than today? How much? Will there be more miners? How many? Will the psychology of the markets be tending towards inflation or towards deflation? Will there be a slump in America? How far will European production of food and raw material have recovered? All these matters vitally affect the British economy and no one can do more than guess at the answers. Any quantitative plan would have to allow such a wide margin between its alternative optimistic and pessimistic assumptions that it would be almost useless as a guide to action. A sound economic policy, on the other hand, would attempt to mobilize all the influence of the

state on the side of realising the optimistic assumption. It would assess the tendencies of the next five years and consider what could be done to encourage those that are favourable and hold back those that are likely to do harm. A plan for 1947, as the recent White Paper so clearly revealed, contents itself with analysing what will happen if people do not work harder. A policy would concern itself with how they can be made to work harder. Those who have recently been advocating dis-inflation have at least been proposing a real policy. If the Government cannot accept this particular proposal they should put forward an alternative. It is no answer to appoint Sir Edwin Plowden to the uncomfortable task of planning more efficiently the restrictions that will be necessary in the absence of a policy.

Prelude to Geneva

MONDAY'S debate in the House of Commons on import and export trade provided a useful reflection of opinion on the eve of the tariff and preference negotiations that are to open in Geneva immediately after Easter. British opinion on the subject of commercial policy has clearly not yet escaped from the dilemma in which it has been caught for several years past. On the one hand, there is the undeniable fact that the British Government are fully committed to giving their general support in principle to the American endeavour to codify the rules of the multilateral game. The pledge was given in a clause of the Atlantic Charter, in the famous Article Seven of the Lend-Lease Agreement and in the Financial Agreement. By these reiterated pledges Britain is committed to work for an international system based on the greatest degree of multilateral trade, non-discrimination and full convertibility of currencies. Nor would it be right to say that the Government are redeeming their pledges against their better judgment. There is in the Government and among their official advisers a great deal of faith that the American policy is, in fact, the best one for Britain to pursue. If all goes well, if a relatively free-trading, non-discriminating world can be created, if exchange controls are abolished and tariff barriers are reduced, if all the important nations maintain high and reasonably stable levels of demand, and balance their international accounts—if all this has any chance of happening, it would be so immensely to Britain's advantage that it is well worth while taking some risks to bring it about.

But there is the other horn of the dilemma. Suppose the attempt were to fail—then it would not simply be a case of a gallant attempt made and failed, with everything going back to the *status quo ante*, for the conditions insisted upon by the American Government require Great Britain to abandon the control that exchange restrictions provide over its crucial balance-of-payments problem, to forsake the assured markets of imperial preference and—most important of all—to forswear almost all the bargaining advantages that the world's largest buyer might, in normal times, be expected to possess. If the attempt to create the perfect multilateral world requires the paying of this price, then failure of the attempt would leave Britain far worse off than before it was made. The world also would be worse off; for though a multilateral, non-discriminating system that works well is no doubt the best that can be imagined, one that did not work well would be the worst. Such a system maximises both the good and the bad. It is admirably designed both to spread the advantages of any country's domestic prosperity across the world and also to carry the germs of instability to the furthest corners of the trading community which it serves. Not only Britain, but every trading nation, is being asked by the Americans, in return for the promise of a greater supply of dollars, to abandon

the right to try to protect itself against unemployment coming from abroad. All half-way houses—such as groups of countries joining together to protect their mutual trade against the effects of external slumps—are equally banned by the American doctrine, which does not enquire whether or not such arrangements are designed to make the volume of world trade larger than it would otherwise be, but simply condemns them as discriminatory. The nations of the world are being invited to put all their stakes on the one card. No wonder they are hesitating, the world's greatest trader among them.

Not that there is any hesitation visible in the British Government. In this week's debate Sir Stafford Cripps based his case for choosing the multilateral system on the usual and now familiar grounds. On the highest political plane there is the insanity of a policy that would antagonise the United States and obstruct the economic co-operation of the two countries. On the plane of more general self-interest is the argument that Britain, the world trader *par excellence*, must be the first to benefit from a reasonably stable system of multilateral and non-discriminatory trade. Of more immediate compelling interest is the need in which Britain stands to expand her exports for some 75 per cent above the pre-war volume if the pre-war level of consumption is to be regained and the financial obligations arising from the war are to be met. Sir Stafford Cripps argued, and with much force, that this target could only be reached within the context of a much expanded volume of world trade and that the best method of achieving this expansion would be by a general attack on tariffs and restrictive arrangements such as is contemplated in the proposed charter of the International Trade Organisation.

It is impossible to quarrel with this decision. No other course is honourable; if the attempt to create a multilateral system breaks down it must be by the default of other nations, not of one so pledged to it as Britain. Moreover, it is not yet time to abandon hope of the United States fulfilling its side of the bargain, in spite of the ominous mien of the new Republican Congress. And the sceptics can comfort themselves with the further argument that, of all times to set about the creation of a stable-trading group on the basis of the sterling area, the present must be by far the worst imaginable. What is in normal times the bargaining strength of the British market is at present—as General Peron is so busily demonstrating—the bargaining weakness of Britain's needs.

The British delegates will, therefore, be going to Geneva hoping for the best. But that is not to say that they will not have their specific objectives before them. Their first task, since the Geneva sessions have been advertised to be a "horse trading" match, is to drive as good a bargain as they can. Much unnecessary suspicion has been engendered by the refer-

ences to "reductions in tariffs and the elimination of preferences" in the various documents to which Britain is committed. The elimination of preferences can be regarded as a long term objective, but as Sir Stafford Cripps pointed out in this week's debate, Britain is under no one-sided obligation to eliminate or even to reduce Imperial Preferences in the coming negotiations.

"Our obligation is to consider reductions of preferences in return for reductions of tariffs within the scope of our negotiations. We, together with the Commonwealth countries, remain the judges as to whether the counter concessions offered to us are sufficient to induce us to modify preference margins in return."

The various delegations of the British Commonwealth have been holding preliminary discussions in London this week on this question, before going on to Geneva. Their attitudes are not identical, but it need not be assumed that there is any deep cleavage between them. The Australians are perhaps the most devoted to the principle of imperial preference. But if they could be assured of a market for their wool in the United States they might be prepared to go some way in reducing or even eliminating some of the margins of preference which now assist the marketing of their produce in other British countries and which discriminate against the entry of American goods in the Australian market. On the other hand, Canada, which on principle comes closest to supporting the Australian case, has a considerable vested interest in certain preferential margins, among them those which underlie the activities of some of the important subsidiaries of American enterprises established in Canada specifically to take advantage of Imperial preferences. The approach of the Empire delegates to the tariff talks is, therefore, likely to prove essentially realistic and practical. Nor does it seem likely, in spite of the fears expressed in the House of Commons debate this week, that certain colonial preferences will have to be sacrificed altogether, to the utter ruin of whole areas which, like the West Indian sugar islands, depend entirely on the protection of these arrangements. Britain's bargaining power in resisting demands for the abolition of such preferences will be strengthened by the fact that the United States is itself operating arrangements of the kind and has recently expanded them in its agreement with the Philippines. There is no reason to be unduly apprehensive about this particular phase of the bargaining. There is already reason to believe that the specific indication given by the British Government to the Americans of what would constitute a reduction in the American tariff substantial enough to justify a dismantling of imperial preference have caused quite as much dismay in Washington as the American demands have in London.

The second phase of the Conference—possibly deferred to another session later in the year—will be to pass from hard bargaining to a consideration of the general rules of the game and to the drafting of a Charter for the ITO. And this is where the second task of the British delegation arises. If we are to play the multilateral, non-discriminating game, let us at least be sure that the cards are not stacked. As the draft Charter emerged from the Conference in London last autumn, there are several aspects of it that might almost be specially designed to prejudice the British position. There are the most detailed provisions for preventing any discrimination when it is goods that are being traded and where Britain, the great buyer of goods, might be expected to benefit from discrimination. But when it comes to services, where Britain is a seller and America a buyer, there are no such provisions against discrimination. It is difficult to understand why British negotiators have so tamely submitted to the complete exclusion of any mention of shipping, where the application of the non-discrimination principle would be of the greatest benefit to this country. Insurance is another

British service export which, it might have been thought, the Board of Trade would have been anxious to bring within the protection of a code of good behaviour (though it is only fair to add that no accusation under this head can be brought against the United States). It is not too late to remedy these omissions. Nor is it too late to ask the Americans to abandon their practice of making "tied loans"—loans that have to be spent exclusively on American goods—which is just as discriminatory in its effects as any bilateral trading agreement.

But perhaps the major amendment of the draft Charter that the British delegates should seek is something in the nature of an escape clause for countries in Britain's present difficult position. Nearly every other country has secured itself an escape clause. In London last autumn, war-devastated countries and undeveloped countries forced the concession of far-reaching exemptions. Almost the only country in the world that is neither war devastated nor undeveloped nor possessed of a hard currency is the United Kingdom. Since the meeting in London President Truman has agreed to the insistence of the Republicans that there should also be an American escape clause, by which any tariff reduction can be cancelled if it does harm to any American producer. If this means what it appears to say, it makes the whole process of tariff reduction meaningless.

Britain thus has every right to insist on an escape clause of its own, and there can be very little doubt what its nature should be. So long as the balance-of-payments crisis lasts, there must be some exemption from the full rigour of the principle of non-discrimination. It is only slowly percolating into the public mind what the long word means. It means that if we cannot buy any article from America we must promise not to buy it from anyone else. It will not be long before the non-discrimination clause in the Financial Agreement begins to operate in a decidedly restrictionist manner. Already there have been instances of imports from sterling area countries—Australian books and publications are an example—being cut because there are no dollars to spare for similar imports from the United States. Tomorrow it may be tobacco—a strict interpretation of the principle would mean that, if imports of tobacco from the United States are reduced, so far from there being any possibility of the gap being filled from Rhodesia, imports of Rhodesian tobacco would have to be cut in the same proportion. The day after tomorrow it may be foodstuffs that have to be treated in the same way. We have recently seen Sweden curtailing all imports as a result of a dollar shortage and this week the State Department in Washington has protested against this defensive move. It is high time that Department was made more aware of the facts of economic life in Europe.

The Geneva discussions will provide an admirable opportunity for this educational work. It is fortunate that the "non-discriminatory" clause in the Anglo-American financial agreement was specifically stated to be "in an anticipation of more comprehensive arrangements by multilateral agreement." This clearly looked forward to the ITO Charter which will be hammered into its final shape at Geneva. It will rest with the Commonwealth delegates to see that the Charter makes reasonable provision for the application of discriminatory practices by countries in balance-of-payments difficulties. These exceptions to the rule would have to be subject to impartial review; but the touchstone should not be too difficult to apply. Discrimination is justified when it leads to more trade being done than would be possible under the full rigour of the rule. There would be no greater negation of the whole spirit of the Anglo-American financial agreement and of the ideals for which the International Trade Organisation is to stand than that the principle of non-discrimination should be used to restrict trade. Yet that will be the result—not in hypothetical theory but in actual practice—if the Americans continue to say "because you cannot buy from the United States you shall not buy from anywhere."

Tantalus and the Pools

BETTING statistics, notoriously hard to come by, have been vastly improved in recent years through the enterprise of the Churches' Commission on Gambling. It might even be said that they have been improved out of all recognition; for zeal in the cause is not always the best guarantee of statistical accuracy. But, taken with a suitable pinch of salt, they are near enough to the mark to yield something on the lines of the accompanying table. The net cost of gambling to the country

ESTIMATED GAMBLING RECEIPTS				
£ million				
	1938-9		1946-7	
	Gross	Net	Gross	Net
Football pools	22	4	45	9
Horse-racing:				
Bookmakers	275	20	300	25
Totalisator	9	1	15	2
Greyhound racing:				
Bookmakers	20	2	70	7
Totalisator	37	3	138	8
Sweepstakes	8	4	4	2
Gaming machines	10	2	10	2
TOTAL	381	36	582	55

RATIOS OF INCREASE			
	1938-9		1946-7
Gross receipts	100		153
Net receipts	100		153
Personal incomes before tax (1938-45) ..	100		175

for 1946-7—the charge on the national income, that is, to cover promoters' profits, capital expenditure on gambling establishments, and the pay and perquisites of the staff, variously estimated at up to half a million—a figure which apparently includes all part-time workers—seems to have been about £55 millions. This sum represents slightly over $\frac{1}{2}$ per cent of the total of personal incomes, and may be equivalent to between four and five per cent of the nation's expenditure on food and two-fifths of its expenditure on tobacco, in each case excluding the effects of indirect taxes and subsidies. The total—even when it is remembered that it is the net cost, not the gross turnover of the betting industry—seems almost startlingly small. On the other hand, an industry which, for a bare minimum, employs as many as cotton weaving is certainly not insignificant; and its social as apart from its economic importance is probably best measured, not by the net charge on the national income, but by the gross charge of £582 million—including, that is, the money returned to winners—or by the total of ten million people who are reckoned to bet regularly on the pools. To the moralist the gambling industry is a beam in the nation's eye. To the economist it is a mote, but still a potential reservoir of manpower, and still more of woman-power. To the Chancellor of the Exchequer it is fruit ripe for the plucking—though perhaps forbidden fruit. Can and should anything be done about it?

The moralist's case is simple and straightforward. Gambling is a menace and a scandal; it is sapping the national morale; it fritters away time which should have been given to work or honest recreation; it is creeping, in the peculiarly sinister form of the pools, into the very bosom of the family, and may shortly become as respectable as bridge. It should be suppressed, stamped upon, and in one way or another brought to an abrupt and unlamented end; and, as one report of the Churches' Commission quaintly adds (the cloven hoof peeping from beneath the cassock), "a little coercion would not be out of place."

Coercion, of course, is the core of the question. The moralist's case, though it might be improved by the addition of a sense of humour, is basically sound enough. No one can regard as healthy a state of affairs in which the vast majority of households in the country are involved in re-distributing half a billion pounds a year through the channels of highly organised gambling. Evidently there is something wrong with the national outlook to produce a phenomenon of this kind; but what is it, and what can actually be done to correct it? Is it some easily alterable feature of the national life; or is it nearer the truth to say, as common sense would suggest, that mass gambling is a symptom of a mass maladjustment, capable of correction only by educative methods and over a long period?

That the latter is the case appears clearly enough from the history of gambling in recent years. The great support for organised gambling once came from the bored and ill-educated aristocracy; it comes today from the bored and ill-educated proletariat. The busy and comparatively well-educated middle-class, with its settled and (from its own point of view) reasonably satisfactory social status and tradition, has taken, and continues to take, conspicuously little part. Conditions change, and the young man with nothing to do but to waste his inheritance on wine, woman and song has receded into a wistful memory in the pages of Saki; but the young man whose life and work neither stretch his brain to the full nor provide an outlet for his sense of adventure and advance is with us still by the million.

Mass gambling as practised today is in fact a function of two developments—the fact that the margin of working-class incomes available for free spending was multiplied eight times over between the two world wars, and the failure to cure the social and psychological maladjustments inherited from industry's past history. These maladjustments will not last for ever. But they are still emphatically present for the moment; and it is perhaps ironic that the chief beneficiaries of a Labour Government, committed to face the future with all the youthful verve and enthusiasm of Transport House, should hitherto have been the Stock Exchange investor and the pool promoter. Yet may there not be some hope for the future in the fact that, at a time of rising working-class incomes, greater social security, and greater concentration on a national effort, the gross expenditure on gambling should have failed as conspicuously as the table apparently shows to keep pace with the rising tide of personal incomes? The moral, at any rate, is clear. The causes of mass gambling are too deep-rooted to be removed by any mere surgical operation. The symptoms may be fought; but the result will only be to produce other symptoms, possibly of a far more unpleasant kind. The evil of gambling lies as much in the atmosphere as in the act; and the nation will not be much better off if it substitutes the clandestine methods of the street bookmaker for the fireside crossword-puzzle atmosphere of the pools.

From the economist's point of view, direction of labour from gambling to other occupations is not practical politics; and, even if it were, the question might well be asked whether it would be worth its cost when the effect on the national morale was taken into account. No doubt in the long run, when the basic social maladjustments have been corrected, the nation will be far better off without organised gambling than with it; and no doubt also that for an emergency of a week or two gambling can reasonably be shut down. But for the medium term—for the term, that is, with which practical policy is chiefly concerned—organised gambling meets a real recrea-

tional need. "No work and no play" is sound industrial psychology; and the economist may reasonably shudder at the thought of productivity in a world where gambling and, perhaps, films and tobacco had followed mid-week sport down the dollar drain. The labour which might be diverted from gambling organisations is in any case of very varying quality. A good deal of the pools labour could be of genuine value in other occupations; but the gaps in the mines are scarcely likely to be filled by the recruitment of an army of bookmaker's touts.

In days when the nation's chief industry is the manufacture of new regulations, any interest proposing further restrictions must be expected to prove its case to the hilt; and the case for anything resembling the suppression of gambling is certainly not made out. Suppression, however, is one thing, and discouragement is another. The improvement in drinking habits in the last quarter of a century, while largely due to improved education and rising standards of living, has also owed a great deal to the beneficent operations of the Chancellor of the Exchequer; and taxation, apart from its purely mercenary advantages to the revenue, might similarly help to salve the national conscience in the matter of gambling. A suitable formula for a betting tax will admittedly not be easy to find, and, should it be found, it would be optimistic to expect the tax to have much short-term effect on anything but the revenue. Betting is a habit in many ways similar to the habit of smoking or drink, and it is not at all improbable that in the short run the demand for betting facilities will prove as inelastic in the face of rising costs as has hitherto been the case with the two other classical vices. But, again as in their case, it does also seem probable that in the long run a betting tax would prove a real disincentive to a new generation which has not yet acquired the habit. It might not shake much fruit from the Littlewood tree in the next year or two, except in the purely fiscal sense; but over the next generation it would effectively assist the more

NOTES OF THE WEEK

The Cost of Living

No tears will be shed at the passing of the 33-year old index number of the cost of living, which reflects the tastes and spending habits of 1904 rather than of the 1940s. Only the war prevented the earlier demise of a measuring device which dealt in terms of candles and flannelette and excluded electricity and rayon, and the recommendation of the Ministry of Labour's advisory committee to discard the old basis therefore comes as no surprise.

The difficulties which arise when it comes to devising a new index are of two kinds, technical difficulties of statistics and issues of public policy. The Committee concern themselves only with the first category, which are interesting enough. The defects of the old index arise from the fact that it calculates month by month what would be the cost of providing a fixed list of items which is now out of date. An inquiry was made just before the war into the spending habits of working-class families, and a new fixed list of items based on the results of this inquiry would be much nearer to reality than the existing list, which was drawn up in 1904. But the new list would also get out of date and, specifically, it does not reflect the actual distribution of income to-day. On the other hand, to adopt an index whose composition and weighting varied with the actual expenditure of the public, though it is technically possible, has other disadvantages. It is difficult to explain simply how it works. And there are also theoretical disadvantages. If cauliflowers go up in price but carrots do not, housewives will switch their purchases from one to the other and accept a slightly lower standard of living. But if the index follows suit by reducing the weighting of cauliflowers and increasing that of carrots, it will not be doing what most people think it ought to do—that is, measure the cost of maintaining a standard of living which, though it may vary in composition, is unvarying in average quality. On the whole, fixed lists of commodities with frequent revisions seem to be the best. The Committee, however, are still hesitating between these two alternatives.

But they are agreed that the old index is now so bad that there should be no delay in scrapping it, and the main purpose of their interim report is to recommend that there should be a new

fundamental remedies of educational, social, and industrial reform.

But can a formula be found? Past Chancellors of the Exchequer, like Tantalus, have dipped into the betting pool with only too little success. Can Mr Dalton do better? The key seems to lie in the increasing organisation of gambling. When Mr Churchill set out on his first ill-fated adventure in this field, the collection of a betting tax was about as simple a proposition as collecting income tax on the profits of the black market in building. The fact that today some £200 million a year passes through the Tote and the pools puts a very different complexion on the matter. True, there is always the risk of over-taxing these relatively easy sources of revenue, and driving business into the hands of the socially more pernicious and fiscally less accessible street-corner bookmaker. But a turnover tax of the order of ten per cent on the more accessible forms of betting would not be unreasonable, and might well be supplemented with a heavy licence fee and possibly a supplementary income tax on private bookmakers. Mr Churchill once suggested a heavy tax on each telephone in a bookmaker's office; and, while this particular scheme might perhaps be too easy to circumvent by the use of a complaisant neighbour's number, it does not by any means exhaust the possibilities. In one way or another, a revenue of £20 or £30 million might well be raised, with an upper limit in the neighbourhood of £50 million. It is clearly impossible to ensure exact equity as between one type of betting agency and the next, and there should be no undue squemishness over charging what the traffic will bear. Betting is not the mine of money or manpower which interested propagandists tend to assert; but it could be made to provide a very acceptable contribution towards filling the national deficit, while at the same time hastening its own extinction. Virtue in this case is by no means incompatible with good housekeeping.

temporary index, based on the composition of working-class expenditure in 1937-38.

The issue of public policy is that, since any imaginable new index of the cost of living will almost certainly show a bigger rise in prices than the old index, which forms the basis of many wage and salary agreements, the improvement of the index may lead to widespread claims for higher wages—or alternatively, to still higher subsidies to bring the new index down to the level of only 32 per cent above September, 1939, at which the old index now stands. The Committee's proposed temporary index would attempt to dodge this issue by basing itself on 100 at the time it is introduced and not being calculated back to before the war. But it will hardly be possible to maintain this position. Sooner or later the interim index, and the later permanent index, will have to be calculated back, and then the fat may well be in the fire. But it would be unfair to blame this difficulty on the statisticians. Sooner or later the Government will, in any case, have to grasp the nettle of the present distorted relationships between prices, wages, costs and subsidies. Preserving antiquarian statistical fictions will not help them.

Perhaps when that time comes it will be as well to ask what purpose an index of the cost of living serves. An index of the cost of a subsistence standard of living has obvious values in fixing social security and other similar payments, and the chief virtue of the wartime policy of stabilising "the cost of living" is not that it has kept wage rates down (they have increased by 65 per cent) but that it has helped to provide an iron ration for the very poor. But an "iron ration" index should have no relevance to wage rates, and as the standard of living of those in work rises above the iron ration and becomes more and more diversified, variations in the cost of providing it become more and more difficult to measure.

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The Veto Protects Albania

The Security Council's consideration of the British appeal against Albania about the mining of the two destroyers in the Corfu Strait reached its inevitable climax when a British amended

resolution stating that the mines could not have been laid without the knowledge of the Albanian Government was blocked by Mr Gromyko's veto, though a majority of the Council voted in favour of it. Britain, as a party to the dispute, had no vote, but the United States, France, China, Belgium, Australia, Colombia and Brazil gave affirmative votes, Poland joined the Soviet Union in voting against, and Syria abstained. The vote was taken after the Albanian representative, Mr Kyski Kap, had surpassed his previous performance by accusing the British of having laid the mines themselves; it remains to be seen whether anyone will follow up this promising line of attack in the House of Commons and charge the Admiralty with murdering 44 British sailors in order to frame an innocent Eastern democracy.

The ironclad indifference of Mr Gromyko and his Polish assistant, Dr Lange, to the facts in the case was only to be expected in view of the situation in Albania. The rule of the Communist ex-schoolmaster, Enver Hoxha, is none too stable and has to be energetically propped up by Marshal Tito, who is now economically under the weather himself. The Albanian regime gained strong popular support at the outset by the division of large estates in the central plain among the poorer peasants, but this policy has not been of much avail in the mountains, where there were no wealthy landlords to expropriate, and the general economic plight of the country, which has to support an army several times too large for its resources, has caused the dictator's popularity to wear thin. His chief asset is the belief that he is under the protection of the mighty Soviet Union, which will be on Albania's side in the international field, especially in the quarrel with Greece. For the Soviet Union to have joined in a unanimous condemnation of Albania by the Security Council would have been a manifest desertion and might well have brought about the fall of the Hoxha Government. As the Soviet Union certainly attaches importance to the maintenance of this regime on the shores of the Straits of Oranto, it was not possible for Mr Gromyko to act otherwise than he did, whatever the evidence set before him.

Britain can feel morally satisfied at having received a majority approval of its case, even though the use of the veto has blocked adoption of the resolution. This must now be reckoned the only outcome of any appeal to the Security Council. It provides a forum for public discussion and the hearing of cases, which is most important for the formation of public opinion in all countries where news reporting is free; this is not a factor to be ignored even by the Soviet Union, and it may be that the smaller democrats will get a warning not to make trouble for the big brother in future by hooligan behaviour. But it must be admitted that as a result of this case the Security Council's reputation as an executive organ of international order has touched an all-time low. If President Truman needed an illustration of Uno's inability to deal with Balkan dangers, Mr Gromyko has supplied it.

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Moscow: Reparations Deadlock

Having stated at length their proposals about German economic unity, reparations and the future political shape of the country, the Foreign Ministers have been sitting back waiting for a committee of their experts to sort out the points of agreement and difference and report back. That committee has now been diverted from editing to arguing, largely by Mr Vyshinsky, who thereby runs the risk of sharpening the impression, gained by some observers, that the Soviet Government are no more interested in reaching agreement at these meetings than they are in the successful working of the Security Council. The impression is probably incorrect, but it will persist until the progress of real negotiation proves the opposite. The decisive stage of the conference is only just beginning. Its success seems certain to depend on finding some compromise between the Soviet and the British views on reparations, which are fantastically far apart.

Three years is the time fixed by American and British official statements for Western Germany to start paying its way on the lowest tolerable standard of living. After that an export surplus is hoped for, out of which both Governments will begin to recover the cost of occupation and of importing food and raw materials. By that time—1950—the sum to be recovered may be somewhere between \$2½ and \$3 billion. How long will the process of repayment take? Some say ten, some fifteen years. Then presumably, sometime in the 'sixties, an effort may be made to get reparations as well out of current German production. This is the picture which has been presented by Mr Bevin to Mr Molotov. In reply the Soviet Government demand a total of \$10,000 million in reparations, a large proportion of which can only come from current production, in the form of goods needed for reconstruction in devastated Russia.

Admitting that the Soviet claim could be proven and that it will be reduced by the amount already taken from the eastern zone, how can Mr Molotov reconcile it with his warm defence in recent speeches of Germany's right to live? And how could he explain to M. Thorez, for example, the disastrous effect of such a reparations policy on coal deliveries to France from the Ruhr? How can he expect the Americans—still less the impoverished British—to prime the German pump indefinitely in order to meet Soviet claims of such dimensions? Mr Molotov may seem in Western eyes short-sighted and stubborn, but so must Mr Bevin appear in Eastern eyes when he demands that the Soviet Government should share the full cost of running Germany as a whole and sacrifice for the common Allied stock all that they have been drawing—and would continue to draw—from the industries of Eastern Germany? There appears to be no way out of the deadlock except concessions from both sides. The decisive role may be played by Mr Marshall, whose Government holds the key, not only to British ability to prime the German pump, but to Soviet ability to seek outside Germany and eastern Europe the resources needed to make good the devastation of Russia.

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The Truman Doctrine

By the end of this week the world will know something more about the Soviet attitude towards Mr Truman's intervention on both sides of the Straits. Mr Warren Austin's statement to the Security Council this Friday should give a more balanced and sober picture of what the Americans will do for Greece and Turkey than has so far appeared. Comment in European countries has been whittling down estimates of the power behind the "Truman doctrine," just as Mr. Acheson has been whittling down its implications in face of Congressional questioning. According to their sympathies, commentators have split up into those who question the efficacy of dollar rattling and those who read more into Mr Truman's challenge than Congress will accept.

So far Soviet policy has not visibly yielded an inch; it could hardly do so in face of a public challenge. Mr Gromyko has backed Albania in the Security Council with the veto; the Small Farmers' Party in Hungary has been forced to agree to new elections in May in which the Communists hope to improve their positions; Mr Marshall appears to have had no private conversations with Soviet Ministers in Moscow; and the disagreements within the Uno commission studying the Greek situation are on familiar lines.

Meanwhile, it is increasingly understood that the "Truman doctrine"—at any rate for the time being—resembles the Monroe Doctrine of the last century in its reliance on British strategic positions to make it effective. What is still not properly understood is the fact that the oil reserves of the Middle East are a vital interest, not only of the British Commonwealth, but of every European nation that has no oil of its own. To represent this interest as sinister or exclusively commercial is silly; it is no more sinister than was the British interest in keeping world sea routes open during the last century. Free access to Middle Eastern oil is an interest which the British Commonwealth, western Europe and the United States have in common; it is one of the conditions of the freedom which Mr Truman set out to defend in the ideological portions of his address to Congress.

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The Government and the Public

Sir Stafford Cripps is to be congratulated on his decision to hold fortnightly press conferences, and thus to continue the process of keeping the public informed about the economic state of the nation, which was begun in the three-day debate in Parliament. It is true that much of what he told the press was not new and was available elsewhere to those in a position to dig it out; nevertheless, the mere fact of holding regular press conferences, where the data are assembled and where there is an opportunity for asking questions as well as receiving information, is an indication of the right approach to publicity.

Few will deny that one of this Government's weak spots is its handling of publicity. The Prime Minister himself is reported to have confessed to ignorance about public relations, and Mr Morrison, who does know something about them, has been sadly missed in recent months. It is indeed surprising that a Labour Government, which claims to be in touch with the ordinary men and women of the country, and to reflect their wishes, should be so vulnerable on this score. It was, for example, a good idea to publish a popular edition of the Economic White Paper. It would have been better, not merely to change the title and the

cover and to throw in a few charts, but to issue a really simple popularly-written pamphlet, which would set out the salient facts of the economic situation, without being overburdened with technical detail.

The Labour Party certainly suffers from not having a Churchill to fire the public enthusiasm, or a Woolton to gild the pills. Mr Attlee's broadcast, sensible and lucid though it was, was hardly calculated to infuse the Dunkirk spirit into the nation. Reports that Mr Bevin may be switched over from foreign to home affairs may be wishful thinking. But he would certainly do more than any other figure in the Cabinet to mobilise the workers and swing the trade unions into full co-operation. Sir Stafford Cripps's conferences will do something to feed the expert and semi-expert public with facts. It remains to find a means of reaching the inexpert and the hitherto uninterested. More mass publicity is as much the need as a raising of the iron curtain for the experts' benefit.

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The Defence Debate

In the coming week Mr Attlee will try to prevent the threatened disunity within the Parliamentary Labour Party by winning over to the Government's point of view the rebels against its conscription policy. To judge from the large number of resolutions on manpower and the size of the Forces which are on the agenda for the Labour Party's Whitsun Conference, the rebels' view is shared by a large section of the local parties. Last week's debate on the Defence White Paper was a foretaste of the criticism from the Government's own supporters which may be expected when the new National Service Bill is given its second reading, for the most effective speeches came from Labour members. The arguments were the old ones. Mr Alexander, who opened the debate, argued that the past and present size of the armed forces is justified by the country's post-war commitments, that the Services' demands for manpower to fulfil these commitments were carefully screened and had been reduced, and that special committees were at work to see that there is the minimum of wastage of manpower within each Service. No one will want to belittle the importance of these new, partly civilian, committees. But, however ruthless they allow themselves to be, their recommendations are unlikely to result in the saving of more than tens of thousands at the very outside. What the Government's critics ask for is a reduction of hundreds of thousands, and that can only be achieved by a Cabinet decision that the Services can be allotted so many men and no more. Which method will result in a bigger reduction in the armed forces? The existing method, by which the estimates of the Chiefs of Staffs are submitted to the Government and then reduced to the lowest level agreed to by the Chiefs of Staffs and the Service Ministers? Or that the Government should submit to the Chiefs of Staffs the maximum figure for manpower that the Services can have and let them wrest a larger figure if they can—in other words, that the Service Ministers and the Chiefs of Staffs should do the bargaining?

Neither Mr Alexander nor Mr Noel-Baker, who wound up the debate, answered the most pertinent criticism that is made. All the commitments which are specified are, and have been for nearly two years, fulfilled with a constantly decreasing manpower total. If it is possible to fulfil them with a total of 1,400,000 men now, it was possible a year ago. If it will be possible to fulfil them with 1,000,000 men in a year's time, it should be possible now. And, when the maximum size of the armed forces is about 750,000 in two years' time, what proportion is likely to be devoted to commitments and what will be the effective strength of the defence forces immediately available for use in a war? Mr Alexander refused to give a clear picture of long-term defence policy, beyond saying that big reconstruction of the three Services was in hand. He and Mr Noel-Baker pleaded that the present period was transitional. Is it likely to be less so in a year's, or even two years', time—and, if so, in what respects and with what quantitative results?

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Stalemate for Police

The publication of the Home Office report on the higher training of the police (Cmd. 7070, 4d.) substantiates all the adverse rumours which circulated about it in advance. It is a thoroughly unimaginative document, permeated with outworn prejudices, and designed to discourage any really promising young man from entering the police service, where such men are badly needed. Surely the senior members of the constabulary need have been less timorous about the Trenchard version of the police college,

and could have devised something which was a bolder compromise between the "old school tie" approach and the ultra trade-unionism of the scheme they have put forward. Seniority and the reward of faithful service dominate their suggestions with woeful tenacity.

One of the chief problems of the police before the war was to breed men within the service who were suitable for promotion to the highest posts, instead of recruiting them later in life from outside. The methods of selection of officers during the war, and recent experience elsewhere, underline the importance of picking promising men early and promoting them young. The Home Office Committee fly right in the face of this evidence. Under their proposals no one can come to the Police College—the gateway to promotion—under 27 years of age and, to quote the report, "some may, in the initial stages be 50 or more, and their average age might be as high as 35 or 40." It is thus improbable that, even when the new college has been going for some time, men will come to it under the age of 30 to 35. No university graduate or bright secondary-school boy is going to be content to be a speed-cop or answer inane questions in the streets for ten to fifteen years on trainee rates of pay. And the police force cannot do without these men.

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Further Education

Local education authorities must have groaned on receiving the latest of the Ministry's pamphlets on "Further Education" (HMSO, 2s. No. 8). In itself it is an excellent publication dealing with all the aspects of education outside the ordinary schools and below the level of the universities, such as local, regional and national colleges, which may incorporate the compulsory day-time activities of the county colleges, full-time vocational courses, or part-time day and evening classes of a recreational and vocational character. But, however excellent the theory, the putting of it into practice demonstrates all the difficulties of the present time. The circular which accompanied the pamphlet demands that local authorities shall submit their plans for further education not later than March 31, 1948, "unless later submission has been approved exceptionally." It is, however, certain that either the exceptions will have to be numerous or many authorities will have to default on their obligations; for in many areas the development plans for the schools proper are already straining administrative resources to the limit. Compared with the schools' plans, those for further education are relatively modest; but they may yet prove to be the last straw.

The pressure is not basically that of the Ministry, but derives from the 1944 Education Act itself, which demands that compulsory part-time education should come into being three years after the raising of the school-leaving age. But the Act does not say whether county colleges should all be opened or merely begun by 1950. In present circumstances, the latter interpretation is inevitable, and even that may be impossible to realise with the competition from new school building. And if progress varies between one authority and another, will the boys and girls attend compulsorily or not according to where they live—a practice which had unfortunate results after the first world war?

There is, however, now a mitigating circumstance absent in the early nineteen-twenties. Owing partly to enlightenment, but predominantly to the shortage of juvenile labour, many firms have been competing with one another in the attractions they offer to young entrants, either in the shape of part-time education and vocational training on the premises, or leave of absence to study in continuation classes. In 1938, 41,500 were being released; the figure is now about 150,000. As the shortage is likely to grow worse, not better, ambitious youngsters will still be able to pick the "best" employers. And, more generally, the fact that in the field of further education so much reliance can and should be placed on agencies other than local authorities may well make the new policy considerably easier to apply than appears on the surface.

Setting aside the difficulties of preparing the new schemes, and finding the bricks and mortar to make them real, the new plans should teach the local authorities a great deal about their local resources, industrial, cultural and social. For they are required to make an elaborate local survey, and to draw up a plan which demands much co-operation with local educational and industrial bodies and an estimate of future employment trends. Is it too cynical to express the hope that, in working out these surveys, due attention will be given to the increasing survey activities of local authority departments not directly concerned with education? Duplication of research has some virtues, but not in the form in which it only too commonly occurs in both local and national government.

M. Ramadier wins a Round

When M. Ramadier first took office, it was a gamble whether the fissures in his coalition would show most quickly under the pressure of home or of overseas policy. In the event, he has won a short reprieve at home, largely thanks to the Trades Union Federation's decision not to press its minimum wage claims while the Government's price reduction policy is on trial until May, and thanks also to his firm refusal to be browbeaten by the Paris newspaper strikers. It is Indo-China that has given his flimsy cabinet its first bad shaking. He has survived it, and retained the Communists in his Government by a narrow margin and by dint of some unexpected compromises.

There were two practical points at issue in the debate on Indo-China. One was whether to proceed first by restoring order and then by holding peace talks, or whether to declare an immediate armistice. The second was whether to vote a military credit of 34,000,000,000 francs for the first purpose. The MRP, the parties to the right of them and perhaps two-thirds of the Socialists favoured the first of these alternatives; the Communists, together with some hesitant Radicals, wanted the second. Unfortunately for the Assembly's reputation, the debate opened with an outburst of the party explosions that nowadays are never far from the surface. Attacks from the right were showered not only upon Viet Minh personalities but on the past reputation of Communist deputies; the Communists responded with organised slamming of desk lids. Even fisticuffs ensued. When the uproar subsided and a vote was taken on the alternative courses to be pursued, the vote for military action was unanimous but for the Communists. These, including the five Ministers in the Government, abstained.

But their act was followed by some heartsearchings. Ought they to provoke a crisis that would weaken M. Bidault's position during the Moscow meetings? On the other hand, ought they to remain in a Government that is accepting American loans in view of their intense disapproval of President Truman's new Mediterranean policy? When M. Ramadier announced that he would make the second vote, that on the military credits, a vote of confidence, their Central Committee came out with an uncompromising refusal to support him. There followed the 24-hour delay that must, under the new constitution, precede a vote of confidence. It was then that the five Communist Ministers decided not to overthrow the Government. They therefore voted against their party. Reluctantly, but sensibly, M. Ramadier gave out that "cabinet solidarity" was sufficient for his purposes. The Communists are left explaining why a vote in two directions is not a party split.

On the short view, the Communists have had their cake and eaten it. They have kept M. Bidault as comfortable as may be in Moscow, but can disclaim party responsibility for a military campaign. Can they continue to face both ways for the duration of the Moscow Conference? Not if party recriminations open with equal acerbity on some domestic issue that affects every man in the street. This the Indo-China controversy does not do. It was a tug-of-war in which neither left nor right was pulling with a real will, and the Communist Party should without difficulty be able to live down last week's divided vote.

But the sight of Communists in a dilemma is bound to encourage the hopes of the extreme right—the only party, to-day, that would like to see a political upset. A refurbishing of weapons in that quarter has been noticeable lately. There are persistent rumours that General de Gaulle is planning to launch a party in anticipation of a financial debacle in the autumn.

More Trade with Finland

To expand trade with Finland is good politics as well as good economics, and the British discussions in London with the Finnish Trade Delegation, which began on March 3rd and ended last week, have had highly satisfactory results. The British Government can now place orders for 175,000 standards of sawn softwood, which is one-third of the total requirements of their housing programme for this year, on the austere basis of 1.6 standards per house. There will be far less scepticism about the fulfilment of this order than there is about Soviet or even Swedish execution. The Finns, in return, are satisfied about the prospect of receiving materials required to stabilise their economy and permit the regular payment of reparations to the Soviet Union, which, incidentally, is taking 110,000 of the 600,000 standards that the Finns expect to have available for use and export this year. Outstanding among their requirements was semi-manufactured steel, of which at first the Finns wanted

90,000 tons. This has to be compared with the 50,000 tons of iron and steel exported by Britain to Finland in 1946 and 18,000 tons exported in 1938, when Germany was the main supplier. This is a year in which British steel exports are likely to be sharply reduced; last year Finland's share of them was up from 1 per cent to 2½ per cent. But interest in Finland's recovery and in its unique position in Eastern Europe should ensure that British deliveries there are cut as little as possible.

No settlement has been reached on financial questions. The agreement of August 2, 1945, which expires in the summer, provided for the payment of 12½ per cent of the proceeds of Finland's exports to Britain into a special account earmarked for service on her sterling debt, which fell into interest and amortisation arrears during the war. As it is to be expected that there will be no arrears by the end of 1947, no specific segregation would appear to be necessary; Finland's record is thus outstanding even among Northern peoples.

The Crown's Planning Record

Fears that the independent and uncontrolled activities of other Government departments will defeat the purpose of the Town and Country Planning Bill have been expressed in Standing Committee, where members of all parties joined in urging Mr Silkin to take wider powers. Government departments will be asked to reach agreement with local authorities on their requirements for land, so that all land which is intended for compulsory acquisition over a ten year period may be designated as such in the planning schemes. This idea of designation is excellent; it will promote an orderly and unitary development of each area, and should minimise uncertainty among private owners about the future of their property. The snag is that Government departments may always sidestep this procedure and acquire land under other statutory powers of their own. In this way, a carefully thought out planning scheme could be suddenly wrecked. The planning record of some departments is indifferent or worse. The Ministry of Transport, described by Mr H. G. Strauss as "the greatest anti-planning authority in this country," was singled out by the Committee for condemnation, but the Board of Trade, the Service departments, and even the Post Office also attracted justifiable criticism. How far will these departments, armed with strong acquisitive powers, look beyond their own interests or convenience in the future?

Mr Silkin remarked that it would certainly be convenient for him if all land acquisition had to go through his Ministry; but he appeared to dismiss this as politically impracticable, and to pin his faith to the machinery of routine consultation among departments and local authorities which, however time-consuming (and it is certainly that), is equally certainly showing signs of improvement. But is it really so unthinkable to have one department in charge of land acquisition? After all, state ownership of land is rapidly on the increase, and the idea of having a Ministry of Planning is to simplify and expedite land control, not to increase the need for co-ordination. What is bad development when done by a private owner is not a whit better when done by a Ministry; and if the former is expected to put up with the delays and inconveniences of planning control, he is entitled to insist that the control be uniform and effective and his sacrifice not in vain.

Noah's Ark

The very serious damage done to agriculture by the snow, which killed large numbers of sheep and other livestock, and by the floods, which have spoilt a considerable part of the best arable land in the country, has again focused attention on the need for special measures to safeguard Britain's food supply. No estimate that is at all reliable can be given of the financial loss imposed by the weather on farmers and other sufferers, although in any case the Government will be asked to give more assistance than its initial £1,000,000 contribution to the Lord Mayor's relief fund and its increased grants to Catchment Boards in the Fens.

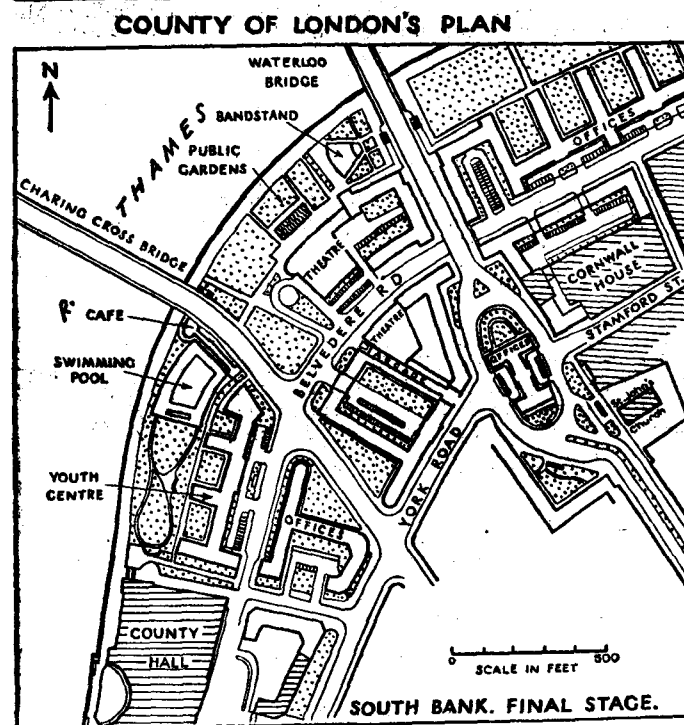
Mr Williams's emergency advisory committee of agricultural interests will have to work overtime to salvage as much of the damaged crops as possible. But, in the longer run, few tasks are so vital as the provision of enough, and good enough, housing to attract the requisite agricultural labour. In Tuesday's debate in the Commons, Mr Edwards, for the Government, put forward a well-reasoned argument to show that the housing problems of rural areas were not being neglected. Special zonal conferences are being held to try to overcome the shortage of building labour in certain rural areas; and 20,000 Airey houses,

needing little site labour and specially designed for rural conditions, as well as 5,000 Swedish-type houses have been exclusively earmarked for rural use and could be erected more quickly "if local country builders will overcome their fear of novelties."

These are enterprising measures, whilst the Government's action in scaling down local authorities' tenders to square with the labour and materials likely to be available deserves praise rather than the blame it has received. But two doubts remain. The Government has allocated about 17 per cent of this year's permanent housing programme to rural areas, which is about proportionate to their population. But, just and fair as this is, in view of the urgency of maintaining food production ought not the Government to award a rather larger slice of the housing cake to rural areas? In the second place, in spite of the strong representations of its own advisory committee, the Government is going to take no steps this session to allocate grants for the reconditioning of rural houses. Mr Edwards claimed that there was no building labour available which could profitably be put on to this work; but his view hardly squares with the observations of the Hobhouse Committee.

South Bank

Meanwhile, credit has to be given for a satisfactory piece of planning co-ordination in the County of London. The LCC intends to sweep away the derelict area on the south bank between Westminster and Waterloo bridges and to have erected, alongside County Hall, a major group of Government offices (designed to house upwards of 10,000 staff), the cultural centre mooted in the County Plan and the national theatre sponsored by the Shakespeare



Memorial National Theatre Committee. The Ministry of Works is co-operating on this project and has agreed to the appointment of an architectural consultant, Dr Holden, to harmonise the design and lay-out of these important buildings. The LCC has also secured agreement with the Ministry of Transport on the construction of a major traffic roundabout at the Elephant and Castle; if it can deal equally effectively with the London Transport trams and the Southern Railway viaducts, it may eventually transform the unpopular south bank area from the worst to the best part of London. It would be a fine, if costly, vindication of the effects of planning.

The Stevenage Appeal

The Court of Appeal on Monday reversed the order of Mr Justice Henn Collins under which he quashed the Stevenage New Town (Designation) Order made by the Minister of Town and Country Planning last November. The grounds on which Mr Justice Henn Collins based his decision were, very shortly, that

in his opinion the Minister had not considered the report of the local enquiry at Stevenage, with an unbiased mind, as he was bound to do under the New Towns Act, 1946. Equally shortly, the basis of the judgment of the Court of Appeal was that they did not find that there was sufficient evidence before Mr Justice Henn Collins to justify him in coming to that conclusion. The law requires an objector affirmatively to prove that there was bias. In the view of the Court of Appeal the objector had failed to discharge that onus.

As there is still the possibility of a second appeal to the House of Lords, further comment on that aspect of the case is impossible; but comment can be made generally on the unsatisfactory nature of this procedure of Ministerial Order and public enquiry. Clearly a Ministerial decision to establish a new town, with the consequential interference with private rights in the chosen locality, is a political act. The Minister must weigh the whole of the evidence, the pros and the cons, before making the first Order. He is then required by the New Towns Act to hold a public enquiry, at which objectors can be heard, and he is then supposed to reconsider his first decision in the light of the objections there raised. In other words, he is asked to think again and to decide if his first decision was hasty or ill-considered or both, all within the privacy of his own Ministry. Is it likely that nine Ministers out of ten will be sufficiently uncertain, or volatile, or honest to come to a different conclusion on second thoughts? If they do they automatically condemn themselves as responsible Ministers of the Crown. Yet the procedure of public enquiry is important and could be made of real use to the community. It gives the public the right, which they should have, of speaking their minds and offering their local knowledge. There should surely be some instances where they can convert the Minister to their point of view, but it would be the height of optimism to expect this to happen frequently or as a matter of course. It is all the more necessary, therefore, that the Minister should take pains to make public a detailed reply, and one far more specific than the generalisations Ministers are apt to produce, to all those objections which the chairman of the public enquiry finds to be relevant. Then the public will be able to judge for themselves of the capacity of the Minister and of the practicality of the particular plan. The main remedy for a bad plan must be in Parliament, not in the chance ability of one objector to show "bias" in the mind of the Minister concerned.

The Dutch-Indonesian Agreement

The Linggadjati Agreement between the Netherlands and the Indonesian Government of Dr Sjahrir, which was initiated last November, was formally signed in Batavia on March 25th. Differences of interpretation of the terms of the agreement have remained on some points unresolved, but the Netherlands Government has stated that they are not serious enough to hold up signature of the agreement. The negotiations have been prolonged, but both sides deserve much credit for having reached a compromise from such fundamentally opposed points of view and after even personal relations have been rendered so difficult by violence and bloodshed. Advice from a third party seems also, however, to have played a part; there has been no British mediation since the withdrawal of British troops from Java, but Washington is reported to have urged the Netherlands Government not to delay in reaching an agreement and to have added a warning that American supplies would not be available if the Dutch were to resume military operations. The Americans have been particularly anxious for a return to normal commercial conditions in the East Indies, and the same desire has impelled the Sjahrir Government to be as conciliatory as their fundamental nationalist programme will allow them to be. Hitherto the Dutch have been using their naval power to institute a kind of blockade of the territory outside their control, and an American ship was recently seized for loading a cargo in Java contrary to the Dutch trade regulations; such proceedings have caused considerable annoyance in Washington, where the State Department has been unwilling to challenge Dutch legal rights, but has nevertheless been impatient at the prolonged restraint of commerce in a region so important to world economy.

Dutch colonial officials and settlers of the older generation will, no doubt, feel that all is lost by the deal with Soekarno's State and bitter memories of the atrocities committed against Dutch civilians in the early days of Indonesian liberty will long remain to hamper the progress of reconciliation between the two peoples. But given the fact of successfully insurgent nationalism in Java and Sumatra, the Dutch have not done at all badly in a settlement

which still leaves them with a very large stake in their former East Indian empire. Conditions in the islands other than Java and Sumatra have changed very little from pre-war times, and Dutch interest and economic enterprise will probably from now on be concentrated on these territories which were formerly somewhat neglected in favour of the two westerly islands.

Guests of Nehru

The arrival of Lord Mountbatten in New Delhi as the Last of the Viceroys has coincided with the opening of an "Asian Relations Conference" in the same city assembling nominally unofficial delegates from nearly all the countries of Asia, including six of the Asiatic republics of the Soviet Union, and also Egypt. The most prominent Asiatic absentee was Japan, which received an invitation, but was not permitted by the Allied occupation authority to send a delegation.

The conference is in form and title an imitation of the biennial conference held by the Institute of Pacific Relations, an organisation with headquarters in New York, functioning as a federation of national bodies which include the British Royal Institute of International Affairs and the American Council of Foreign Relations. The Pacific Relations conferences, which have brought together European, American and East Asiatic delegates, have been ventures in a technique of international study and discussion of problems of common interest outside diplomatic and official channels. It is a technique which corresponds to the conditions of the Western democratic world, where public opinion exists independently of Governments or ruling parties, and where it is possible to have discussion on political subjects which preserves a certain detachment without being merely academic. This technique is inevitably modified by translation to an environment in which similar habits and conditions do not exist. Just as the Boy Scout movement, started in Britain as a purely civilian and non-political enterprise, has been transformed in certain countries into a politico-military organisation, so the Pacific Relations Institute system has been changed in its purely Asiatic form into a means of political manoeuvre and propaganda.

The Asian Relations conference has been directly promoted by Mr Nehru and the Congress Party and, although it may produce some useful contributions by experts to the study of Asiatic problems, there can be little doubt but that the main purposes of its convocation are first to win for Congress India the position of moral leadership in Asia to which Japan and China have unsuccessfully aspired, and secondly to isolate the Moslem League by means of direct contacts of Congress with the Moslem countries of Western Asia and also the Soviet Union. The Moslem League, recognising the tactic, has denounced the conference and decided to boycott it; thus the first consequence of a gathering theoretically aimed at promoting amity among Asiatics has been to add fuel to the flames of Indian civil strife.

Care of Children

Mr Attlee announced in the House of Commons this week that the Government had accepted the main administrative recommendations of the Curtis Committee on the care of children deprived of a normal home life. The Home Office has been selected as the appropriate Government department in which central responsibility for the children's general welfare will be concentrated. Secondly, local responsibility will, in every case, be exercised by a county borough or county council. Thirdly, to carry out their responsibilities local authorities will establish a special *ad hoc* committee, with its own executive officer, which will be concerned with all the home-finding functions at present exercised by one or more of the existing committees—the public assistance committee, the education committee and so on.

The choice of the Home Office to be the responsible Government department will doubtless arouse much indignation among those who pressed the claims of either the Ministry of Education or the Ministry of Health, or who considered that a special children's department should be established. But the Home Office, which has had much experience in this field, has strong claims; and it will be assisted by the creation, in accordance with the Committee's recommendation, of a new Children's Branch and of a standing advisory committee on which the other Government departments concerned, and outside persons and organisations, will be represented.

More dubious is the proposal that local authorities should establish a special Children's Committee. The Curtis Committee

was appalled at the number of local authority committees at present concerned in the welfare of deprived children. Logically, it may be the right solution to concentrate all these welfare activities in the hands of one committee. In practice, however, an increase in the number of committees means an increase in the co-ordination required, and the more the need for co-ordination, the greater the delay in getting anything settled. Moreover, individuals do not always fit into the categories assigned to them, and the more narrowly the functions of different committees are defined, the more likely are there to be "residuals"—a poor law term for those for whom other departments refuse to accept responsibility. From Mr Attlee's statement, however, it appears that the establishment of children's committees will be experimental and may be reviewed after three years. In any case, administrative changes are probably the least important factor in a deprived child's happiness. That depends more than anything else on the enlightenment of the person directly in charge of him, whether as a foster-parent or in a large Home.

Under the Guillotine

Steady improvement is being made to the Transport Bill in its passage through Standing Committee. Last Tuesday, Mr Barnes announced further amendments, involving the redrafting of an entire clause on the position of docks under the Transport Commission and giving, as he expressed it, "C" licence treatment to owners of private docks which are substantially used for the trans-shipment of their own goods. These, with oil and coal docks, will be excluded from the Bill. More important, however, than the change itself is the method by which it was secured and its consequences for other provisions in the Bill. Mr Barnes's concessions were the outcome of discussions between the Ministry of Transport and the dock and harbour authorities—a very proper and sensible procedure, of advantage to both sides. Discussion of this particular clause on which attention had been fastened occupied nearly the whole of Tuesday's sitting of the Standing Committee, and it was, with scarcely an exception, able and to the point. Then the guillotine fell; the clause was ordered to stand part after two and a quarter hours' discussion; four subsequent clauses with Government amendments were passed in a matter of minutes; and the Minister, finding himself with a few moments to spare, even made a start on the complications of Part V of the Bill, crucially important for transport costs.

Under the guillotine, it is a matter of accident whether a clause receives adequate discussion, or whether it is rail-roaded through with no consideration at all. Sir Arthur Salter was moved to protest yet again at the hasty discussion of clauses which give wide executive powers to the Government not merely to administer a clearly defined policy, but indeed to determine the policy itself by order instead of Parliamentary authority. He declared that the Committee were being asked to rubber-stamp a blank cheque. To which Mr Jay retorted that the country wanted to see legislation speeded up. But speed is not necessarily the same thing as efficient legislation. Speed is being applied to the Transport Bill, and in some respects it is being improved. Yet it will be enacted with whole expanses which have been denied any detailed consideration. It is too much to believe that, by a miracle of drafting, these are perfectly designed to achieve their object.

Shorter Notes

The membership of the Royal Commission on the Press has now been announced. Remarkably few of the members appear to have any extensive experience of the administration of newspapers—as distinct from the angle of the casual journalist—and administration, in the sense of "control, management and ownership," is nevertheless the core of the Commission's terms of reference. It may at least be hoped that impartiality has not been carried to the point where no significant result can emerge.

The report by Lord Justice Tucker into the proceedings before the Aberayron Bench, Cardiganshire, last April, when two informations against the clerk to the Bench alleging food regulation offences were dismissed, has now been published (Cmd. 7061). The incident which gave rise to the report shrinks in importance when the report is read; the impression that does remain is that the absence of any form of legal training for magistrates must be responsible for this, and many other failures of justice, and that the report of the Royal Commission on magistrates will, when it comes, be a document of considerable social importance.

Letters to the Editor

NCOs of Industry

SIR,—Your article on March 22nd raises the question: Are we really living in a past age? May we respectfully suggest that this rather applies to those who believe that the "free price" system can work in a period of almost universal shortage. The temptation is far too strong to produce either what the well-to-do are willing to pay excessive prices for, or shoddy goods sold at a high rate of profit. For home consumption it is the Government's duty to see that scarce labour and materials go mainly into quality and price-controlled goods required by the mass of the people.

Our main point, however, concerns capital goods required for the re-equipment of our basic industries. Britain needs a plan for mobilising more engineering capacity to the task of turning out mining machinery, electrical generating equipment and installations for all the basic industries such as transport, cotton, foundries, agriculture. Naturally, such a plan does not demand universal regimentation, but it does call for controls. Controls may be pointless in themselves, but they are a necessary complement to a positive plan for putting first things first.

Without such a plan at least for the obvious engineering priorities—in basic capital goods and basic consumer goods—it is useless to exhort engineering workers to work harder. At present the average worker—or even shop steward—sees no clear objective other than increased dividends for the shareholders. Even when he does put on a spurt, the result—because of the lack of planning and co-ordination—as likely as not, is that he finds himself standing about waiting for materials and components.

The joint production machinery has withered precisely because, in the absence of clear national objectives, the employer has been able to re-assert his exclusive concern with "managerial functions." If, ignoring the national interest, the employer is allowed to produce what he thinks will yield the maximum profit, he naturally resents any suggestion that the workers should have any say in

production; nor are the workers very keen to help him achieve that narrow aim. In our view, it is the Government's duty clearly to lay down priorities in a concrete plan, and create the conditions in which the shop stewards can help to carry it through.—Yours faithfully,

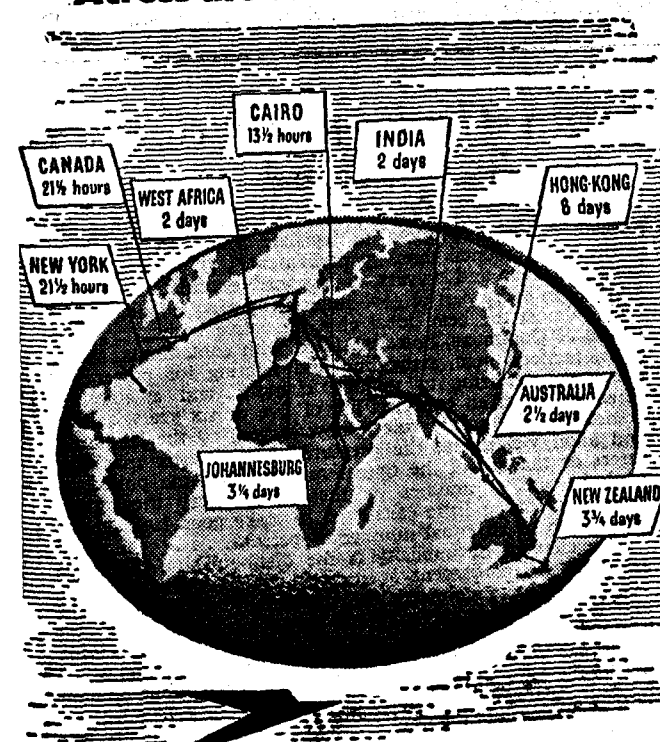
LES SMITH, Secretary

*Metal Worker,
5, Guildford Place, W.C.1*

[Agreed that a free price system would not at this moment secure a proper attention to consumers' preferences; it would do so, as the article last week showed, only on condition of disinflation to bring purchasing power into line with output. Disinflation, unless carried so far as to cause unemployment, would leave a number of bottlenecks; and it is true enough, as was pointed out in the article, that one such bottleneck which the Government has conspicuously failed to tackle is capital goods production. There is also much to be said for quality standards of the kinds suggested, for example, in the Furniture Working Party Report. But any general attempt to plan how much of each type of article conforming to the standards should be produced, outside a few very limited spheres, can lead only to regimentation of consumers and a spinner in the wheels of production. The decay of joint production machinery is certainly due in part to managerial obstruction; but it is also due to lack of guidance from the Government in switching the joint machinery over to the new tasks of peace, and to the extraordinary lack of fight on this issue on the part of the trade unions. And Heaven help the trade unions, including the shop stewards, if they can see no point in joint consultation in industries working for a free market.—EDITOR.]

SIR,—Surely foremen and charge hands, not shop stewards, are the NCOs of industry. NCOs have limited but definite powers and responsibilities; shop stewards have undefined powers and are completely free from responsibility. The only applicable military analogy is with the soldier representatives elected to serve on battalion, and I believe, higher staffs in the early days of the

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Tube Investments Ltd., 3 Grosvenor Square, London, W.1

Russian revolution. There is good reason to believe that the shop steward is as great a bar to industrial efficiency as the elected representative was to military efficiency. Day-to-day activities of the shop stewards are much more important than their manifesto, and the general evidence is that these activities seriously impede the drive towards increased production. This, however, is a matter which cannot be covered without undue trespass on your correspondence columns.—Yours faithfully,
57, Drayton Gardens, London, S.W.10 J. B. DUNCAN

["NCOs of Industry" was the title chosen for their manifesto by the shop stewards themselves. The implied change of attitude deserves, as our correspondent hints, more comment than it received.—EDITOR.]

Coal Target

SIR,—Mr F. B. Cope's suggestions in your issue of March 22nd as to how we can increase the efficiency of our industrial and domestic coal consumption are interesting, but I must confess to feeling sceptical as to their practicability. He recommends (1) the replacing of hand stoking of boilers by mechanical stoking, and (2) the substitution for the domestic open fire of stoves burning processed coal. These two measures are both excellent as a general principle, but surely they are essentially long-term projects? In its present state industry would be quite incapable of making the change-over quickly as well as continuing its normal production programme. In any case, although the measures are to be commended as a policy of reduction of smoke pollution and general economy, even if it were possible to make these changes in a short time, would the reduction in fuel consumption make any real contribution to the coal problem?

I should like to put forward as an alternative to the first proposal the increased use of colloidal fuel. Admittedly this needs a coal with low ash content, but I believe it has the advantages of (1) enabling crude oil with a low spark point to be used, (2) having a higher calorific value than the coal and oil separately, (3) being easy to regulate in actual use. The necessary crude oil could be supplied from fields in the sterling area and its combination with home-produced coal might reduce our demands on our tanker fleet, releasing them for more profitable cargoes.

In any case, it is not such expedients as these that will solve our problem. As Professor Robbins pointed out in his letter to *The Times* on February 14th last, "the root of the trouble is . . . deficient supply" and it is only by giving that problem priority, whether it be by introducing differential rations for the miners, the use of foreign labour, by importing coal from the USA, Poland or South Africa, or any other method, however drastic it may be, that we will make any recovery at all. As you point out in your current series of articles on the Russian economic situation, the Soviet Plan is concentrating on capital re-equipment, not the satisfaction of current consumer demands. It is doubtful whether such a policy would work here completely, but the wisdom of it is obvious, and if it comes to the choice of our getting coal or films from America then let us face the facts and cut our films.—Yours faithfully,
JOHN C. CLEWS
66 Wood Green, Wednesbury, Staffs

Census of Distribution

SIR,—It is all very well for Dr Barna to place on record his deep regret that the Government has decided to postpone the Census of Production until 1949. Dr Barna admits that he is an economic statistician; but were he to leave the academic atmosphere of the London School of Economics and talk to harassed managers and clerks in firms engaged in production I think he would find little support for his regrets.

The proposed Census of Production forms are extremely complicated. If reliable results are to be obtained from the Census, the forms must be filled in by responsible officials of the firms; that means taking them from some other work which already fully occupies their time. The result would be that production would suffer and the Census forms would be imperfectly compiled. The Government would waste time on an analysis of inaccurate returns.

The statistical material already rendered to the Government is enough for them to obtain a fairly complete picture of the national economy; and to make what plans they feel necessary. Dr Barna himself admits that were the Census taken in 1948 it would be well in the 1950s before we obtained an overall picture. Yet surely, by the 1950s the shape of our economy will already be decided for better or for worse. The delay of one year in taking the Census can make little difference in that respect; it may well be of inestimable value in increasing production this year and next.

Lord Keynes said that in the long run we are all dead. Dr Barna should realise that unless we have more production and less form-filling in the years to come we may well all be starved by the 1950s; and overall pictures of our economy will be poor substitutes for food.—Yours faithfully,

K. C. STUART

Corodale, 9 Elm Road, Sidcup, Kent

Dollars and Tobacco

SIR,—The Government has stated its intention not to ration tobacco. This means we shall continue to spend 32 per cent of the dwindling dollar loan on tobacco—until the loan is exhausted.

It is not for me to enlarge on the ways in which the loan might be better spent; it is evident that it could hardly be consumed worse than in smoke. We smoke more than is good for our health; we cannot afford it; and we must cut it down.

The obvious and fair way is to ration tobacco. Put tobacco and cigarettes on personal points, whilst doubling their value in terms of sweets, and many (particularly women) would take more sweets and cut out their smoking. This, apart from the size of the ration, would reduce the consumption of tobacco (which costs dollars), whilst the additional sugar and cocoa required by the sweet trade is available in the sterling area.

The chief reason given for the refusal to ration tobacco is the danger of a black market; but if non-smokers had the alternative of a larger sweet ration, the temptation to sell the ration to smokers would be greatly reduced.

The alternative to rationing is to have our tobacco cut off altogether (like our electricity) when the dollar loan comes to an end. Is it too much to hope that the Government will take measures to meet this contingency before it occurs?—Yours faithfully,
R. V. ALLEN

Vernell, Trinity Square, Llandudno

[The annual rate of dollar expenditure on tobacco is less than 3.2 per cent.—EDITOR.]

Exports and Inflation

SIR,—May I venture to point out that a large and increasing volume of exports is bound to have a further inflationary effect. None of the workmen who produce the goods for export can buy what they produce, but they are paid salaries and wages, and shareholders receive dividends.—Yours faithfully,

G. W. WILSON

Raceview Mills, Ballymena, Co. Antrim, N. Ireland

From *The Economist* of 1847

March 27, 1847

One of our contemporaries has started the idea, that the present ministers propose to legislate rather by the help of the privy council than by parliament. . . . Composed of aged statesmen and lawyers, of responsible ministers, of men eminent in every part of government, the privy council seems to be almost the beau ideal of a legislative body. . . . The House of Commons, however, filled with contentious, ambitious, factious men, struggling and fighting for power; at one time deferring to popular clamour, and at another, when proud of an expected life of five or six years, setting at defiance the public voice; now swayed by the landlords, and anon yielding to the pressure of the master manufacturers or the cry of the operatives; at one time pulled by bankers, and at another by those who decry the money classes—seems as little calculated to make good laws as any other mob of an equal number of persons. . . .

The element of publicity is the distinguishing difference between the parliament at present and the privy council. . . . The press connects the parliament with the public, and gives it that popularity and power of which the secret proceedings of the privy council must even deprive this body. . . . By the press, the opinions of the House of Commons are made known; and by the press public opinion is made known to the House; it thus becomes an adequate representative of the public, mutually acting on it, and by it acted on. As an instrument for at once fashioning and carrying out the public will, it is highly prized, and any attempt to supersede it by the secret deliberations of the privy council, would be intensely resented.

Books and Publications

Decline and Fall

"The Last Days of Hitler." By H. Trevor-Roper. Macmillan. 237 pages. 10s. 6d.

MR TREVOR-ROPER is a Fortuna among historians, and there must be some gnashing of teeth in Elysium. Who killed Sir Edmund Godfrey? What is the truth about Mary Queen of Scots? Ingenious brains have wrestled, centuries later, with these and other similar riddles; how often must they have hankered for just half an hour's conversation, half a minute, even, with just one eye-witness. And here is Mr Trevor-Roper faced with the makings of the biggest historical riddle yet, a riddle not merely of academic interest, but carrying the seeds of a pernicious mythology, and enabled within a few weeks of the event to cross-question with official authority, to examine original documents, inspect sites, check every item of evidence, and present what may reasonably be considered the final solution.

His extraordinary story recalls, inevitably, the Roman Byzantium of Gibbon; it recalls the seamier aspect of Machiavelli and, occasionally, the less elaborate politics of a Zulu Kraal. Nazi Germany's leading politicians, says Mr Trevor-Roper, "were not a government but a court," and here is a story of court intrigue.

The characters are introduced against a rapidly sketched background of war history. Goering, Hitler's heir, who had, by 1941, taken Hitler's word for it that the war was won and lived like an oriental satrap in his country palace; Bormann, Hess's ex-deputy, Goering's bitterest enemy, "a mole-like creature who seemed to avoid the glare of daylight"; Himmler, who "despaired of understanding" why foreigners thought him a monster, and impressed Albert Speer as "half schoolmaster, half crank"; Goebbels, the prize pupil of a Jesuit seminary; and a host of minor hangers-on. The narrative proper begins with the Generals' Plot of July, 1944. From that time on, Hitler and his Court were separate from, and in opposition to, Army Command, withdrawing further and further into unreality in an atmosphere of astrology, quack medicine, hysteria and, for contrast, crazy domestic tea-parties. Withdrawing, too, into narrower and narrower physical circles—besieged Berlin, the Chancellery, the Bunker—until the final scene when the corpses of Hitler and Eva Braun were carried out into the Chancellery garden, soaked in petrol, set alight, and left to sizzle while the survivors relaxed over their cigarettes.

The story of these last days, and of the final flight from the Bunker of the court Rump, has been pieced together from the narrative of some twenty witnesses, including three who actually saw or took part in the burning of the bodies of Hitler and Eva Braun. The wider history of the Nazi Court rests largely on the testimony of Albert Speer, who emerges as the one reasonably sane and sympathetic character in the whole gallery. It is with a judgment on Speer, the peaceable and constructive architect, the administrator of genius, the solid non-political, the essentially sound German, that Mr Trevor-Roper concludes his Epilogue. Because he saw clearly, yet did nothing; because, sitting at the centre of political power, he washed his hands of power's consequences, he is "the real criminal of Nazi Germany." The judgment is the harsher because Mr Trevor-Roper evidently, like everyone else who came in contact with Speer, rather liked him. It would have been easy for the historian of such events to overdramatise the ready-made melodrama, or, shrinking from that melodrama, to seek safety in a colourless official style. Luckily, Mr Trevor-Roper can write as well as conduct researches. It would be too much to say that he does full justice to his theme, but, considering the theme, that would be much indeed. He may not be a Gibbon, but Gibbon would have approved of him.

The British In India

"The British in India." By P. T. Griffiths, C.I.E. Robert Hale. 222 pages. 10s. 6d.

MR GRIFFITHS's short and extremely fair answer to the question, "Have the British given India a square deal?" makes a most timely appearance. The British are ready, even eager, to quit India, but the people of this country would be glad to think that two hundred years of British rule had not been detrimental to that land, and that the Indian claim (expressed in the Congress Party pledge) that "the British Government has not only deprived the

Indian people of their freedom, but has based itself on the exploitation of the masses, and has ruined India economically, politically, culturally and spiritually" is untrue. This claim has been so widely broadcast that many countries, including America, think there must be some truth in it, and even some people in this country wonder if there is not some sort of fire underneath so much smoke. So Mr Griffiths (with first-rate equipment, first as an official for fifteen years and then in non-official posts of importance for ten years) sets himself to answer the question, "Have the British been tyrants or benefactors?" In so short a book there is some inevitable over-simplification, but there can be no doubt of the author's sincerity, impartiality and competence.

The charge most often made is that of "exploitation." It is true that till 1813 the East India Company enjoyed a monopoly in some goods, and that for the next fifty years Indians showed no desire to engage in commerce; but they were always perfectly free to do so, as their later success in ruining the Lancashire cotton export trade clearly shows. Statistics also show that since 1870 the proportion of trade with Britain has steadily decreased, while the percentages of exports and imports to and from foreign countries has doubled or trebled. Can this be described as "exploitation"? Mr Griffiths admits that the Administration might have done more, during the last thirty years, to develop new industries, but as regards agriculture, the health services, irrigation, transport, internal and external security, and equality before the law, the gain to India has been immense. Mr Griffiths, in fact, makes out a convincing case for the benefactor *versus* the tyrant point of view in India's development.

Jewish Problem

"The Emergence of the Jewish Problem, 1879-1939." By James Parkes. Issued under the auspices of the Royal Institute of International Affairs. Oxford University Press. 15s.

FROM a starting point, twenty years ago, as research secretary of International Student Service, James Parkes has built himself into the greatest living gentile authority on the Jews. His new book, published under the auspices of Chatham House, is worthy of his reputation and of that Institute's good name for unbiased surveys. Implicit in his title is the assumption that a new Jewish problem emerged in 1879. Mr Parkes picks on his opening date because he sees the modern problem as one facet—a major facet—of the struggle between liberalism and authoritarianism. In the liberal heyday of the mid-nineteenth century anti-semitism was, he argues, a matter of individual prejudice born of hearsay or personal experience. Since then, it has become a weapon deliberately created and artificially fostered for a political purpose.

Politician after politician has used it to combat liberalism and to mask authoritarian practices. Thanks to an existing "background of susceptibility," each has been able by its means to harness and unite the most diverse elements in his support. The difference between Hitler and his predecessors—Bismarck, the Tsar and the men who knew that the Dreyfus *bordereau* was forged—is simply one of scale. No one until Hitler dared to flaunt humanity and extend the attack to the limit: to apply it to the very bodies of six million Jews.

Have his excesses re-awakened conscience in the gentiles, or are they still gullible because the lesson has been lost on them during the horrors and excitements of total war? Perhaps Mr Parkes will answer this question in the sequel in which he intends to cover the years since 1939. Meantime, his plea is that gentile as well as Jew should work to cure the maladjustment which renders the latter insecure and the former insensitive to the point of a morality. This essay on anti-semitism forms one-third only of the book. The other two parts are admirable historical surveys of this generation's two liberal attempts to adjust the problem—the first, the Minority treaties, the second, the British effort to found a Jewish national home in Palestine. The first Mr Parkes shows for a total failure; about the second he is not sure.

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Correction

In the review of *Economics for the Exasperated* in the issue of February 15th the author was incorrectly referred to as Mr Rattray instead of Mr G. Rattray Taylor. We apologise for this oversight.

AMERICAN SURVEY

Greeks and Gifts

(From Our US Editorial Staff)

THE speech in which Mr Truman proposed on March 12th a totally new foreign policy, to go into action on March 31st, took the lid off a witches' brew of hopes, fears and prejudices. The figures that steamed out in the first days of the hearing before the Foreign Affairs Committee of the House of Representatives were mostly in the guise of question marks. Those still to be discerned in the boiling confusion seem to have at least two heads apiece, and to be geared for simultaneous motion forward, backwards and sideways. Nor has the timing helped to clarify the mixture. If the lid could have been lifted more gradually, the brew, simmering slowly, might have appeared more seemly, but the demand for haste on matters of such importance, having implications without metres or bounds, has shocked even a people conditioned to government by crisis into revelations that surprise themselves.

Not the least startling of these revelations is a sudden vision of Uncle Sam donning the tunic, shield, shin-guards and short sword of a military republic. Yet the Roman parallel haunts those who do not like their civilian diplomacy and their military philosophy to be fused. At this moment the nation's foreign policy is in the hands of the former head of the General Staff, an ex-Chief of Staff of SHAEF is ambassador in Moscow, military pro-consuls operate in Germany and Japan. Selective Service (which is the American euphemism for conscription) has been dropped, but the machinery for re-constituting it has not been dismantled, and Congress is considering universal military service for all young males. Meanwhile, two years after the ostensible end of the war, 30 per cent of the national budget is still earmarked for defence. The pre-war proportion was around 12 per cent of a much smaller budget.

From this vision in the misty mirror, Americans react with immediate distaste. Almost the first question asked Mr Acheson, the Under-Secretary of State, by the Foreign Affairs Committee was whether the new policy meant war. Americans do not want war, they are sensitive to charges of military intervention. Even when, earlier in the century, they sent marines into Latin America to help collect bad debts, they did it piously, and nothing in their history has led them to dream of parading as armed empire builders, or as schemers who arm mercenaries in a distant land to guard the outposts. Protests arising from this sensitivity have already reached Congress.

The second disturbing vision, directly allied with the first, is that of Uncle Sam, having lavished hopes and cash on the United Nations, by-passing that organisation in favour of unilateral action in an emergency of the very type for which everyone thought the United Nations was designed. Criticism along this line has been so loud and pained that Senators Vandenberg and Connally have proposed a new preamble to the Administration's Bill which expressly states that American action is contemplated in view of the fact that "the United Nations is not now in a position to furnish to Greece and Turkey the financial and economic assistance which is immediately required," and "the furnishing of such assistance to Greece and Turkey by

the United States will contribute to the freedom and independence of all members of the United Nations in conformity with the principles and purposes of the Charter..." The preamble is not subject to Russian veto.

On the other hand—and in its present phase the discussion which surrounds Mr Truman's new policy has almost as many hands as Briareus—the move to counter Russian expansion is to many Americans very welcome. In a people rapidly recovering from war weariness, and eager to get on with the business in hand, the continual Soviet policy of saying "No" has developed a degree of irritation which is almost as impelling as more profound fears. Having discovered, as a surprising number of Americans think they have, that attempts to work with the Russians result in nothing but new stone walls, the logical next step would be to explore ways of working without them. If One World is impossible, what would be the boundaries of Two Worlds? And how can those who want to work be sure that those who want to obstruct will stay at home and keep out of the way? To conceal those questions has been to exacerbate distrust, and a policy that brings them out into the light may have a merit that will counterbalance its perils.

Thus the Administration's first ally in pushing through the new policy is this attitude of apprehension and irritation toward Russia. A possible second ally, the idea that this nation, now the richest and most powerful in the world, must accept from the tired hands of Britain responsibility for a rather unsightly share of what used to be called the white man's burden, is more difficult to exploit because it meets resistance in old prejudices and disbeliefs. If too much stress is laid on the desirability of assuming British commitments, Americans begin to look at maps, to discover that Palestine lies not far to the south of Turkey, and that Saudi Arabian oil fields are not too remote. Russia has already mentioned the latter fact, and American liberals who have already said that they do not like the idea of propping up a weak king, might decide that they also do not like policing the headquarters of the Suez Canal.

No alternative to the Truman proposal has yet been seriously presented, but the Administration's bill will hardly go through without amendment. The preamble is already under revision. A suggestion has been made, and vigorously refused, that Greek aid might be separated from Turkish. The latter is tied to the stronger Greek case, perhaps in the hope that its predominantly military character might be overlooked.

Meanwhile the costs of the new policy, both in its present stage and its not impossible future development, occupy Congressional attention. Hearings on promised tax cuts are proceeding as calmly as though in sound-proof cells, but the sums already spent on Greece make it difficult even for an optimist to believe that half of the famous \$400 million will put Greece back on her feet. Since VE Day she has, according to figures recently released, had the following sums:

from UNRRA, \$345 million (of which \$254 million came from the USA);

from the USA, \$181 million (lend-lease, surplus property, Export-Import credit, maritime aid, etc.);

from Britain \$44 million (a loan which was later made a gift, plus surplus property credit).

This totals \$570 million, and averages \$185 million a year, to which should be added \$30 million flowing annually from the Greek-American colony in the form of emigrant remittances.

Other countries are also indicating other needs. Korea has

suggested that she could also use \$400 million. China changes the figures, adds more ciphers, thinks she would like \$1,600 million. Americans can hardly be blamed if they begin to wonder what will happen when all is spent.

Such considerations explain the sudden enthusiasm for such United Nations organisms as the World Bank, which might help take the contemplated load off Uncle Sam's shoulders. Few Americans have learned to contemplate with equanimity a world in which sixty other nations appear to be facing bankruptcy and are eager to borrow. Nor does it help to be told that, under present conditions, if the World Bank were prepared to grant the needed loans it would be largely for the reason that American bankers had seen fit to direct capital that way. The wriggling that goes on in an attempt to escape the implications of America's present financial strength would break the back of an agile anaconda.

Meanwhile, related uncertainties do not make the road to

Robert A. Taft

(From a Correspondent in Ohio)

THE eight years which Robert Alphonso Taft has spent in the Senate has proved his exceptional ability as a legislator. But his first ten weeks as actual majority leader have only intensified the debate over his fitness to serve as Republican Presidential candidate in 1948. There is surprisingly general agreement on the Ohio Senator's merits. The debate is over the future significance of his shortcomings.

On the affirmative side, all agree that Mr Taft is a slow, hard, deliberate worker, with an insatiable hunger for facts. He has the best mind in Congress and the largest fund of information—on domestic affairs; and he says precisely what he thinks. No one questions his honesty and integrity. He is confident that the Republican victory last November was due to the people's demand for more freedom—as individuals, in local self-government, in business, in the relations of management and labour. And he has been the most consistent defender of "free enterprise" against the encroachments of "statism."

Under the pressure of facts, however, Mr Taft has lately altered many of his earlier views. No longer can his opponents pin on him the Harding label, "Back to Normalcy." Frankly worried about the business cycle and fearful that another great depression would destroy America's relatively free economy, he is seeking a congeries of preventives without "socialistic controls." Thus, when he proposes Federal Government aid to create a "minimum standard floor under public subsistence, education, housing and medical care," he insists that administration be left entirely to the state and local governments. Taft calls himself "a liberal conservative." Since the 80th Congress convened he has been trying to steer a middle course between the more liberal wing of his party, as represented by Senator Morse of Oregon, and former Governor Stassen of Minnesota, and the more conservative wing represented by the majority whip, Senator Wherry of Nebraska, and Mr John Bricker, his junior colleague from Ohio. As chairman of the Republican Policy Committee, Mr Taft has counselled moderation in revising the Truman budget, reducing the public debt and drafting new labour controls. He has stood aside from the Republican attack on the reciprocal trade programme and recently startled a Cincinnati audience by declaring that "no one wants to go back to the making of tariffs by Congress." Finally, Mr Taft is on record as endorsing the nation's bi-partisan foreign policy. Today he stands near the centre of his party, an object of some suspicion to certain right-wing Republicans.

On the negative side, Robert A. Taft is still held to be woefully lacking in "political sex-appeal," despite the services of a full-time publicity agent. He has inherited—or at least displays in public—little of the legendary joviality of his father, the late President and Supreme Court Chief Justice, William Howard Taft. The Senator does not suffer fools gladly, even in his own party. As the arch-enemy of the Roosevelt New Deal, he was identified in the public mind with the reactionary wing of

decision any easier. If the State Department knows what Britain means to do about other European problems when she gets her troops out of Greece, that information has not reached the American people. Does this withdrawal herald a long-term shift in British policy, or is it merely the device of a Labour Government which, finding it uncooperative to deal with a particular king, decides to seek greener pastures nearer home? Is Britain dropping distant commitments in order to carve an area of vital interest in Western Europe where maintenance charges will be less and heads of government more the kind of people with whom Labour likes to deal?

The American people are learning that the concomitants of power wear many faces. The process of learning is so difficult that only the possibility of action sustains them. At the moment, Congress is showing itself aware that when Americans prepare to reverse an ancient adage, they must also exercise care in picking the messengers they will send bearing gifts to Greeks.

the Republican Party, and many of the independent voters, who swung the balance of power in the last election, would still place him there. One of his faults is a dogmatic style of utterance which irritates his opponents unnecessarily and cuts off his path of retreat, or makes it difficult, later, to persuade the public that he has really changed his mind. He opposed Bretton Woods and the British loan, and many observers believe that he will keep hands off the reciprocal trade programme only until the present Act expires, in 1948. For the present, he would leave the tariff-making power with the Tariff Commission, though opposing full use of its legal power to lower rates.

A leading isolationist before Pearl Harbour, Senator Taft voted against conscription, lend-lease, the transfer of the 50 destroyers to the Royal Navy, and the revision of the Neutrality Act. He has enraged the liberals by opposing the nomination of Mr David E. Lilienthal to the chairmanship of the Atomic Energy Commission, and before that he scandalised them by attacking the legal and moral justice of the Nuremberg trials. Like Governor Dewey of New York—and President Truman—he has not hesitated to play politics in attacking the British administration of Palestine. Recently, under the senatorial division of power, he has tended to leave foreign policy to his co-leader, Senator Vandenberg, chairman of the Foreign Relations Committee. But Mr Taft still frowns upon American commitments abroad, financial, economic and, especially, military. Although he is expected to approve the Truman programme of aid to Greece and Turkey, his traditional isolationism is seen to be cropping out again in his warning against the danger of war with Russia, and his suggestion that the Administration's policy toward Greece might be compared to Soviet intervention in Cuba. Many Republicans to-day cannot envisage Mr Taft in the White House at a time when the United States may be embarked upon a world-wide extension of the Monroe Doctrine, directed against Soviet totalitarianism.

The above is a brief outline of the kind of public debate that whirls about the head of the most powerful figure on Capitol Hill. His role of leadership in Congress has both assets and liabilities. In recent weeks the liabilities have been more evident, and Mr Taft's reputation as the "master-mind of Congress" has worn a little thin. This is due to various causes—natural reaction, party conflicts over domestic policy, covert attacks of rival '48 hopefuls and the increasing gravity of foreign affairs. Mr Taft sought to evade attack, and also to retain his independence, by permitting mild-mannered Senator Wallace White of Maine, to become majority leader, while he directed strategy from the vantage-point of the steering committee. Here he has been disappointed. The Republicans are split, more or less deeply, on the budget, labour legislation, income tax reduction, the Lilienthal appointment, and now the extent and nature of foreign commitments. What has been called "the best-organised Republican Senate in American

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

history" betrays some signs of bogging down. Standing in the centre of the target, Senator Taft is blamed for the fact that after ten weeks, no major piece of legislation is near enactment. He is under attacks by Democrats, independent Republicans, nervous conservatives, and friends of rival candidates for the Republican nomination, especially of Mr Stassen and Mr Dewey. These last supplied much of the motive power behind the demand of 16 freshman Republican Senators for a greater voice in policy-making.

Mr Dewey and Mr Stassen are still ahead of Mr Taft in the public opinion polls. As Governor of New York, Mr Dewey enjoys a steady gleam of national limelight, while remaining free from national responsibility. In the American phrase, he is "sitting pretty." Mr Stassen, now on his well-advertised study-tour abroad, keeps himself on the fringe of national attention and stresses his interest in world problems. Mr Taft's fellow-Chioan, Senator Bricker, has temporarily dropped out of the campaign speculation, chiefly because he made a heavy-footed speech at the Washington Gridiron Club dinner—that proving ground for presidential ambitions. Generally, however, it is not the party rank and file, but the top national party leaders who determine the "availability" of presidential candidates—Mr Willkie was an exception. Here Mr Taft is fortunate: he has always been "regular." Although some conservatives have been eyeing him narrowly, he has not wandered far off the reservation. His great weakness is still his low standing, thanks to those isolationist leanings, with the Eastern branch of the party. To carry New York is almost indispensable to victory. Mr Taft has the hardest job, and the most vulnerable position of any Republican contender. His is the main responsibility for the success of the Republican programme, and that success is vital to his presidential hopes. He may soon find himself in the fatal position of having responsibility without influence.

American Notes

The Enemy Within

The new policy of "containing" Communism in Greece and Turkey, and later, perhaps, in Korea and South America, is paralleled, in domestic affairs, by a new determination to wipe out Communist influence inside the United States. Each feeds the other. The "Truman line" justifies the domestic Red hunt as a measure of national security as well as drawing support for stronger measures of foreign intervention from the private fears of many Americans. This is a reinforcement never enjoyed by A. Mitchell Palmer, the Red-hunting Attorney-General after the 1914-18 war.

The Civil Service will be the first to feel the brunt. A fortnight ago the Supreme Court upheld the dismissal, by the Civil Service Commission, of an employee suspected of Communist sympathies. "Reasonable doubt" of the loyalty of an employee to the United States is now enough to warrant discharge. Mr Truman has swiftly ordered a purge—to cost between \$15 and \$20 million—of over 2,000,000 Government employees. A list of all Communist, Fascist, and subversive organisations is to be compiled, and membership in any of these may be grounds for dismissal. One hopes that the standards will be more selective than the "prematurely anti-Fascist" label with which the State Department is said to have branded sympathisers with the Spanish loyalists.

There will be a tendency for liberals, both in the United States and abroad, to decry the new "witch hunt"; and it is tragically certain that many innocent people will be humiliated and perhaps victimised. The Canadian spy scare, the arrest of Gerhard Eisler, reputed "boss" of the American Communists, and the impudence with which one of his aides justified forgery and other crimes by reference to a "higher morality" have excited the professional anti-Communists to a pitch which will not be very tender with any unorthodoxy. Yet it should be borne in mind that many good liberals and labour leaders, whose devotion to the working class is unquestioned, are seriously alarmed about the disruptive tactics of the Communists. Not long ago, the Secretary of Labour, formerly a staunch New Dealer, left the Rankins and the Hobbes far behind when he proposed a legal ban upon the Communist Party. He would refuse Communists places on electoral tickets; he would ban them from labour unions, government jobs, and even from membership in Chambers of Commerce—a prohibition which would not seriously alarm the party organisers.

Anti-Communist drives are going on, with varying success, in a number of unions, particularly those affiliated with the Congress of Industrial Organisations, led by such men as Mr Philip Carey. In a new amalgam like the United States it has been a necessity of survival to reserve the most violent resentment for Americans who cherish an overriding loyalty to some outside power. It is a proof of the clumsiness of the American Communists that they have touched this most sensitive nerve.

Judgment in Georgia

When "Gene" Talmadge, Georgia's governor-elect, died before taking office, his son, with the aid of the Georgia legislature, and a loophole in the state constitution, brazenly tried to assert his right to succeed his father as governor. The Supreme Court of Georgia has now demolished this claim, and recognised Mr Thompson, the Lieutenant-Governor, as the legal heir. But ironically enough, this display of judicial stamina may not necessarily serve the cause of good government.

The Talmadge organisation, which remains in handy control of both branches of the legislature, has always stood for white supremacy and the disfranchisement of the negro. In this they expressed the dearest prejudices of their supporters, the "wool hat boys from the piney woods," the impoverished and ignorant whites of Georgia's back country. The first step of the Talmadge forces was to attempt to get round a decision of the Supreme Court of the United States, now two years old, which declared it contrary to the Federal Constitution to prevent negroes from voting in the party primaries. The primaries, which are preliminary contests inside the political parties between would-be candidates, decide the issue in the South, where the Democratic candidate has no opposition from the Republicans, and there is virtually a one-party system. The Talmadge scheme—and it is one which is favourably regarded in other Southern states desperately seeking to avoid mixed primaries—was to strike all references to the primaries from the State constitution and statutes. It was hoped that if the primaries could be made to appear a purely private function of the Democratic party, the writ of the Supreme Court would not apply.

But the defeat of Mr Herman Talmadge is not the same thing as a defeat for the white primary. The new governor is quite as strong a supporter of white supremacy, though he would use more genteel means to attain it, such as higher educational qualifications for would-be voters.

The legal and extra-legal battle between the Talmadge and Thompson forces aroused many citizens of Georgia to form a series of reform committees. One aim was to deprive the Talmadge forces of recognition as the authentic Democratic Party in Georgia. Another was to do away with the antiquated unit voting system which gives an unfair weight to rural votes as against urban votes, and is the backbone of the Talmadge power in Georgia politics. It will be a pity if these energies are dissipated by the mistaken impression that Mr Thompson's designation as Governor means that the forces of righteousness have triumphed and no further efforts at reform are needed.

Oil Prices and Output

A fresh advance in crude oil prices has given another hoist to the rising trend of commodity prices—the Moody index of spot prices is now above 423, against a high of 381 for 1946.

The industry has been debating the latest adjustment for some time, the pressure for another advance coming mainly from the smaller groups within the Independent Petroleum Association, which carries considerable influence in Washington. The basis for the demand has been the increasing cost of labour and materials, more especially in respect of development work. The argument has been that not only are absolute costs rising, but that work in established fields is gradually demanding progressively deeper drillings in order to sustain output. The larger refinery groups have also been in sympathy with the claim that prices must be adjusted in some measure for development costs. They claim that they have been forced to pay advancing premiums to "wild-cattling" operators in order to assure plentiful supplies, and that every new "discovery" in recent months has been followed by a flood of claims from rival refineries for definite sales contracts.

Until quite recently, however, pressure for another price advance was resisted on the basis that the industry has already enjoyed a considerable increase since the old Price Control ceilings were abandoned, and that any further increase at this stage would

bring considerable public resentment. Moreover, profits are good, supplies may soon show some expansion, and additional pipeline capacity is nearing completion.

Statistical factors, however, have evidently outpointed the moralists. Apart from a brief dip in 1942, the industry has continued to mark each year with a new peak in crude petroleum output, the 1946 total of 1,731 million barrels, comparing with 1,711 million in 1945, and with 1,265 million in 1939. It is worth noting, incidentally, that the value of this crude output at the wells was given at \$2.4 billion, against \$1.8 billion for coal.

For standard quality mid-continent crude, with a 1946 price range of between \$1.17 and \$1.62 per barrel, the quotation is now solid at \$1.87, and even the low 1946 quotation represents an adjustment of the earlier OPA ceilings. With demand this year running at high levels, it seems likely that only a sharp setback in the general pace of industry can reverse this trend. The independents were recently calling for a stabilised rate of \$2 a barrel for crude in the south-western and mid-continental zones.

Foreign Credits—

Apart from the supply of \$48 billion of goods and services on Lend-Lease terms, and the provision of a further \$3.4 billion on relief terms, the United States Government had total foreign credit commitments of \$9.2 billion at the close of last September, "excluding original World War I credits of \$10.4 billion."

This close parallel with the earlier war debt structure, notwithstanding the vast total of Lend-Lease and relief finance, is declared to be an "arresting though possibly irrelevant, circumstance" by Mr John Shiner of the Department of Commerce, in a detailed survey of the new credits structure which appears in the January *Bulletin*. The total of \$9.2 billion embraces loans, property credits, Lend-Lease settlements, war surplus disposal and shipping credits, and commodity advances. It covers \$3.9 billion in actual disbursements, \$2.7 billion in outstanding balances (disbursements less repayments of principal) and \$6.5 billion in credits not yet drawn upon by foreign countries.

The following table gives figures for the countries mainly concerned:—

	(Million Dollars)	Dis- bursements	Balance Outstanding	Unused Credits
American Republics	971	322	294	294
United Kingdom	1,264	1,102	3,561	120
China	180	81	120	1,218
France	733	728	263	180
Netherlands	134	132	192	
N.E.I.	20	20		
Soviet Union	159	49		
All Countries	3,903	2,679	6,551	

The survey covers a very small balance of Export Bank loans made from 1934 onwards. But on V-E Day, outstanding foreign credits, including the \$425 million Reconstruction Finance Corporation credit to Britain, and undrawn credits, were then no more than \$374 millions. By September last, Britain and France together accounted for more than two-thirds of credits outstanding and undrawn.

Apart from export bank credits still unused (and excluding relief provisions which will not affect the balance of payments in future years) the Federal Government has by now exhausted all but a residue of its direct authority for credits. Unused credits of the Export bank, however, then totalled \$850 millions (with \$500 millions earmarked for China) and RFC commitments and surplus property deals are expected to increase credit commitments to a total of \$10.4 billion "as an outside estimate."

—And Service Charges

These estimates, of course, exclude operations of the World Bank and the International Monetary Fund, institutions which are "expected to relieve the US government of the necessity of making substantial new foreign loans." Without them, however, Mr Shiner estimates that the future debt service, both for interest and amortisation, will rise from \$164 millions in 1950 to \$331 millions in 1951 (when initial payments become due on the loan to Britain) and the first amortisation balance becomes due on the war settlement credits for France). In 1952—the peak year on this estimate—service charges will be \$366 millions, falling

below \$300 millions in the early 1960s and to below \$250 millions by the late 1970s.

Mr Shiner, in fact, underestimates the total, owing to the difficulty of computing charges on certain of the Export Bank loans, and the service charges given above cover \$8 billion of credits only. Since the bulk of the remaining credits will be Export Bank loans on which charges are rather higher than in the case of special post-war credits, it is reasonable to assume that on a \$10 billion level, charges will advance by at least 25 per cent, or to between \$400 and \$450 millions in the 1950s. And to that charge must be added about \$350 millions for net receipts from pre-war assets, and \$150 millions for amortisation service on that score.

Early in 1946, the US government estimated that total service charges on all Export Bank credits, the loan to Britain, and World Bank loans would be less than \$1 billion yearly. The United States subscription to the Monetary Fund will be \$2,750 millions, and for the World Bank, \$3,175 millions; while it is not possible to give any precise figure for service charges in this respect, it is difficult not to believe that terms for World Bank loans will be rather more onerous than those on existing credits, for apart from continuing uncertainty on Wall Street, concerning the status of the World Bank bonds, that institution is required by charter to charge at least one per cent above the rate paid on its own bonds.

On the assumption that World Bank loans on the American market reach, or exceed, the amount of the US subscription as a member, the total service charge on all US commitments is likely to be quite substantially above the \$1 billion level, for there will no doubt be some outflow of private capital.

It is, of course, far too early yet to make any definite conclusions concerning the relative burden of these loan charges. In terms of an expanding world economy, the World Bank loans themselves should do a great deal to correct the position. But there are three factors which at the moment serve to be rather disconcerting. The first is the fact that the process of restoration now seems likely to be far more protracted than seemed possible at one time—the deterioration in the position of the United Kingdom is formidable evidence of that. The second is the political instability, which must create a very unfavourable atmosphere for the World Bank. The third is the continuing unwillingness of US politicians to accept the conclusion, again stressed by Mr Shiner, that "ultimate imports (including invisible items) in excess of exports would appear to be a major requisite" of American policy.

Shorter Notes

The *New York Times* lent the *Daily Worker*, the Communist newspaper, 16 tons of newsprint a fortnight ago, rather than see the *Worker* suspend publication. This is an exaggerated index of the gravity of the newsprint crisis. The United States still absorbs four-fifths of Canadian production; it has more newsprint than ever, but with the boxcar shortage, there is difficulty about transport. It is also alleged that since the lapsing of paper controls, large firms have been squeezing the small weeklies and dailies out of the market. The threat of a revival of controls has produced, on the part of 40 of the largest newspapers, a voluntary share-the-newsprint plan.

The people of Greece and half a dozen other countries may derive little benefit from proposed American loans and relief if Congress succeeds in scuttling the controls which make it possible to turn loans and appropriations into wheat and sugar and fertilisers. A Bill introduced by Senator Taft, which would retain controls only on tin and a few medical requirements, has the avowed aim of ending American participation in the International Emergency Food Council. Food allocation, export controls, and boxcar priorities—all of the greatest moment if devastated areas are to continue to live on American wheat and coal—expire with the Second War Powers Act on March 31st unless reprieved by Congress.

The Senate has adopted, by 59 votes to 23, a constitutional amendment to limit the tenure of the Presidency to a maximum of ten years. Attempts will now be made to reconcile it with the House measure, which limits a President to two terms. An amendment limiting the terms of all Federal officials, including members of Congress, to six years, was turned down with only one supporting vote—that of its author, Senator O'Daniel of Texas.

THE WORLD OVERSEAS

The Persian Elections

(By a Special Correspondent)

POLLING in Persia, which began on January 11th, is still unfinished because the provinces lately in revolt against the central government—that is, Azerbaijan in the north and Fars in the south—have yet to vote. But the results available are sufficient to show the way the wind will blow in the new Majlis. The Prime Minister, Qawam es Saltaneh, is going to retain power, backed, at least for the moment, by a heavy majority of individuals and factions. All but two of Teheran's twenty-four daily papers are backing him; many splinter parties and individuals who would have opposed him if they saw a chance of power for themselves have leapt on to his bandwagon. Only the former *Tudeh* newspaper *Rahbar*, now called *Mardom*, sticks convincingly to its old policy. Otherwise the Tudeh party is in eclipse and the old professional politicians are in the ascendant. In Persia, as elsewhere in the Orient, nothing succeeds like success.

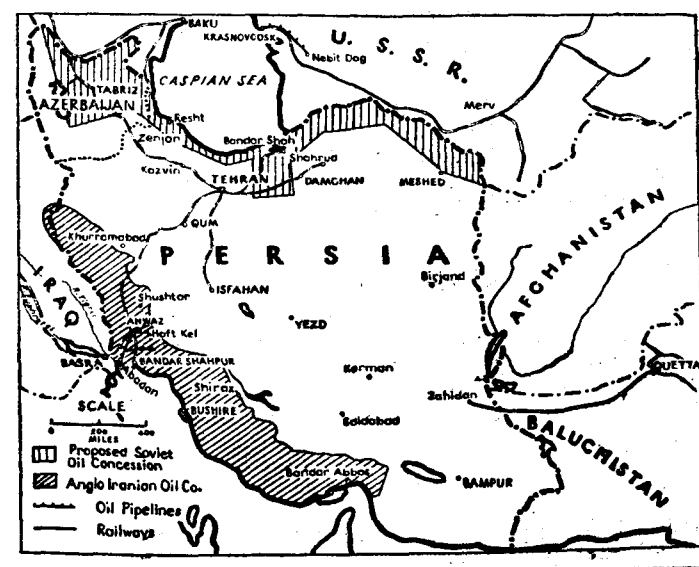
Success Mr Qawam has undoubtedly had during his year of office. His feats, to be measured, must be looked at through Persian eyes. First, he got rid a year ago of two out of three foreign armies of occupation on the date of promise. Then, after a struggle and at the price of some bargain unspecified, he got rid of the Russian army also. As a result, several economic hard-

The widespread tendency to do so was reinforced by Russian acts which even Moscow's admirers cannot but brand as mistakes. The armies of occupation, for instance, not only lived on the country but stripped it of real property ranging from its forests to the very doors and windows of its barracks. Again, the Russians placed power in the hands of Persians whom they may have believed to be imbued with a genuine wish to better the masses, but who—almost without exception—proved to be average Persians on the make. There has been, for generations, a faction in Persia which believes in accommodation with Russia rather than with the west. But this group has, for the moment, shrunk out of sight. It is a long time since Russia's reputation stood so low. The atmosphere is such that Mr Qawam has been able to raid trade union headquarters, to remove all former Tudeh officials and to replace them with his own friends without any protest of consequence from at home or abroad.

So the outcome of Mr Qawam's tactics, coupled with Russian mistakes, is popular support for old familiar faces who are anything but left wing. Once the Majlis meets, which may not be for another month or so (depending on how long it takes the government troops to condition the recalcitrant provinces for polling day), two big questions will face it. The first is whether to accept or reject the Russian oil concessions which Mr Qawam is pledged to put before it. The second is: how far must lip-service already paid to social reform be translated into action if the landlord class is to avoid further upsets from the left?

The oil question will be the first to arise. It will be remembered that the proposed terms provided both for the exclusion of all non-Russian concerns from the north, and for the formation there of a joint Russo-Persian company in which the Soviet Government will for 25 years enjoy 51 per cent of both shares and profits. Every Persian, in his present mood, will say that the Russian interpretation of such terms will amount to reoccupation, and that the Majlis must reject them. But in his breast lurks the fear that Mr Qawam may have promised to engineer their acceptance somehow, and that if not, the Russians have some card up their sleeve or they would not have left the north so quietly. He pooh-poohs as over-sanguine the suggestion that they realised, upon seeing the rapacious and self-interested behaviour of Mr Pishvari and the Tudeh leaders, that Persia is wholly unripe for social change and that this must be sought by long-term educative methods, not by short-term shock tactics. The future of the concession is an open question that may well not be finally settled for years.

And from it the deputies must turn to home affairs. Mr Qawam and his followers have proclaimed the need for social reform. They have promised provincial autonomy, and condemned illiteracy and devised a seven-year economic plan and propounded a new labour law. But they have so far given little or no practical effect to these intentions. The provinces are still ruled from the centre. An American commercial company, the Morris Knudsen International Company, has been hired to make an economic survey and has plans for proving, in a specimen area, how much could be done by the expenditure of millions on irrigation. But the men who have commissioned it are under no obligation to put its recommendations into effect, and are not in the habit of taking foreign advice if the consequence of acceptance is taxation of their own incomes. The new labour law is being applied, but so far only to foreigners, *alias* the Anglo-Iranian Oil Company. As planners, the Persians who are now being returned to power give the impression that they know all the patter. But—to quote one former American adviser whose unpalatable advice they scorned—they cannot pull themselves up by their own bootstraps because their boots have no straps and they have no will to make the effort. This is a sweeping condemnation, and they have had a fright since he coined his remark. Landlords in the north know that they must do something to improve the lot of the peasants, who now have an inkling that the laws of the Persians are alterable. Perhaps, therefore, the new Majlis will be stirred to make some improvements, but it is bound to make a sluggish start.



ships have eased since he took over; transport, for instance, was at a premium and has now become adequate. The products of the rich Caspian provinces can move south once again. Prices have been dropping from their wartime peak. As if to bless his *aplomb* and good fortune, Allah sent an excellent wheat harvest in 1946 to all parts of the country except the Afghan frontier districts. Finally, and to crown the list, he is personally responsible for the gamble whereby he defied all advocates of caution and sent troops north in December to "recover" Azerbaijan. He is able to leave the impression that resistance of all sorts collapses at his approach.

These victories, moral and material, account easily enough for the support he has won. Supplementing them are other factors. The first is a corresponding moral collapse on the part of the Tudeh leaders. It will be remembered that those in Azerbaijan (where they were called "Democrats") decamped over the Russian frontier. In Teheran, only a few days before the elections began, Tudeh headquarters announced and executed a sweeping purge which branded the party leaders as riddled with graft and at loggerheads among themselves. A new political programme which they simultaneously issued therefore failed to attract supporters. A majority of their chief-leaders have since conformed to fashion and changed coats.

Russia in 1947—III.

Planning Finance

[BY A SPECIAL CORRESPONDENT]

A FEW days ago the Soviet Deputy Minister for Education, writing in *Pravda* about the curricula of Russian Universities, stated that the text books on political economy that had been issued in 1938 and 1939 ought to be withdrawn and new ones substituted. Before 1938 and 1939 "heretical" economists had been completely "purged" and silenced and their text books banned. What then has proved to be wrong in the orthodox theories of political economy? Those theories—stated the Deputy Minister—"denied the validity of the law of value in Soviet economy." Translated from the Marxian into a more popular idiom, the phrase means that Soviet economists were until quite recently overlooking the importance of price relationships in the Soviet economy; and that this oversight must now be corrected. The Ministry for Education has commissioned a number of professors to write new text books in which due attention should be given to costs of production and prices.

The new emphasis on these problems is of more than academic interest. Revisions of academic theories are usually undertaken in Soviet Russia under the immediate pressure of current economic or political needs. In the conversion of Soviet economy from war to peace, costs of production and prices have acquired a very great importance, certainly to the surprise of those who believed that they were of no significance in a planned economy. In the course of the recent Budget debate in the Supreme Soviet the financial aspects of the Five-year Plan were thrashed out almost as much as were the problems of manpower, higher productivity of labour, etc. Indeed, the need to bring the financial issues to the fore has been so pressing, precisely because in previous years Soviet planners could—under the compulsion of circumstances—afford to neglect them. During the war, finance was simply disregarded. The quantities of tanks, planes, guns, ammunition and provisions alone mattered. "Control by the rouble," that is, national accountancy in terms of money, was hardly possible. In the later years of the war, the Government itself worked on the basis of budget estimates, but most of the industry was still unable to resume financial book-keeping. This did not prevent industry from functioning as effectively as it could; and to this extent it was true that under the planned economy financial problems were largely irrelevant. Yet, the enforced neglect of finance did prevent industry from controlling its own technical efficiency and the productivity of labour. Such control has now become essential in the conversion from war to peace; and much attention is paid to planning costs and prices.

How great has been the legacy of wartime financial disorder can be seen from the fact that by the beginning of last year 42 per cent of newly-built plants and factories, the construction of which was financed by the Promyshlennyy Bank (Industrial Bank), were not able to produce estimates of the cost of their constructions. By the beginning of 1945, as many as 51 per cent of such enterprises had worked without financial estimates. The financial disorder is now being rectified. In 1946 the accounts of 211,400 enterprises were audited by the Ministry of Finance and the Gosbank, compared with only 153,200 in 1945.

This auditing has disclosed a general rise in the costs of production. The average rise in the cost of building materials was about 25 per cent by the end of the war; and it has become much steeper since. Last year the Ministry of Aviation, for instance, put the average rise in the cost of its building materials at 43 per cent; the rise in the cost of timber at 67, of bricks at 47, and of cement at 39 per cent. The variations probably reflect the varying degrees of scarcity of materials.

However, the most striking illustration of inflationary trend has been provided by the magnitude of the national bill of wages and salaries planned for this year. It amounts to 280 billion roubles. The last pre-war bill, that of 1940, was only 162 billion roubles. The sum total of wages and salaries has risen by 50 per cent, compared with a rise in employment by only 4 per cent. What is most striking is that this year's bill of wages and salaries is to be higher by nearly 30 billion roubles than that planned for 1950, the end of the Five-year Plan, when employment is to be by several millions higher than at present. This suggests that already after the publication last year of the new Five-year Plan wages must have unexpectedly risen to such an extent that by the end of the year the Planning Commission had to scrap

that part of the plan that dealt with wages and draw up a new one. The plan for this year incorporates a rise in wages by about 20 per cent. In part, this has been caused by deliberate governmental action, such as the flat increase in rates by 50 per cent for workers in essential industries east of the Urals, designed to attract labour to Soviet Asia. To a great extent, however, wages have soared because industrial concerns have been competing for scarce labour and paying rates higher than those fixed in Trade Union tariffs. This is an interesting phenomenon—it shows the upsetting effect that spontaneous economic processes have had upon planning.

How does the purchasing power in the hands of Soviet workers and employees compare with the mass of available consumers' goods? This year's plan provides for a total turnover in retail trade, in State-owned magazines and co-operative shops, amounting to 325 billion roubles, a sum only 45 billion higher than the national fund of wages and salaries. The 45 billion roubles represent the margin of consumers' goods available for the farming population. In reality, the margin will be somewhat wider, because the purchasing power of industrial workers and employees will be reduced through taxation. One-sixth or at the most one-fifth of the available mass of consumers' goods will be diverted to the countryside—the rest will go to the towns. One might point to this very uneven distribution of goods as to proof of an extraordinary exploitation of farmers, had it not been for the fact that food, which the countryside does not buy, forms the bulk of the retail turnover. Yet, the purchasing power of the peasantry, too, has grown enormously in recent years; and so in Russia, as elsewhere, superabundant money has been chasing scarce goods.

Objects of Wage Policy

Some of the Government's answers to the present troubles bear a strongly deflationary character. Thus, all the industrial concerns engaged in building new plants and factories have been ordered to effect a flat reduction in the estimates of their costs by 15 per cent. Since the estimates had been made in 1945 prices, the reduction ordered ought in effect to be much higher than 15 per cent. Part of the economy is to be achieved through giving up unessential building, but another part through real cuts in costs. The wages policy, described in a previous article, is designed to promote that end. It would perhaps be inaccurate to say that the wages policy, too, bears a definitely deflationary character. But it is certainly an elastic, double-edged policy; and at least one of its edges is sharply deflationary. The whole system of wages is now based on payment by results and piece-rates, and in the long-term agreements, now negotiated, the standard forms of output are being raised by as much as 20-25 per cent. Should the desired increase in productivity per man not be obtained, then the result is bound to be a fairly steep and absolute reduction in wages. On the other hand, a real rise in productivity would result in better supply of consumers' goods. If this materialises, the effect of the policy will not be deflationary. The most drastic operation in "mopping up" purchasing power has been the steep increase in all State-controlled prices of consumers' goods, including rationed goods. In other words, indirect taxation (the turnover tax) has been greatly increased—and this after and not during the war. The figures below show that the turnover tax is this year to provide nearly one-third of all the revenue of the Soviet Treasury.

SOVIET BUDGETS IN THREE YEARS
(in billions of roubles)

	1945	1946	1947 (Estimates)
Revenue.....	302	322.7	394.2
Turnover tax.....	123	190.9	254.7
Profit tax.....	16.8	16.2	18.7
Direct taxes.....	40	22.7	27.7
Expenditure.....	298	304.1	374.1
National economy.....	74.3	95.7	131.8
Social Services.....	62.1	80.4	107.0
Defence.....	128.0	72.6	67.0

Not the whole increase in the yield of the turnover tax has been due to higher taxation—part of it has been caused by the larger supply of the taxable consumers' goods. Nevertheless, this year's budget aims at a radical mopping up of the surplus of money that is in the hands of the population. Planned finance is coming back into its own as an indispensable element of planned economy.

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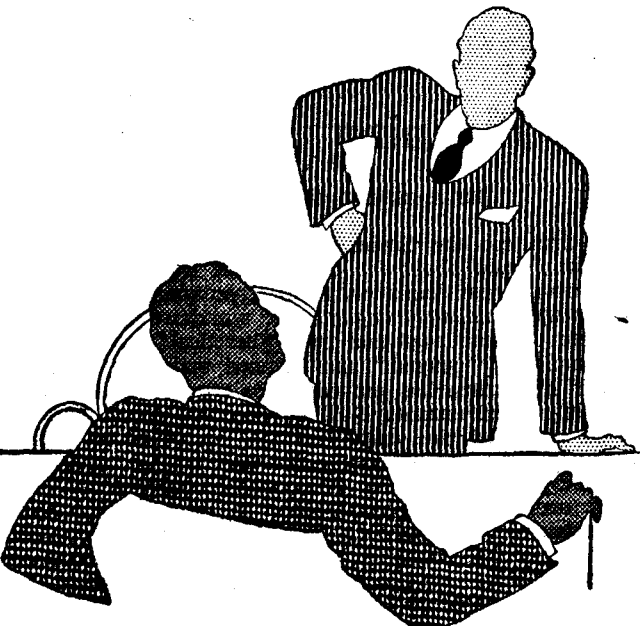
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THE BUSINESS WORLD

Budget Targets for 1947—III

Incentives and Pressures

LAST week's article showed that the role of budgetary policy to meet the needs of the present crisis should be two-fold. It should exert an overall pressure to curtail the creation of a flow of spendable incomes in excess of the flow of available goods. Secondly, it should afford the maximum incentive (or minimum disincentive) to productive effort in general while imposing the maximum restraint on spending at specific points. On the first aspect, the conclusion was reached that the deficit on the "extraordinary" budget in 1947-48 will be at least as great as can be tolerated if there is to be no further stoking of the fires of inflation. In consequence, if the wasteful inflationary pressures are to be kept in check, the so-called "ordinary" budget must at least be balanced, which means that there is no scope for any overall reduction in taxation unless the projected expenditure is also reduced. One possibility of reducing expenditure, it was pointed out, would be to devise a balanced plan for reduction in the now very burdensome cost-of living subsidies; but the problem of the subsidies is largely distinct from the budgetary problem as a whole, because the fiscal concessions made possible by reduced subsidies would need to be principally restricted to the classes most burdened by the resultant rise in the cost-of-living. Apart from the subsidies, the chances of quickly securing an appreciable reduction in expenditure are small.

Upon the methods by which the second objective of budgetary policy should be sought, there is room for wide differences of opinion. Here the problem is to operate upon the economy in detail, by specific incentives and deterrents. The incentive measures are perhaps the least controversial. It is everywhere agreed that the present very heavy burden of direct taxation acts as a strong brake upon enterprise and efficiency. Given the huge scale of expenditure, it is impossible to relieve this burden without increasing recourse to indirect taxation, thus tending to restore the rough equality between the "two sisters" which at one time was regarded as a cardinal principle of budget making. Indirect taxes, because of their uncertainty in incidence, their regressive action, and their possible repercussions upon costs, have many disadvantages. But these are inescapable in present circumstances, and there is at least the mitigating consideration that it is only by use of the indirect weapon that budgetary policy can be made to operate specifically at the points of bottleneck. While the condition of acute scarcity and full employment remains, the broad pattern for the budget is plain: there must be the maximum relief from direct taxation and, of necessity therefore, a roughly corresponding increase in indirect taxation.

Among incentive measures, there is, however, one which could be implemented without loss of revenue—namely, the reform of PAYE. The present system, by producing sharp jerks in the effective rate of tax charged on additional increments quite apart from this, its complexity, and the suspicion which this has given rise to, have made it a significant deterrent for purely psychological reasons. A simplification of the system, without any actual tax reduction, could thus have significant "incentive" results. The lines upon which PAYE reform should be sought have been sketched so frequently in *The Economist* as to need no repetition now—except to say

that the objectives of simplified and smooth progression cannot be achieved without separating the system of allowances from the actual payment of tax. Though a substantial administrative effort is needed for reform, it would be well worth while to attempt it, not least as an anti-crisis measure.

Among the necessary tax reliefs, income tax of course ranks first. But it is by no means certain that the best incentive results could be achieved by the one shilling reduction in the standard rate, at a cost of about £130 million, which was being widely discussed before the fuel crisis. Any relief costing appreciably less than this would probably not be large enough to have significant effects. But a sum of this magnitude would be better employed in enlarging the children's allowances and in abating the tax on earned incomes than in a reduction of the standard rate. The increase in the earned income allowance from one-tenth to one-eighth in the current year has restored only one-quarter of the war-time cuts, at a cost of £33 million in a full year. To return to the pre-war proportion of one-fifth would therefore presumably cost rather more than £100 million, provided that the existing maximum of tax on an income of £1,500 were retained. But such a measure by itself would have no perceptible incentive effect upon those with incomes beyond this level.

To provide incentive relief for the managerial and professional classes obviously raises the whole question of taxation of property and company profits, and can scarcely be separated—in the Chancellor's mind at least—from the problem created by the termination of EPT. Last year, Mr Dalton said he would continue to consider what, if any, successor was needed to make good the resultant loss of revenue. By toying with the idea of a successor at all, and in particular by examining the field for taxation of company profits, he was apparently anxious to continue taxation of classes whom he regards as "property owners," regardless of the fact that the majority of company shareholders are men of relatively little means. If he really is determined to pursue this general objective, it would be much better achieved—even, perhaps, from his own political standpoint—by quite different methods. The Profits Tax, i.e. the rechristened NDC—has the particular disadvantage that it falls on equity earnings and therefore taxes precisely those incomes which are most nearly related to enterprise. To replace EPT simply by an increase in the Profits Tax would therefore be most undesirable—indeed, Mr Dalton's own works can be most effectively quoted against it. What is necessary now, if new taxes are to be imposed specifically upon the "property owning" classes, is to draw a line quite plainly between imposts which do and do not act as a brake upon enterprise.

This could be done, first, by leaving the Profits Tax unchanged (or, better still, by reducing it) and by seeking additional revenue from death duties and the more costly luxury goods. Even though the death duties have already been steeply increased, it is better to tax the capital of beneficiaries than to take an equivalent sum from the incomes of those in the same broad income groups. Secondly, if the effort to restore incentives is taken really seriously, there ought to be a clear differentiation between earned and unearned incomes throughout the whole range of income taxation—including surtax. For example, the earned income allowance, instead of ceasing

altogether beyond an income of £1,500, might be graduated from, say, one-fifth for the first £1,000 and one-eighth for the second, to smaller fractions for successive increments in income. Such a change would not only promote incentive but, in a negative sense, would also serve Mr Dalton's presumed desire to increase taxation of the propertied classes (because such relief would in the long run mean that the standard rate would not be reduced as much as would otherwise have been possible).

If both forms of incentive relief—the restoration of the pre-war earned income allowances and the new relief for higher incomes—were to be attempted in the coming Budget, the balancing increases in indirect taxation would probably have to go well beyond those which might be dictated by specific measures of deterrent taxation. But, with real ingenuity, the scope for additional taxation, even of a kind which would not have undue secondary repercussions upon costs, should be found to be quite wide. The Chancellor will not, in any case, have to face this year the effects of the termination of EPT. If, therefore, he were to decide to make good the eventual loss of revenue partly by increased death duties, it would be possible to tap this source in 1947-48. Unless, however, the increase were extremely drastic it could scarcely produce more than about £25 million in a full year.

In indirect taxation, much depends upon the outcome of the controversy about imports of tobacco and films. If imports of American tobacco were sufficiently reduced to yield any worthwhile saving in dollars, the effects upon the revenue would be so large as probably to rule out any possibility of "incentive" tax reliefs. The greater the reliance upon monetary and fiscal policies to correct the unbalanced state of the economy, the less the possibility of cutting tobacco imports. In present conditions, the right policy is probably to increase the tobacco duty still further without imposing any substantial specific cuts in the import programme. Much the same considerations apply to the beer duty. These two prolific taxes have so often

been expected to reach the point of diminishing returns that it is perhaps rash to prophesy; but there seems a chance that, even now, a further £40-£50 million of revenue might be squeezed from them, plus a small additional revenue from correspondingly increased duties on wines and spirits which would naturally accompany any further taxation on beer.

Elsewhere, the most promising possibilities lie in the purchase tax, which must also be the principal instrument of specific deterrent action. Since October 1945 there have been reliefs equivalent to about £26 million for a full year, calculated on rates of consumption below present levels. Some of these reliefs ought now to be withdrawn, especially upon items of critical significance such as electric fires and other domestic electrical apparatus. But, apart from such key items, is there any justification in the present emergency for taxing at lower rates than during the war such things as lawn mowers, hair-waving machines, garden furniture, cameras, radio-gramophones and certain non-essential leather goods? A careful combing of the whole field might conceivably yield up to £50 million of additional taxation, without imposing any real hardship and with positive benefit at some of the points of extreme bottleneck. Similarly, a further £10 million or so might be secured from the entertainments tax.

Among novel forms of taxation, only two possibilities look really promising. Though recent estimates of the wastage of labour in football pools may have been somewhat exaggerated, this is an obvious field for taxation both on anti-inflationary and physical grounds. Other forms of gambling equally merit attention, and for similar reasons, but it might be difficult to extend the field beyond football pools and totalisator betting without a cumbersome and expensive administrative machine. Even so, a tax upon gambling might yield up to £30 million without creating unreasonable administrative strain. The gambling industry and its fiscal possibilities are examined in an earlier article. The other new form of taxation which has been

discussed in the same context is that upon stock exchange operations. But a capital gains tax on the American model hardly seems a possibility now. It would, indeed, have been a logical counterpart of the cheaper money policy if launched in October, 1945, for then Mr Dalton would have been sweeping in a due share of the capital profits which his gilt-edged tactics produced. But now the boot seems to be on the other foot; a capital gains tax which allowed capital losses to be offset against gains (and any other system would be intolerably unjust) would be unlikely to provide any significant revenue this year and in a future year might even involve the Treasury in a loss. In any case, it would require so large an administrative apparatus as to be quite impracticable in the present overstrained condition of the tax-collecting machine. If, therefore, an attempt were to be made to devise a stock exchange tax, the simplest way would be merely to raise the existing rate of stamp duty on deeds of transfer. Alternatively, if Mr Dalton were determined to tax stock exchange activity (as the nearest approach to taxation of speculation) it would be necessary to tax stock exchange bargains as such, and thus to profit from

business which never reaches the stage of the transfer deed. Measures such as these would, of course, impair the freedom and elasticity of the market, but, if imposed specifically as temporary measures to meet the special situation, they might conceivably be justified if the rates were low. But the yield would be unlikely to exceed £10 million.

The suggestions made in this article can be summarised in tabular form:—

Suggested Reliefs.	Suggested Increases.
Increased earned income allowance for income tax.	Death duties.
Earned income allowance for surtax incomes.	Tobacco duty.
Children's allowances.	Alcoholic drinks duties.
	Purchase tax (some categories).
	Entertainments duty.
	Stamp duty on transfers.

Obviously, these examples do not exhaust the possibilities, but they suffice to show that the scope for additional indirect taxation, though not very large in terms of the standard rate of income tax, is sufficient to provide substantial incentives by means of earned income reliefs if the Chancellor is really determined to mould his budget to the needs of the time.

World Woolsack

THE wool market is characterised by surplus stocks, unsatiated demand and rising prices. Here is a paradox of serious consequence for the wool textile industry. It is more complex than a mere question of withholding supplies in order to force the market up. Current demand for wool is concentrated on the finer types, and the rises in the price of these types—that is, merino wools—have been appreciably greater than in the inferior, crossbred types. For several reasons, this is not surprising. The price of merino wool from Dominion sources has risen during the current season about 25 per cent above the controlled issue prices of last year, compared with increases in crossbreds of 5-10 per cent. But if the current price spread between merino and crossbred wool is compared with a normal average like 1934-38, it will be seen that merino prices, despite their rise, are still not exaggerated in relation to crossbred.

The wool market is in fact going through a period of transition from war to peace. The first meeting of the International Wool Study Group in London next Monday has been nicely timed. Representatives of twelve countries,* producers and consumers, will weigh the world's wool supplies against potential demand. Last November, when the International Wool Conference met, a free wool market had scarcely been reopened and the prospective trend of wool prices could obviously not be accurately discerned. An initial rise was fully expected but general opinion favoured a downward adjustment after the turn of year. This expectation has so far been falsified. The present position is governed by the operations of the government wool disposal organisations in the British Commonwealth and in the United States. An accurate picture of present and future trends of wool production and consumption, which the Study Group will doubtless seek to provide, will be a difficult task, for the statistics available are inadequate.

Wool production of the five main exporting countries, shown in the accompanying table, is expected to total some 2,133 million lb (greasy basis) in the current season. This represents a slight increase over 1945-46, but is about 5 per cent higher than the average for 1934-38. But the sub-division into types is important. The table makes an attempt to show the clip for each of the main exporters on a standard basis, with an estimate for the current season's production. Data

for South Africa and Australia have been drawn from official sources; for Argentina the break-down is based on estimates made by wool merchants in Buenos Aires; for Uruguay and New Zealand the proportions have been calculated from slender evidence—in the former case, trade reports and stock returns, and in the latter mainly on the classification of sheep population. The estimates given are subject to a variable element of error, but they are perhaps accurate enough as a general picture. There are no official data available for the current clip, but available figures and estimates suggest that production of merino wool this season should represent about 46 per cent of the total and may be about 7 per cent below the pre-war average, while fine crossbreds (56/58s), which are fine enough to be used as a possible merino substitute, form 21 per cent of the total clip. Output in Australia, the largest commercial producer of wool in the world, has shown some recovery over the two previous seasons, when the clip was severely affected by drought. In the two South American republics the clip is somewhat lower than the peak figures reached during the war years, though still above the pre-war level. In New Zealand production is more or less stationary—possibly, there may be a small decline—while reduced output in South Africa appears to mark a long-term change in the Veldt farmers' preference for cattle to sheep.

The Joint Organisation's stock of wool at the beginning of the current season amounted to nearly 6 million bales, of which approximately 60 per cent was merino; stocks at the end of the season are expected to be about 4½ million bales, of which the proportion of merino will probably be only very slightly reduced. Empire holdings of wool in the United Kingdom, however, are estimated to decline from 1,700,000 bales at the beginning of the season (of which 1,000,000 bales were merino) to 860,000 bales, including 460,000 bales of merino, by the close, unless considerable shipments of stocks from the Dominions to this country are effected. In subsequent seasons, the quality composition of the stocks is certain to deteriorate, as the only accession to stocks will comprise lower category wools which fail to reach the reserve price—mainly medium crossbred. The Joint Organisation has no easy task to dispose of its huge surplus without upsetting the market. The producer members naturally hope that the current high prices will be maintained, and they, therefore, tend to urge a conservative policy in market

* Argentina, Australia, Belgium, Canada, China, France, Italy, New Zealand, South Africa, Uruguay, United States and United Kingdom.



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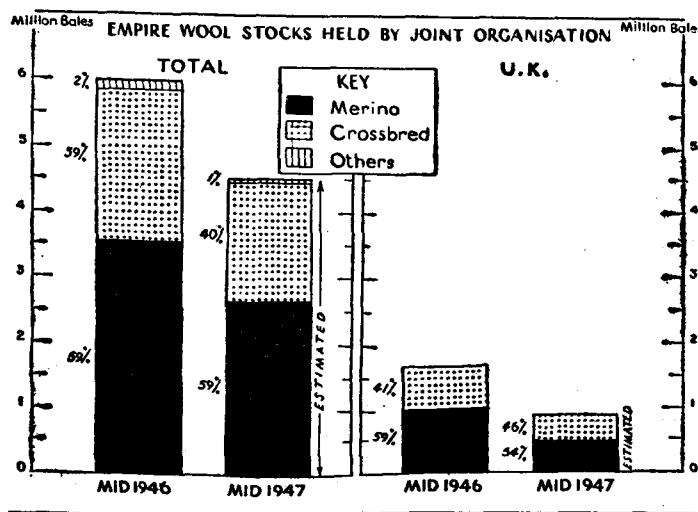


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offerings. Consumers, on the other hand—particularly those in this country operating under a utility scheme with fixed prices and margins—desire prices to be brought down, or at least not raised above the current level.

The demand for wool is still running at a high level. The appetite of consumers can, perhaps, best be realised from the fact that during the current season the entire clip has been purchased—or will be—together with some 42 million lbs. from the Empire stocks, of which about 60 per cent is of merino type. Prices at recent sales have tended to increase still further. Three points are worth emphasis about this rise. The recovery of the continental wool textile industry has been more rapid than was anticipated, and recent purchases have been largely used in current production rather than for building up stocks. Secondly, wool is one of the few raw materials in free supply, and its price has not increased so sharply as those of many other commodities. Certain governments, finding themselves unable to purchase other materials owing to shortages, have provided liberal allotments of foreign exchange for the purchase of wool. Thirdly, there may have been a minor flight



from certain currencies into wool, whenever foreign exchange was made available—given the foreign exchange, merchants have evidently felt that wool is a better investment than cash. But demand has been selective, and buyers have insisted on the finer qualities, particularly merino types. This is understandable, because the general public are hungry for better quality tissues, and in countries where no utility clothing scheme is in operation, the consumer has been anxious to have them and to pay for them. Moreover, in the export market, even under the present favourable conditions for sellers, it is still less profitable to apply skill and craftsmanship to low grade materials.

It is, of course, difficult to estimate how far demand will be maintained. Machine activity in the French spinning industry (woollen and worsted) increased from 69 per cent of capacity

in February, 1946, to 81 per cent in November, and loom activity from 45 to 59 per cent. During the past year the output of tops was only 9 per cent lower than in 1938, of woollen and worsted yarns 22 per cent lower, and of tissues of all types 31 per cent lower. Planned production for the current year is equal to or above the pre-war level. In spite of the heavy French purchases during the season, wool stocks in France are only estimated at four months' supply, instead of the normal six months. The expansion in Belgium has followed a similar pattern, with machine activity running at about 85 per cent of the 1938 level. Output of the wool industry in the Netherlands during the past year was 108 per cent of the 1938-39 average, with a labour force of only 90 per cent of the May, 1940, level. The wool industries of Western Europe have obviously staged an impressive recovery. As for Britain, Bradford's stocks are being depleted and sooner or later they will have to be replenished. Reduced production due to the fuel crisis may have its effect upon demand for raw wool, but it will probably not be very significant; indeed Yorkshire buyers were surprisingly prominent at the recent Liverpool sales. Another new factor emerged from the February sales in London, when Russian buyers appeared for the first time. The United States has also resumed the purchase of wool direct from the Dominions and from the United Kingdom. Mill consumption of wool in America has been running at a very high level during 1946 and 84 per cent of the apparel wool consumed has been imported, compared with 31 per cent in 1940. The United States buys most of South America's wool exports, but Australian wool has also been eagerly sought. Conditions in the American wool market, however, will depend largely on the Commodity Credit Corporation's policy, for some time to come. Last September the CCC held a stock of some 560 million lb. (greasy basis) of domestic wool. At the moment, the Corporation is not allowed to sell below the parity price, and is therefore in an unfavourable position for competing with imported wool, even after allowing for the import duty of 34 cents a lb. If, however, the O'Mahoney Bill or a modified one is passed by Congress, permitting the Corporation to sell its stocks at a competitive price without any relation to parity, American consumption of domestic wool may be increased.

Clearly there is no lack of material for discussion by the International Wool Study Group. Indeed, four days would seem to be far too short. But to one task, at any rate, the Study Group might usefully give priority. An accurate assessment of the world wool position is now scarcely practicable, owing to the lack of adequate statistical material. Much has to be done in this field before wool is as well documented as other primary raw materials. Producers always reckon wool on a greasy basis; the wool textile industry on a clean basis. A system of agreed average clean yields, calculated for each country, would be invaluable. Again, production, consumption and trade statistics should be subdivided according to counts—say, 60s and above, 56s/58s, 46s/54s, 44s and under. If the statistical data are made comparable between different countries, accurate surveys of the wool market would be greatly facilitated.

WOOL PRODUCTION OF MAIN EXPORTING COUNTRIES

	I.—PRE-WAR BREAKDOWN				II.—ESTIMATED BREAKDOWN OF 1946/47 CLIP				III.—ESTIMATED PRODUCTION (Greasy Basis) FOR 1946/47 SEASON				TOTAL
	Merino (60s and above)	Fine Crossbred (56s/58s)	Medium Crossbred (46s/54s)	Other (44s and under)	Merino (60s and above)	Fine Crossbred (56s/58s)	Medium Crossbred (46s/54s)	Other (44s and under)	Merino (60s and above)	Fine Crossbred (56s/58s)	Medium Crossbred (46s/54s)	Other (44s and under)	
Australia	Per cent. 78	Per cent. 17	Per cent. 4	Per cent. 1	Per cent. 77	Per cent. 18	Per cent. 4	Per cent. 1	Million lb. 713	Million lb. 167	Million lb. 37	Million lb. 9	Million lb. 926
New Zealand*	78	17	4	1	77	18	4	1	713	167	37	9	926
South Africa	83	15	1	1	83	15	1	1	74	63	262	18	356
Argentina	15	35	19	31	16	35	17	32	174	...	...	36	210*
Uruguay*	13	30	27	30	12	30	28	30	81	178	86	162	507
TOTAL	52	19	17	12	46	21	20	13	992	450	424	267	2,133

* Estimated

† Mainly native and Karakul.

Business Notes

A Partial Recovery

Monday was the worst day in the gilt-edged market since the rot began more than a month ago, and at the close of business the market was asking itself if on Tuesday morning 2½ per cent Savings Bonds would shed the full amount of their interest and fall below 99 "clean." No heavy selling was reported—indeed, the market throughout has been markedly sensitive to a relatively small volume of business—but when Savings Bonds reached par, cum interest, the natural reaction was to wonder whether this presumed resistance point also was not crumbling.

Tuesday brought an answer, though perhaps not a very convincing answer. Buying began with what was candidly described as "the worst type of punting," but it rallied some support from investment and institutional buying as trading got under way. Savings 2½'s were saved from disgrace by a sharp rise from 99 to 99½, and those who had long been expecting a technical recovery in the Funds, but lacked the courage to put it to the test, bid for War Loan, Old Consols and Treasury Stock 2½ per cent. But the emphasis remained concentrated on a "date"; the recovery, so largely technical in origin, was obviously welcome, but since it was accompanied by no sign of official support, it was left to show its staying-power before gaining general acceptance.

	GROSS REDEMPTION YIELDS						RISE IN YIELD	
STOCK AND REDEMPTION	Oct. 17, 1946	Feb. 10, 1947	Mar. 11, 1947	Mar. 24, 1947	Mar. 26, 1947	Mar. 11-24, 1947	Mar. 11-26, 1947	
SHORTS :—								
1½% Exchequer Bonds, 1950.....	1 10 4	1 6 1	1 6 1	1 8 1	1 7 1	2 6 0	1 7	
2½% Nat. War Bds., 49/51.....	1 12 11	1 4 1	1 10 3	1 13 9	1 12 10	3 6 0	1 10	
3½% War Loan from 1952.....	2 7 12	0 5 2	0 2 14	7 2 11	11 0 6	6 7 0	3 11	
3% Conversion, 48/53.....	1 11 7	1 3 5	1 9 4	1 13 1	1 10 7	3 9 0	1 3	
MIDDLES :—								
2½% Nat. War Bds., 54/56.....	2 2 2	1 15 4	2 1 9	2 6 9	2 5 8	5 0 0	3 11	
3% Nat. Defence, 54/58.....	2 4 0	1 16 10	3 3 2	9 4 2	7 11 0	5 8 0	3 11	
3% War Loan, 55/59.....	2 4 3	1 17 10	3 3 2	8 10 2	7 3 0	5 1 0	3 6	
MEDIUM LONGS :—								
3½% Conversion from 61.....	2 10 1	2 5 10	2 11 0	2 15 10	2 14 5	4 10 0	3 5	
2½% Funding, 56/61.....	2 4 6	1 18 12	4 7 2	9 0 2	6 10 4	4 5 0	2 4	
3% Savings, Bonds, 55/65.....	2 5 9	1 19 3	2 5 2	10 11 2	8 4 0	5 9 0	3 2	
LONGS :—								
3% Savings Bonds, 60/70.....	2 9 10	2 4 5	2 9 10	2 13 8	2 11 11	3 10 0	2 1	
2½% Savings Bonds, 64/67.....	2 8 4	2 7 8	2 6 2	11 10 2	9 11 0	3 4 0	1 5	
3% Savings Bonds, 65/75.....	2 10 4	2 6 5	2 10 12	14 7 2	13 7 0	3 8 0	2 8	
3% Treasury Stock, 66.....	2 10 8	2 5 12	12 12 15	9 2 14	10 0 3	8 0 2	9	
UNDATED :—								
2½% Consols*.....	2 11 0	2 10 12	12 12 7	2 14 0	2 13 4	1 5 0	0 9	
2½% Treasury Stk. from 75*.....	2 10 0	2 10 12	12 12 2	2 13 6	2 13 10	1 4 0	0 11	

* Flat yields.

At this stage, therefore, the gilt-edged question mark still remains. Will Mr Dalton consolidate on the line of 2½ per cent Savings Bonds? That still seems the most realistic estimate of the possibilities, but the battle of nerves of the past few weeks, coupled with the effects of a long account with the Budget to follow, has not encouraged gilt-edged investors to take any chances. The technical condition of the market is still pointed towards further recovery, but its powers of resistance, should further selling occur, are not strong, for recent weeks have provided a fairly costly experience for jobbers, and they are not anxious to take stock. Meanwhile, competition from the back-door gilt-edged market in railway and electricity stocks remains strong—for those investors, at least, who are unmoved by rumours of postponements in the nationalisation programme.

Scope for Indirect Support?

Meanwhile, money market circles, in particular, have been questioning whether there are any purely technical devices which could be employed to relieve the pressure on gilt-edged. Suggestions that the scope for supporting operations of the 1946 pattern may now be very limited, on the grounds that the "departmental" funds concerned must already have switched the bulk of their assets from floating debt into longer term securities, should be heavily discounted. It certainly is true that the inflow of new resources available for departmental invest-

ment is tending to diminish. The Unemployment Fund in future is most unlikely to show surpluses comparable to those of the war years; natural forces, as well as the impending freeing of sterling, will check or even reverse the accumulation of overseas sterling balances (in this context it is the Colonial currency boards which are the most important, because it is here that the Whitehall influence upon investment policy is greatest); new savings bank deposits are scarcely likely to expand; and, finally, the fiduciary note issue, if not actually reduced, will at least not rise at its wartime rate. But although such influences as these are limiting and will continue to limit the authorities' scope for manoeuvre, it is quite unrealistic to suppose that departmental holdings of switchable liquid assets have been reduced to the point at which their exchange into long term securities would not suffice to produce any radical effect upon the gilt-edged market. By comparison with the huge volume of official resources—there is nearly £1,450 million in the Issue Department of the Bank of England alone—the amount required to influence the rather narrow gilt-edged market at the moment is relatively small.

But, since the authorities so far have obviously preferred not to embark upon any substantial support direct, is there any way in which they could, if they wished, relieve the pressure by indirect tactics? To a large extent, the cheaper money drive of 1945/46 was carried along by the heavy absorption of gilt-edged securities by the banks: in the 19 months from July, 1945, the investments of the clearing banks expanded by no less than £316 million. The banks would have been quite unable to plunge into gilt-edged on this scale, however much they might have wished to do so, unless they had been able simultaneously to maintain a satisfactory flexibility in their liquid assets structure. There is no doubt, therefore, that the policy of the Treasury in switching its floating debt borrowings from the relatively inflexible Treasury deposit receipts to Treasury bills played a significant part in the whole cheaper money drive. In some quarters it has been suggested that a similar expedient might be adopted now. But, desirable though it is to increase the flexibility of the banking structure, it is quite certain that this particular device could not have comparable effects upon the gilt-edged market now.

It is generally believed that there have been no significant bank purchases of gilt-edged in recent weeks. But if the banks, which in 1946 usually lost no opportunity for buying on any recession in the market, do not feel disposed to come in substantially even at present prices, it is most improbable that further expansion of their flexible "money market" assets would by itself lead them to change their minds. On the other hand, there is no reason to suppose that the present level of money market assets is acting as a brake upon investment policy. As bank advances expand further, the banks will certainly be anxious to see an increase in their bills and call money, even if they had no intention to increase their gilt-edged portfolios further; but money market assets at the moment stand at a ratio of almost 20 per cent to deposits, which is the highest figure since the early months of the war. If the authorities really wish to turn the tide in the gilt-edged market, but are unwilling to operate themselves, there is only one way in which the task might be attempted—namely by glutting the money market with newly-created central bank cash, and thereby forcing the banks' cash ratio well above the 8 per cent target level, and in effect compelling them to find employment for the surplus. Such tactics as these, which were used with success in 1932, would look not a little odd in the inflationary circumstances to-day.

Coal—"Target" and "Forecast"

The gap between the summer coal production budget and the "Economic Survey" target of 200 million tons—"the indispensable minimum"—has evoked much comment, in *The Economist* and elsewhere. At his first fortnightly press conference last week, Sir Stafford Cripps devoted much time to this point, which apparently turns on planning terminology. The 200 million tons target is "the practicable best that we believe to be obtainable in the given circumstances so as to bring supplies as near as possible to the requirements"—deducting from requirements anything above bare exports and domestic supplies. On the other hand, the summer budget was based on "a forecast of supplies

based on current prospects." The target, although described as "the indispensable minimum," is 20 million tons higher than the strictly realistic rate used in the summer budget (89 million tons for the six months, or 180 million tons during the coal year).

The crucial question is how far "current prospects" are changing to bring the 180 million ton rate closer to 200 million. Recruitment for the mines is certainly improving in what Sir Stafford called "the changed circumstances"—a rather coy synonym for nationalisation. In the first ten weeks of 1947 wage-earners on colliery books have increased from 692,200 to 701,600—an encouraging rate which, as already noted in these columns, would provide the target of 730,000 for coal mining manpower comfortably before the end of this year. Of the 9,000 increase, as many as 6,000 are face-workers. With so much underground development work to be done, there will be ample room for this increase in face-workers and for foreign labour to back the efforts of the increased British labour force.

As for summer coal supplies for industry—the budget figure is 17.6 million tons, plus extra deliveries to provide three weeks' stocks for winter use—the "estimate" is sufficient to keep industry running at two-thirds of full capacity. If the gap between the "estimate" and the "target" is filled during the summer months, industry will be able to work at full pace, at least as far as coal is concerned. But it is wise to expect industry now to be capable, by the exercise of every possible economy and ingenuity, to maintain full activity "at a pinch" on, say, 10 or 15 per cent less coal than stated requirements? It would be surprising, indeed, if most of the possibilities of fuel saving had not already been exploited by industry. There are, indeed, only two other ways of squaring the account. The first is conversion to oil-firing beyond the 2 million tons assumed in the summer budget, which is extremely doubtful because, even with the highest priorities, shortages of equipment are holding up the existing programme; the second is to import coal. South Africa may be able to provide some bunkers, and the Government is looking into all the possibilities of imports from other sources. Perhaps none can be secured, but this is at any rate a humbly realistic approach compared with Mr Shinwell's assertion that "there never was any need for importing coal into this country, and, in my judgment, provided the organisation is made available, there never will be any such need"—an admirable doctrine when coal was plentiful and a more hopeful forecast of production possibilities in the coming coal year than Sir Stafford is evidently prepared to contemplate.

Staggering Back to Normal

In his desire to avoid any over-estimation of the effects of the fuel crisis, Sir Stafford Cripps may have erred on the side of under-estimation. His figure for the peak unemployment of 15½ per cent of the insured population does not take into account the very large number of workers who did not draw unemployment benefit because they were covered by the guaranteed week. While he admitted that the February figures of production and the March exports will show a sharp decline, he barely touched on the longer-term effects of the crisis, which is difficult to measure but which will undoubtedly be extremely serious. The effects of industrial dislocation, the unbalanced flow of supplies and the loss of production through the enforced shortening of the working week will be felt long after registered unemployment has subsided to the pre-crisis level.

The experience of the Midlands, which is the crucial region from the engineering standpoint, is significant. It is true that unemployment figures dropped as spectacularly as they had risen; whereas at the height of the crisis there were half a million unemployed on the Ministry of Labour's books, the number had fallen to 50,000 by March 3rd. But about 90 per cent of the factories in the area are now working a 3- or 3½-day week, with a fuel allocation of 33½ per cent. It is hoped that by early summer, when improved weather reduces the amount of coal needed for space heating and a more adequate flow of coal supplies is forthcoming, allocations to industry generally will be about 50 per cent, as in the original Cripps' plan with proportionate increases for priority work, and that firms will be able to work four and five days a week.

The resumption of full production, however, is impeded by widespread uncertainty about future fuel supplies. The managing director of the General Electric Company has made a strong statement to the Press urging the Government to cut down supplies to less essential users and to give priority in practice, as well as on paper, to firms and sub-contractors engaged in the production of generating plant. There are no doubt practical difficulties—it is difficult to determine which are and which are not essential

users, while many components for priority work are produced by sub-contractors whose other work may be "less essential." It is obviously important that the summer coal budget for industry should be broken down into assured minimum supplies for individual plants as soon as possible. Only the Fuel Allocation Committees of the Regional Boards for Industry can hope to tackle this task, for it defies central control.

The problem of staggering working hours to relieve the electricity load is being worked out in empirical fashion. Individual firms are adopting their own arrangements as they think most appropriate. Some factories in the Midlands are in fact organising night shifts; others, for example in the Wolverhampton area, are operating a spread-over of six days. The Regional Board is not issuing any instructions, but is giving advice and approving schemes submitted to it. Industry seems to be adapting itself remarkably well to this situation, as it usually does when given a general lead and left with the responsibility of applying it in practical detail.

The Heavy Clothing Report

The report of the Heavy Clothing Working Party,* issued this week, closely follows the pattern set by most of the six Working Party Reports already published. No issues are raised which will prevent the recommendations from fitting into the broad framework of the Industrial Organisation Bill when it is enacted. Though the report is unanimous, there has been some difference of opinion within the working party on the method of financing the proposed central organisation, but this has not crystallised into a memorandum of dissent.

The report follows the now common form of recommending the establishment of a central organisation, to be called the Council of the Heavy Clothing Industry. It would consist of an independent chairman, independent members and allow equal representation of employers and workers. Its functions would include establishing an Official Inspection Centre and a Design and Exhibition Centre; the conduct of technical and market research; training, education and the establishment of a central Information Bureau; the dissemination of statistics, technical data and information on standardisation; lastly, it should study the seasonal unemployment problem. Recommendations are made on improving training methods and the enforcement of the Factories Act, 1937. As for machinery, the industry is faced with the same problems as other textile industries: that is, to reconcile clothing manufacturers' requirements in this country with the types made by the machinery manufacturers, especially of sewing machines, for export. The report emphasises the need for closer co-operation between machine makers and users and for the development of more efficient machines. In order to maintain an equitable distribution of limited clothing supplies, the Consumer Rationing Order should be continued until supplies are adequate. But new concerns should be encouraged to enter the industry as a spur to competition by the issue of a "float," or working stock, of clothing coupons, provided that they adhere from the start to the conditions of employment enforceable under the Factories Act. The utility cloth scheme should carry on through the transition period, and certain improvements are suggested. The report concludes with a number of detailed appendices, including a valuable account of the United States industry. A selection from the statistical tables will be found in this week's issue of the *Records and Statistics Supplement*.

Materials and Manpower Problems

The heavy clothing industry comprises between 50 and 60 per cent of the tailoring, dressmaking and millinery trades as defined in the 1935 Census of Production. That is, it covers the heavy end of the outerwear making-up trades and the shirt-makers and industrial overall manufacturers. The working party has been consequently hampered in preparing its statistical material, since no set of available production or manpower figures quite tallies with the scope of their enquiry. A more useful survey could have been presented if the terms of reference had coincided with the official classification of statistics and had extended to the retail tailoring trade.

In 1939, the industry employed about 300,000 workers, and the great majority of firms were concentrated in the West Riding, London and Lancashire areas. In 1937, 25 per cent of the working population of Leeds was dependent on tailoring and this

* Board of Trade Working Party Reports: Heavy Clothing. HM Stationery Office. Price 3s. 6d.

concentration may well have increased since. Clothing firms had to surrender about 37 per cent of their labour force between 1939 and 1944. Now, the return of these workers is coinciding with a shortage of materials, and is producing a lack of balance in the labour force. The industry, being highly concentrated in three areas where other industries are short of labour, is faced with a problem similar to that of the cotton and wool textile industries—even though it is able to offer superior working conditions in the larger factories—of having to compete with other industries with less chronic material shortage problems to retain its labour force. The working party estimate, very tentatively, that by the early '50s, clothing consumption may be 10 to 20 per cent above the pre-war level, but this increase would not require an expansion of the labour force above the pre-war level if seasonal unemployment could be overcome and a moderate increase of productivity secured. But even a return to the pre-war level of employment might require some 18,000 additional workers for clothing in the West Riding at a time when the wool industry is looking for 50,000. If clothing were to attract workers who might otherwise go into wool, the industry would have to go short of cloth and would be in much the same position as if both lost labour to non-textile industries. If clothing supplies are to expand beyond the levels of output registered immediately before the fuel crisis, there are good reasons for encouraging new and established firms to set up modern, mass-production factories in localities, away from the main industrial areas, where supplies of female labour are obtainable. The suggestions for encouraging competition from new firms are a laudable improvement on the restrictionist philosophies which have occasionally lurked beneath the surface of certain earlier working party reports.

But there can be no significant increase in output until there has been an initial increase in supplies of cloth. The working party insists that the clothing manufacturers' case for cloth supplies must be carefully considered against the claims of exports if the industry is not to suffer a slow process of attrition through inability to train young workers for the period of expansion which is expected a few years hence.

The Chancellor on Imperial Tobacco

Mr Dalton's answers to questions in Parliament on Tuesday, which sought the reasons for the recent refusal of the Capital Issues Committee to an application by the Imperial Tobacco Company for an issue of new ordinary capital, went all the way to confirm the interpretation placed on the CIC's decision in last week's issue of *The Economist*. Mr Dalton, who disclosed that no new instructions had been issued by the Treasury to the CIC since last August, stated that the issue had been refused because it would have been inconsistent with Government policy. The Chancellor stated that the directors proposed to make an issue of £1 ordinary shares at par when the market price was £7½, and claimed that "if companies pay out the same sum of money in dividends nominally on a larger capital the rate may be lowered and the public thereby deceived."

The implications of this statement rest on the word "nominally." At present, the nominal capital structure of Imperial Tobacco is out of line with the effective capital employed in the business and to raise the former would not mean that dividends were payable "nominally" on a larger capital but rather on an issued capital after it had been increased from its present "nominal" amount into line with the effective capital employed. Clearly, however, nothing is likely to be gained from demonstrating yet again the lack of financial logic in the present arrangements for controlling so-called bonus issues. The Chancellor has made it all too clear that he is determined to compel companies like Imperial Tobacco, whose assets have been built up out of profits, to maintain high nominal rates of dividend on their issued capital.

Modernising the Cotton Industry

The way now seems, at long last, to be clear for the implementation of Sir Stafford Cripps's scheme for modernising the cotton-spinning industry. At a special conference last Saturday the United Textile Factory Workers' Association, which represents some 300,000 spinning and weaving operatives, gave its general endorsement to the Government's proposals. These provide for the grouping of spinning firms, on a minimum spindle basis of 500,000, and for a re-equipment grant of 25 per cent of costs, which, it is estimated, will cost the Exchequer some £15 million. It is expected in Manchester that the first amalgamations will shortly be announced.

The Association's acceptance, by a majority of 91 to 51, of the proposals for double shift working is satisfactory. The unions' insistence that the grouping and re-equipment scheme should come first, is not unreasonable under the circumstances, even though it does indicate their suspicion of the employers' good intentions, which was so marked in the trade union memorandum in the working party report. Negotiations about hours and rates of pay can now be opened, although these may be prolonged and encounter many difficulties, for there is still a great deal of practical opposition to the two-shift system, particularly among spinners. It is to be hoped that the two-to-one vote of the whole Association will be reflected in the genuine co-operation of all sections of the industry in working out the details of the system as rapidly as possible.

It is now nearly a year since the working party report was issued, and the delays in coming to a decision on the Cripps offer, combined with the fuel crisis, have held up the urgently needed work of re-equipment. The report of the Evershed committee on the textile machinery industry is expected in the near future, and this should provide a practical basis on which to plan the re-equipment of the cotton industry. After so much delay in the process of modernisation, the need for speed in future is the more evident.

Shipbuilding Output and Delays

World output of new merchant ships amounted in 1946 to 747 vessels of 2,127,421 tons gross, according to statistics issued by *Lloyd's Register of Shipping*. British yards accounted for 53.3 per cent of this total, with 371 ships of 1,133,245 tons gross. Excluding the war years, this is the highest British total since 1930, although it is slightly below the average of 1923-30 and considerably below that of 1919-21. The world total was higher in 1937 and 1938, but the output of foreign yards has not been as low since 1915, apart from the years 1924 and 1940. United States output dropped from a wartime peak of 11.6 million tons to little more than half a million, while the other leading countries are Sweden (146,875), Italy (61,742), Spain (41,289) and Denmark (39,051 tons gross). All countries show a lower output than in 1938 except Britain and the Dominions, for the latter built 85,651 tons against 30,100 tons in 1938. British shipbuilding output, therefore, while considerably less than after the First World War, compares favourably with that of the rest of the world. These figures refer only to the tonnage launched during the year. Work on hand in British yards at the end of the year totalled nearly 2 million tons, an increase of about 20 per cent on the previous year.

There appear to be good grounds for recent expressions of apprehension from shipbuilders and complaints from shipowners about the slowness of delivery from the shipyards, which is certain to be reflected in current output figures. Chief among the contributory factors are the shortage of materials and the reduced output of the workers. Timber and steel are in short supply, with little prospect of improvement, but the provision of components is getting worse. Even the Clyde is now feeling the effect of the recent stoppage in England, and one £35,000 contract has been held up indefinitely for the want of an electric motor costing £100. The shorter week in the shipbuilding and engineering industries is bound to have an adverse effect on output and also upon shipbuilding costs. It is hard to persuade shipyard workers, particularly those who remember the nineteen-thirties, that they will not "work themselves out of a job" by increasing output; yet speed of delivery is a strong selling point and its absence is liable to lead to cancellation of existing contracts.

Export shipbuilding orders are very sensitive to delays in delivery. Only 10.2 per cent of the launches in 1946 were on foreign account, but more than a quarter of the total tonnage under construction and on order at present is destined for foreign fleets. Sweden, which is Britain's closest competitor in shipbuilding, can already undercut British costs, and with a 48-hour week and expanding yards, may soon beat British builders in delivery times. Meanwhile, British shipowners are handicapped by lack of tonnage. The Orient liner *Orcades*, for example, whose keel was laid in August, 1945, has not yet been launched, though her delivery was expected last month. Reconversion and repairs are taking twice as long as a year ago, and nearly 3 million out of a total of about 15 million tons gross of shipping are undergoing or awaiting repairs. The forthcoming lifting of the wartime ban on restrictive practices may considerably lead to an outbreak of demarcation disputes which have always prevailed in shipyards. If so, the situation will deteriorate still further.

World Bank's Bonds

The most important step yet taken in creating a market for the bonds of the International Bank for Reconstruction and Development is the recent approval by the New York State legislature of legislation authorising insurance companies in that State to purchase bonds issued or guaranteed by the Bank. Similar legislation has been enacted by the State of Maryland and in New Hampshire corresponding legislation has been passed making the Bank's obligations eligible for the savings banks. These are the essential preliminaries to getting the Bank under way. It has been evident from the first launching of the Bank that most of the funds it would require, other than its capital, would have to be found in the United States. Issues to the general investing public could hardly be given the whole responsibility of raising the necessary resources, given the prevailing ignorance of the public regarding the character of the new institution. A lead in this respect must, therefore, be given to the public by institutional investors. In most important States this required legislative action before the Bank's securities could be legally purchased by insurance companies or savings banks or by trustees who are restricted to investments eligible for saving banks. Preliminary investigations of this problem were begun last year but in somewhat half-hearted fashion and the delay prevented early action because most of the State legislatures went into recess in the autumn of last year and only reassembled early this year. A first step was taken by the New York State legislature last summer when it authorised savings banks in the State to purchase the Bank's securities. It is, of course, on the action of the State of New York that the approach of the Bank to the US capital market depends, for it is there that the vast bulk of the resources available for investment in the Bank's loans is to be found.

While good progress is at last being made in preparing the issuing machinery, the Bank has been working on the various applications for loans made to it and reports have been completed on the request by France for \$500 million and by Denmark for \$50 million. Reports from Washington and Paris suggest that France may have to be satisfied with a much smaller sum than that for which she asked, even though it received the implied approval of the US Government when the Export-Import Bank credit for France was negotiated last summer.

* * *

The Fund and the Money Market

There has been some tentative discussion in banking circles lately about the effects that may be exerted upon the domestic credit situation and the money market by the operations of the International Monetary Fund. If all the possibilities are considered, the question is complex and hardly lends itself to brief analysis; but it does seem that, if the mechanism of the Fund Agreement were fully and frequently operated by the various national members, the Bank of England would face new problems of credit management. They would not, however, be inherently more intractable problems than those presented by the operation of the Exchange Equalisation Account before the war, and would, indeed, bear a strong resemblance to them. So far, of course, there have been no credit repercussions at all, for the Government borrowing for the purpose of paying Britain's £322 million subscription to the Fund has not involved any recourse to the commercial banking system. Of this total, £238 million was in effect lent by the Fund itself (which accepted specially-created non-interest bearing Notes to that amount) and the remainder was lent by the Exchange Account and the Bank of England, presumably against tap Treasury bills—£51 million by the Exchange Account to employ the sterling secured by its release of gold and £32 million by the Bank against the deposit created in its books in favour of the Fund.

The operation of the Fund will not produce domestic credit repercussions until it needs to draw upon its sterling holdings. It will not do that until another member who is short of sterling and is eligible to use the Fund's resources buys sterling from it in return for its own currency. Part of the Fund's balance at the Bank of England will then be transferred to another account at the Bank in the name of the central bank of the purchasing member. While the money stays on that second account there will still be no credit effects. But if the money is temporarily invested, say, in tap or tender bills acquired from the Treasury, the immediate effect might be to raise clearing bank cash ratios and cause a credit surplus in the money market. Unless the Treasury used the cash to repay any outstanding ways and means advances from the Bank, it would reduce its borrowings from the

domestic banking system, whose money market assets or Treasury deposit receipts would fall correspondingly and whose cash would rise correspondingly. The same results would follow if the overseas central bank used the sterling to settle debts due to the British Government. To restore equilibrium, the Bank of England would therefore need to reduce its own security portfolio, in effect transferring floating debt, directly or indirectly, to the banking system and thereby cancelling the additional bank cash and restoring the *status quo*. Alternatively, if the overseas central bank used its sterling to settle commercial debts, the cash would generally reach the clearing banks through fresh deposits or repayments of advances by their own customers. If advances were repaid, the credit effects would be analogous to those produced by repayment of floating debt; but, if deposits rose, neutralising action by the Bank would require a cancellation of bank cash, not by the full amount created by the original payment, but by only eleven-twelfths, because the banks must keep one-twelfth of their deposits in cash.

There are also two principal ways in which the more extended operation of the Fund Agreement, as distinct from the Fund's operation on its own sterling balance, may have credit effects—but effects of a more familiar type. If Britain itself buys foreign exchange from the Fund, the credit effects will be precisely the same as those now produced by drafts upon the dollar loans. If another member exercises its right to require Britain to buy back part of its holding of sterling (against payment in gold or in that member's currency) the effect will be the same as when the Exchange Account sold gold or foreign exchange, except that, under the new system, the sterling which is being re-purchased is less likely to have been held in an account at one of the commercial banks, and, unless held in Treasury bills, would generally have been in an account at the Bank of England.

* * *

February Trade Figures

Exports from the United Kingdom in February showed a further decline compared with the last quarter of 1946, and were £15.2 million less than in January. The value figures were the lowest since September of last year. An important contributory factor to the decline is the fact that February is a short month. If exports for each of the last six months are recalculated on the basis of 26 working days so as to cancel out the effects of longer or shorter months, the result is as follows (actual value exports are given for comparison):

	Actual	26 Working Days		Actual	26 Working Days
	£mn.	£mn.		£mn.	£mn.
Sept., 1946....	71	74	Dec., 1946.....	83	90
Oct., 1946.....	91	87½	Jan., 1947.....	91	88
Nov., 1946.....	92	92	Feb., 1947.....	76	82½

Last month's export figures do not reflect the fall in production resulting from the fuel crisis, though they provide some evidence of dislocation arising from shortages of fuel earlier in the winter. There is necessarily a time-lag between manufacture and final shipment, which depends on the period of production for various manufactures. Direct effects of the crisis may not be evident till March and possibly April, while the indirect effects are likely to extend throughout the year. Allowing for the rise in prices since before the war, the volume of exports in February is provisionally estimated at 93 per cent of 1938 compared with 112 per cent in January. On the basis of 26 working days, last month's volume figure becomes approximately 100 per cent.

Exports of food, drink and tobacco were less, on a value basis, than a year ago, while the raw material group showed an increase, due mainly to further shipments of brass scrap. Among manufactured goods, the major increases compared with a year ago were machinery (100 per cent larger by value) and vehicles (133 per cent larger). In machinery, the tonnage shipped was greater than in February, 1946, and 38 per cent above the monthly average for 1938, but only insignificant quantities went to hard currency countries. The export of cars, lorries, motor-cycles and bicycles on a volume basis were well maintained during February, and were well over double the average monthly quantity shipped in 1938. If this rate can be maintained throughout the current year, which is unfortunately improbable, total exports would be closer to their end-year target. But if these two industries were to attempt to carry the burden of the export target unaided, their shipments would have to reach 260 per cent of last year's volume by December, 1947.

The value of imports during February was 42 per cent higher than a year ago and only £8.9 million less than in January, reflecting an increase in the daily rate of imports. Retained imports of food, drink and tobacco accounted for over half the total value, while retained imports of raw materials were the lowest since February, 1946. The quantities of timber and wool imported were considerably smaller than in the corresponding month of last year. There are large stocks of wool already in the United Kingdom, but the timber supply position is acute. Arrivals of raw cotton, although greater than those in February, 1946, were still less than the pre-war monthly average, but imports of cotton linters and waste and rubber showed a considerable increase. Imports of manufactures were only £0.5 million less than in January.

* * *

Cars for Export

Prospects for British car exports, after the Geneva Motor Show, are likely to be affected by the threat of competition from other countries, which can be expected to increase fairly soon, and by the inability of many British light-engined models to meet the requirements of foreign purchasers except in urban areas with metalled road surfaces. In February, new cars exported numbered 7,581, compared with only 2,278 in February, 1946—but were lower, significantly perhaps, than the 9,394 exported in December last.

An interesting illustration of price competition in overseas markets, is provided in the accompanying table of retail car prices in Australia, which is based on figures provided by a well known industrial concern in Melbourne. The table gives the selling prices for cars exported complete from Britain, chassis exported from Britain and assembled with bodies in Australia and car chassis exported from the United States or Canadian factories also for local assembly. The comparison shows quite clearly that 30 horse power, 6 cylinder American types are in the same price category as 10 horse power 4 or 6 cylinder British makes. The prices also indicate the competitive disadvantage for complete new cars which have to surmount the high Australian tariff:—

RETAIL CAR PRICES IN AUSTRALIA

BRITISH				UNITED STATES (except for Ford and Buick)			
Type	Horse Power	No. of Cylinders	Price	Type	Horse Power	No. of Cylinders	Price
Standard.....	7-96	4	£A. 550	Ford.....	32-5	8	£A. 668
Riley.....	12	4	1,269	Chevrolet (Skymaster)	29-4	6	661
Vauxhall "Wyvern"§	12	4	540	Chevrolet (Electramaster)	29-4	6	682
Vauxhall "Senior"§	14	6	609	Buick.....	30	8	1,011
Standard.....	14-01	4	720	Plymouth.....	25	6	743
Wolseley.....	18	6	1,073	Pontiac.....	30	6	796

* Including 10% sales tax on wholesale prices.

† Ex Canadian factories.

Direct price comparisons may be misleading, especially at present when all kinds of cars are in short supply. But price considerations are bound to become more important as supplies become easier. By then, the price advantage of the mass-produced American types and their obvious suitability for requirements in Dominion and foreign markets will offer severe competition to light-engined British models. The Chancellor's budget will be awaited with anxiety, for on it depends the prospect of any change in the method of motor car taxation which might free engine design and which would give the industry no excuse for failing to produce cars specifically for the export market. Since it is estimated that Australia could absorb 400,000 new cars by the end of 1949, the opportunities are great. But they must be promptly seized before the seller's market runs down.

* * *

Bolivia and World Tin Prices

The world shortage of tin, which is due in large measure to the failure of Malaya and the Netherlands East Indies to restore their output owing to lack of new equipment and coal, has produced an extraordinary response in tin prices. Negotiations are proceeding between the Reconstruction Finance Corporation in the United States and Bolivian tin producers which promise in effect to drive world prices still higher. It is understood that the Bolivian negotiators have asked for a price of 76 cents per pound, but that they might be prepared to agree to 74 cents per pound. Even that would be 7 cents higher than the price paid by the

American buyers in 1946. United States buyers are anxious to obtain 20,000 tons or more of tin in order to maintain the scale of production at the Texas smelter, but the Bolivian side is hopeful that recent reports suggesting that Argentina would be prepared to purchase as much as 10,000 tons of tin ore this year will be substantiated, and thus provide Bolivian producers with a seller's market beyond all their earlier expectations.

So far, the United States have secured 8,000 tons of tin and concentrates from Siam, between 8,000 and 10,000 tons of high grade ore from the Netherlands East Indies to be delivered to the Texas smelter this year, at 70 cents a pound, and have persuaded Belgian Congo producers to take 70 cents instead of the 75 cents demanded for part of this year's supply. Consequently they are in a fairly strong position and may be prepared to await events, particularly since stocks of tin ore at the end of last year amounted to 30,000 tons (tin content), which would be sufficient to maintain the Texas smelter in operation for about nine months.

Bolivian producers decided to cease shipping tin ore via Chilean ports from January 1st. This arbitrary step appears to have proved somewhat embarrassing since, for it has cut off supplies of foreign exchange to the Bolivian authorities and the Central Bank has already had to arrange temporary loans for the relief of the medium and small-sized producers, who are, together, responsible for about 40 per cent of the total output. This figure does not, of course, include the output of the Patino group, which is sold on long-term contract to British smelters. The decision to hold up shipments was obviously made with only one purpose—to force the world price higher. The motives of Argentina for appearing as a potential buyer of Bolivian tin ore are almost equally obvious. A deal with Bolivia would bring the two republics into closer economic and political relationship. Argentina has a tin smelter which is capable of producing metal of a suitable quality for soldering and is anxious to obtain tin ore for domestic smelting—alluvial tin production in Argentina has fallen from 1,136 metric tons in 1938 to 469 tons in 1945—in order to supplement the small allocation of tin metal which it is entitled to receive—a mere 100 tons for the first half of 1947.

These South American developments have more than local importance, for if a price of 74 cents per pound of Bolivian ore were to result from the present negotiations with the Americans it would mean that the British Government would have to pay about £400 per ton under the Patino contract—the present British price for tin metal is £380 10s. That, in turn, would involve the upward revision of contract prices to Malayan and Nigerian producers and increased costs for tin plate makers and other consumers. If Bolivia could provide a total output of 40,000 tons of tin this year it would indeed be useful, but on present indications it is likely that such a quantity may be obtainable only at an extortionate price.

* * *

Dutch Gold Call-Up

The Netherlands have adopted a decidedly leisurely pace in tightening up their exchange control machinery and have only just got down to calling up the gold held by their nationals. This week the Netherlands Bank issued a vesting order calling up gold coins and bullion held at home or abroad by residents. The order also calls up holdings of the following foreign currencies: US and Canadian dollars, sterling, French, Belgian and Swiss francs, Swedish, Norwegian and Danish crowns and Portuguese escudos. Delivery of the gold and foreign currencies vested under this order must be made before May 1, 1947. This move reinforces earlier orders made through foreign exchange decrees, but these, as may be gauged from this subsequent action, must have been applied with considerable leniency. The vesting of Dutch-owned securities is also proceeding methodically. The strain on the Netherlands' balance of payments is evident in the recent decline of the gold reserve and in the reported efforts that are being made to float a short-term Government loan on the New York market. Given these exchange difficulties it is surprising that the mobilisation of privately held gold, foreign balances and foreign securities should have been delayed so long.

* * *

Wool Processing in Germany

A contract has been made with the Russian authorities by which British wool can be spun in the Russian zone of Germany. The arrangements cover both woollen and worsted yarn; the latter may be spun either from tops sent from this country or from raw wool which is shipped from Britain for combing in the British zone. A proportion of the yarn produced will be passed to the

spinners as payment, and the remainder, which will be British owned, may either be re-shipped to this country or sent to the British or American zones to be woven into cloth, or exported from Germany on British account.

The advantages of this scheme, now that the Russian zone has been brought in (thus completing the arrangements described on page 429 of last week's issue of *The Economist*) are obvious. It effects a unity in the German wool industry, by which tops from the British zone can be spun into yarn in the Russian zone and possibly woven in the American zone. In addition, it appears to allow British manufacturers a certain amount of latitude, for when they have shipped wool from England to Germany they no longer come under the direction of the Wool Control and may therefore freely export the tops, yarns or tissues produced in Germany, subject to such conditions of contract or government restriction as may be in force. Such export, of course, will soon be on British account.

Colonial Banking Developments

The Standard Bank of South Africa has announced the formation of a subsidiary company, to be called the Standard Bank Finance and Development Corporation. The new company has been set up "to finance, assist and participate" in development in those African colonies where the bank already operates. With an initial issued capital of £500,000, the corporation will direct its activities to assisting agriculture, commerce, industry and transport primarily in the four East African territories of Kenya, Uganda, Tanganyika and Zanzibar. It will also be competent to handle the loan business of local authorities, to underwrite company flotations and to provide funds in bulk purchasing operations.

As the bank obviously recognises, progress at first may well be slow in these financially undeveloped communities. But this new venture, like the comparable institution—Barclays Overseas Development Corporation—set up by Barclays Bank (Dominion, Colonial and Overseas) last year, will help to fill a serious gap in the financial structure of the African dependencies.

The extent of this gap in the colonies has recently been brought out by the results of the Nigerian and Fiji internal loans. In Nigeria £300,000 of 3½ per cent stock, 1956-61, was offered locally at 98. Individual subscriptions totalled only 13 per cent of the amount issued. In Fiji, of an issue of £530,000 of 3½ per cent 25-year stock, the underwriting banks had to take up 60 per cent. Such results, in the face of the better terms which Nigeria at any rate might have commanded in London at that time, show how difficult and expensive it may be even for colonial Governments to raise funds locally. In most colonies the capital market is in a very rudimentary stage of development. The banks themselves are mainly concerned with providing deposit and current account facilities. During the war some progress was made in persuading uneducated local people to open post-office accounts and to buy National Savings Certificates, but progress is hindered by the strong hoarding instincts in backward communities. In present

circumstances, Development Corporations will provide a valuable channel for European financial support, but if capital is to be provided for the colonies on an adequate scale to develop their resources, the African and other communities must be gradually initiated into the arts of long-term investment of their own savings.

Brick Production Problems

About a year ago a brick shortage threatened to hold up the housing programme and to retard the whole process of industrial reconversion. The threat was averted, however, for the output of bricks, which was only 179 million in March, 1946, compared with a pre-war monthly output of 650 million, reached 379 million in January, 1947. The brick industry's labour force was 53,000 before the war, and now stands at 40,000, including some 4,000 prisoners of war. Various steps to increase output and restore the industry's manpower have been taken by the Ministry of Works, including the appointment of the Garrett committee on welfare and amenities (which revealed an unsatisfactory state of affairs) and the investigation of productivity by the technical committee of the Brick Advisory Council.

The technical report, which is based on a survey of 50 brickworks, shows that considerable economies in the use of manpower could be secured through the introduction of mechanical methods of clay-getting and haulage. Seventy per cent of all brickworks still win their clay by hand processes, and though these are predominantly small firms, they produce over one-third of the national output of bricks. The committee estimates that the equivalent of 6,000 to 15,000 of the pre-war labour force of 53,000 could be saved by the application of more modern methods, particularly in the extraction of clay. It therefore urges the Government to give priority to the production of excavating and conveying plant, and invites the Ministry of Works to undertake a full review of the industry's requirements and existing capacity of the engineering industry to meet it.

The report is valuable as a technical survey, though the committee was obviously limited by its terms of reference. Its conclusions, however, suggest the further question of what action is being taken to speed up the production of equipment, which is, at the moment, the chief limiting factor on the expansion of brick output. The absence of any clear-cut scheme of priorities between the competing demands for machinery by other essential industries, such as mining and agriculture, and the pressure of the export programme, is having serious effects. Nor does the report concern itself with the structural reorganisation of the brick industry, and the scope for concentrating output at the most efficient works. Concentration promises greater efficiency and production per man-hour, and important fuel savings, particularly at Flitton works; but these advantages would to some extent at least, be offset by increased transport costs. But decisions will have to be taken, sooner or later, about the future of the brick industry. It is only by the negative fact of critical shortages in timber and other materials that current brick production is

sufficient for this year's requirements. In particular, the smaller firms should be told whether any scheme for reorganisation and concentration is contemplated, and what material and financial assistance they can expect for capital re-equipment and modernisation.

Bowater Group Reorganisation

No tears will be shed at the reorganisation of the structure of the Bowater Group which was approved on March 25th, for even when decked out with consolidated accounts of the excellence of the recent report, it called for simplification. Under the scheme, Bowater's Paper Mills will become entirely a holding company—at present it combines the functions of holding and manufacturing company—and will transfer its manufacturing assets to a new subsidiary, Bowater's Thames Paper Mills. The two intermediate holding companies, Edward Lloyd Investment and Bowater-Lloyd Newfoundland (these carry on no active business, but merely hold the ordinary capitals of two of the operating companies, Edward Lloyd and Bowater's Newfoundland Pulp and Paper Mills respectively) will be liquidated. These two operating concerns, the new Thames Company, together with Bowaters & Lloyds Sales and Bowater's Mersey Paper Mills, will be directly controlled subsidiaries of the new holding company.

To achieve this reorganisation will involve the following repayments and new issues:—

Repayments.—£921,096 Bowater's Paper Mills 3½ per cent debenture stock at 102, requiring £939,518; £736,400 Bowater's Mersey 3½ per cent debenture stock at 102, requiring £751,128; £1,144,024, Bowater-Lloyd Newfoundland 4½ per cent debenture stock at 102, requiring £1,166,904; and £2,000,000 Edward Lloyd Investment 5 per cent redeemable preference stock at 25s. 6d., including 1s. premium and 4s. 6d. in lieu of dividend arrears, requiring £2,550,000. The total cost of these repayments is £5,407,550.

Issues (all Bowater's Paper Mills).—£3,250,000 3½ per cent new debenture stock at 101; 200,000 6½ per cent preference shares of £1 at 31s. (quoted at 35s. before the issue of the scheme); 500,000 7½ per cent £1 preference shares at 37s. (quoted at 42s. 3d.); and 500,000 £1 ordinary shares at 40s. (quoted at 55s.). These issues will be offered to existing shareholders, and holders of the debentures and preference shares which are to be repaid will have the right to convert.

Holders of more than half the capital sent proxies in favour of this necessarily complicated scheme, which brings the equity of Bowater's, on which a notional 50 per cent was earned in 1946, in sight of dividends.

Shorter Notes

The price of virgin aluminium in ingots or notch bars has been increased from £72 15s. to £80 per long ton delivered consumers' works. The increase in price will enable the Ministry of Supply to average out the cost of metal purchased at home and abroad.

Mr H. L. Urling Clark has been elected the chairman of the Stock Exchange Council in succession to Sir Robert Pearson. Mr F. H. Doran is to join Mr John Braithwaite as a deputy-chairman of the Council.

The response to the circular sent out to members of the Stock Exchange on March 3, 1947, which gave particulars of the proposed scheme of reorganisation, has proved favourable. About 57½ per cent of the present membership of the Stock Exchange expressed their views on the scheme, and of the replies received, 1,810 were favourable and 406 opposed it. The Council have felt fortified by this result, and are now to prepare the necessary resolutions for altering the deed of settlement and the legal documents for carrying the scheme into effect.

The Rand gold mines made a working loss of almost £300,000 in February owing to the "unofficial" white miners strike. The January profit was £2 million. Working costs rose to 184s. 10d. per ounce of gold produced, resulting in a loss of 2s. per ton milled.

By a typographical error, certain oil production statistics in the leading article, "Oil Stocktaking," in last week's issue were attributed to the "Palatine Press Service." This should have read the *Petroleum Press Service*.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in *Records and Statistics*. Notes on the following company reports also appear in the Supplement: De Beers; British Aluminium; Swan Hunter; British Xylonite.

Prices, Jan. 1-Mar. 26, 1947		Name of Security	Price, Mar. 19, 1947	Price, Mar. 26, 1947	Net Yield,* Mar. 26, 1947	Gross Yield,* Mar. 26, 1947	Prices, Jan 1-Mar. 26, 1947		Last two Dividends	Name of Security	Price, Mar. 19, 1947	Price, Mar. 26, 1947	Yield, Mar. 26, 1947			
High	Low						High	Low						(a)	(b)	(c)
Other Securities																
103½	101½	Conversion 3% 1948-53	101½	101½	£ a. d.	£ a. d.	113½	106½	(a)	Australia 3½% 1965-69	110	107½	£ a. d.			
103½	101½	War Bonds 2½% 1949-51	102½	102½	0 8 5	1 10 7	106½	99½	(b)	Birmingham 2½% 1966-71	101	100	2 10 0			
102½	100½	Exchequer Bonds 1½% 1950	101½	101	0 11 8	1 7 11	102	100½	(c)	Argentine 3½% 1972	101½	101½	3 8 0			
105	101½	War Bonds 2½% 1951-53	102½	102½	0 14 1	1 16 8	137½	122½	(d)	Anglo-American Corp. 10s.	145/9	138/9	3 16 6			
105½	101½	War Bonds 2½% 1952-54	102½	102½	0 18 3	2 0 10	151½	118½	(e)	Assoc. Port. Cem. Ord. Stk. £1	64/-	62/6	3 4 0			
106	103	Funding 2½% 1952-57	104½	104½	0 18 3	2 0 10	42/-	37/-	(f)	Austin Motor A. Ord. Stk. 5s.	38/9	37/6	5 6 0			
104½	103½	National Defence 3% 1954-58	105½	104½	1 0 5	2 7 7	95/4	79/6	(g)	Barclays Bank Ord. "B" £1	83/-	83/-	3 7 6			
104½	103½	War Loan 3% 1955-59	105½xd	104½xd	1 0 5	2 7 7	243/9	197/6	(h)	Basel Ratcliff Ord. £1	205/-	200/-	2 10 0†			
104½	103½	Savings Bonds 3% 1955-65	105½xd	104½xd	1 0 5	2 7 7	105/9	88/9	(i)	British Oxygen Ord. £1	97/6	96/10	4 2 6			
105	99½	Funding 2½% 1956-61	105½xd	104½xd	1 0 5	2 7 7	58/6	60/7½	(j)	Courtaulds Ord. £1	52/6	51/-xd	2 18 6			
105½	102½	Funding 3% 1959-69	105½xd	104½xd	1 0 5	2 7 7	29/1½	24/9	(k)	Dorman Long Ord. £1	70/3	69/3	3 9 0			
112½	115½	Funding 4% 1960-90	117½	115½xd	0 18 10	2 11 9	77/4	68/6	(l)	Dunlop Rubber Ord. £1	70/3	69/3	3 9 0			
110½	103½	Savings Bonds 2½% 1960-70	105½	104½	1 0 5	2 7 7	47/6	41/3	(m)	Imp. Chem. Ind. Ord. Stk. £1	44/3	42/6	3 15 0			
104½	99½	Savings Bonds 2½% 1964-67	108½	104½	1 0 5	2 7 7	49/6	40/-	(n)	Lancs. Cotton Ord. Stk. £1	41/10½	41/10½	4 15 3			
112½	115½	Victory Bonds 4% 1920-76†	118½	117½	1 0 5	2 7 7	56/6	47/6	(o)	Lever and Unilever Ord. £1	54/-	53/6	1 17 3			
111½	104½	Savings Bonds 3% 1965-75	106½	105½	1 0 5	2 7 7	84½	78½	(p)	L.M.S. 4½% 1st Pref. Stk. £1	68/9	66/3xd	3 15 3			
108½	104½	War Loan 3½% aft. 1952	106½	105½	0 19 5	2 11 11	36/9	34/-	(q)	N.Eastn. Elec. Ord. Stk. £1	81½	80½	4 19 8			
117½	110½	Consols 4% (after 1957)	113	112	0 19 5	2 13 6	58/9	47/6	(r)	P'chlin J'nson Ord. Stk. 10s.	34/6xd	34/6	4 0 5			
115½	107½	Conversion 3½% (after 1961)	110½xd	109½xd	1 4 5	2 14 5	39	35	(s)	Prudential "A" £1	55/6	56/-	3 2 0			
110½	102½	Treasury Bonds 2½% (after 1975)	95½xd	94½xd	1 0 5	2 13 1	63/4	53/6	(t)	Stewarts and Lloyds Def. £1	37½xd	37½	1 19 3†			
115½	107½	Redemption 3% (after 1966)	104½xd	103½xd	1 0 5	2 14 10	107/6	93/4	(u)	"Shell" Transp. Ord. Stk. £1	105/-	100/7½	1 8 0†			
117½	107½	Redemption 3% (1986-96)	110½xd	109½xd	1 0 5	2 14 10	147/1½	118/10	(v)	Tube Invest. Ord. Stk. £1	130/-	125/-	3 12 0			
99	92½	Consols 2½% (after 1957)	94½xd	93½xd	1 0 5	2 13 4	86/3	81/6	(w)	Turner & Newall Ord. Stk. £1	85/-	83/6	3 0 0			
							107/6	93/4	(x)	Woolworth (F. W.) Ord. 5s.	99/5	98/-	5 11 0			

* To earliest redemption, except † flat yield and ‡ assumed average life 17 years 6 months. Net yields after allowing for tax at 9s. in £.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. † Free of Tax.

ABRIDGED PARTICULARS

POOL, LORRIMER & TABBERER, LIMITED.

(Incorporated under the Companies Act, 1908 to 1917)

Worsted Spinners & Hosiery Manufacturers, Leicester

CAPITAL		Issued and Fully Paid Up
Authorised	£160,000 in 6 per cent. Cumulative Preference Stock (transferable in Units of 10s. each) ...	£160,000
	£100,000 in Ordinary Stock (transferable in Units of 4s. each) ...	£100,000
	£40,000 in 200,000 Ordinary Shares of 4s. each ...	—
£300,000		£260,000

There are no Debentures, Mortgages or Loan Capital.

The Application Lists opened and closed

On FRIDAY the 28th MARCH 1947

for an OFFER FOR SALE by

THE CHARTERHOUSE FINANCE CORPORATION LIMITED

OF

350,000 ORDINARY STOCK UNITS OF 4s. AT 31s. EACH.

The "Offer for Sale" showed *inter alia* that:—

The Company specialises in Machine Yarns, Hand Knitting Yarns, all types of Babies' and Children's Wear, Ladies' Outerwear and Underwear, Ladies' Hosiery and Men's Half-Hose, Infants' Shawls, Pram Rugs and Sleeping Bags, and also has a profitable trade in Hand Knitting and Mending Wools which are spun in its own mill.

Profits before E.P.T., N.D.C. and income tax were as follows for the 16 years ended 31st December 1946:—

£				£											
1931	...	...	38,653	1935	...	...	19,984	1939	...	...	53,549	1943	...	...	76,962
1932	...	...	47,022	1936	...	...	33,749	1940	...	...	124,097	1944	...	...	81,212
1933	...	...	42,591	1937	...	...	28,096	1941	...	...	88,801	1945	...	...	87,119
1934	...	...	23,714	1938	...	...	7,046	1942	...	...	77,079	1946	...	...	126,344

Turnover in the first two months of the current year exceeds that of the corresponding period last year by £23,581 despite the partial closing of the Leicester Factory for fourteen days as the result of the ban on the use of electricity during that period. Full production was resumed on the lifting of the ban.

The Directors estimate that profits for the years 1947 and 1948 will be not less than £70,000 (subject to taxation) in each year, and they consider that the Company should, unless unforeseen difficulties arise and allowing for the vagaries of trading, continue to earn average annual profits at least equal to this figure. Such profits, subject only to taxation, would be equivalent, after providing for the dividend on the Preference Stock to 60.4 per cent. on the issued Ordinary Stock, out of which the Directors would feel justified in recommending an Ordinary dividend of 35 per cent. equivalent to £4 10s. 3d. on the price of 31s. at which the Stock is offered.

NATIONAL BANK OF INDIA, LIMITED

ANOTHER SATISFACTORY YEAR

The ordinary general meeting of this bank was held at 24, Bishopsgate, London, E.C., on the 25th instant.

The following is an extract from the statement by the chairman, Mr. J. K. Michie, circulated with the report and accounts:—

It is a pleasure to me to be able to put before you the results of another satisfactory year's work. As you will see, despite unsettled conditions in India and Burma, net profits after necessary reservations and due provision for taxation and other charges are slightly higher than for the year 1945.

EXPANSION OF FIGURES

The total of the balance sheet is again higher by a little more than £1,000,000, the bulk of this increase appearing under the heading current, fixed deposit and other accounts. This increase is the more satisfactory when we take into account that during the closing months of the year many manufacturers and exporters required much larger sums to finance their business.

Cash on hand, at call and at bankers amounting to £16,111,000 is about £451,000 lower than last year. Despite the reduction and the fact that our portfolio of Treasury bills was much reduced, we still maintained a very satisfactory liquid position, holding about 30 per cent. of the total of our demand liabilities in cash and Treasury bills. During the year our investments increased by over £2,000,000, mostly represented by "dated" securities maturing within the next five years. Bills of exchange show a considerable reduction of approximately £6,700,000—entirely accounted for by the fall in our holdings of Treasury bills. Discounts, loans receivable, etc., increased by about £6,000,000. The bulk of these borrowings took place in the late months of the year, when prices of certain of India's exports advanced and when increasing imports also required financing.

IMPORTANCE OF SOUND BANKING

Throughout 1946 and throughout the world each country in its own way was struggling to adapt its economy to conditions fundamentally altered by war and its aftermath, and, as we have recently been sharply reminded, this adjustment is only in its early stages and the process is likely to be slow and painful.

The only generalisation I feel justified in making is that sound and progressive banking will be one of the absolute essentials to a sound and lasting world recovery and it is our policy to ensure that the National Bank of India will be in a position to take its full share in that service in the difficult times ahead of us.

The countries in which the bank operates could not expect to escape this problem of readjustment and, indeed, recent happenings in India, Ceylon and Burma have already given illustrations of the forms it can take and the dangers that are a consequence.

In East Africa and Aden so far I am glad to say the manifestations are fewer and less marked. India and Burma are faced with the added major complication of working out new political patterns for themselves and as an institution which has served the public in these countries for the better part of a century, we wish them wisdom in their counsels and success in resolving the many difficult and thorny problems which this supreme task entails.

As Mr Langford James has repeatedly told you, a sufficiency of food is the first economic necessity for India, and as it happens, its attainment is partly tied up with the recovery of Burma's agriculture. This fortunately has made a promising beginning; but India's population does not stand still

and the problem will remain one of urgency for many years.

India's produce has continued to command good prices in world markets and her trade balance for 1946 has been favourable, but unfortunately much invaluable production and effort has been lost through strikes and disturbances, and these in turn have led to a considerable recession in Stock Exchange values.

Preliminary talks between the Government of India and His Majesty's Government have recently been concluded in India on the question of the "sterling balances." In the present circumstances it is unlikely that these conversations have produced anything more than an interim plan, although it is of the utmost importance to both countries that a fair and workable solution should be reached at the earliest possible moment.

Ceylon's principal export trades in tea and rubber are embarking on the experiment of free marketing: rubber as the result of an international decision, but tea at the instance of the Government of Ceylon.

DEVELOPMENT IN EAST AFRICA

I have already mentioned that in East Africa conditions have been relatively settled.

Special mention, however, must be made of the very large scheme of agricultural development now being launched under the aegis of His Majesty's Government by the Governments of Tanganyika, Kenya and Northern Rhodesia in conjunction with the United Africa Co., Limited, who will in the development stages act as Government agents. By this scheme it is hoped to bring 3½ million acres under crop with the principal object of producing groundnuts, and the eventual programme will entail the employment of a labour force of 25,000. This and other developments in East African territories cannot but lead to a great expansion of their whole economy and to a general rise in the standard of living of the population.

BRITISH HOME STORES, LIMITED

INCREASED PROFITS

The nineteenth annual general meeting of British Home Stores, Limited, was held, on the 19th instant, in London, Mr Horace Moore (the chairman) presiding.

The following is an extract from the Chairman's statement:—Profits for the year showed a satisfactory increase at £292,331, against £216,671. An interim dividend was paid in September, 1946, of 16½ per cent. A final dividend of 50 per cent. is now recommended, which will leave a slightly increased carry-forward of £25,144.

During last year our sales increased substantially, but costs of operation also rose considerably. In drapery goods, which form an important part of our business, we find as yet only a small improvement in supplies. It is to be hoped that the supply position will become easier because we know just how depleted the wardrobes of the public generally have become.

Our satisfactory results have been in no small measure due to the support of our regular suppliers. Many have told us of the stabilising effect on their business that a close manufacturer-distributor relationship has brought to them, and how by the policy of selling a portion of their production to our guaranteed regular outlet they have been able to operate with greatly improved efficiency and results.

As a result of the fuel crisis it is difficult to make a forecast for the current year. In the past our business has proved resilient to difficulties, and we will all use our utmost endeavours to produce once again a satisfactory result.

The report was adopted.

NORTH-EASTERN ELECTRIC SUPPLY COMPANY, LIMITED

THE RIGHT HON. VISCOUNT RIDLEY'S REVIEW

The fifty-ninth ordinary general meeting of this company was held, on the 26th instant, at Newcastle-upon-Tyne.

The chairman (The Rt. Hon. Viscount Ridley) in the course of his speech, stated that the amount of electricity supplied to consumers in 1946—exceeding 1,834 million units—established a record in the history of the company, but the gross profit, amounting to £1,986,517, showed a decrease compared with the previous year. After payment of the proposed dividends for the year 1946, the balance remaining will be £112,812 to carry forward to the present year.

NATIONALISATION

On the subject of nationalisation the chairman said that, whether the industry were owned by the nation in the name of an electricity authority, or by a large number of individuals in the form of stockholders and ratepayers, the essential thing was that it should be efficiently and economically run in the interests of the consumers and of the owners. The Bill failed in over-centralisation of control, the separation in any area of generation and distribution, and the lack of financial autonomy for the Area Electricity Boards. It seemed that no area would be able to stand on its own and reflect its efficiency of operation, or otherwise, in the satisfactory service to consumers at an economical cost; nor could it, under the proposed system of finance and accountancy, clearly show what had been the result of its operation in any one year. These were grave defects, but it was not too late to hope that the Bill could still be modified and improved.

The chairman then reviewed the various ways in which the company had, during the course of its career, been first in the field with technical developments affecting the electricity supply industry, including the adoption of 66,000-volt transmission for the inter-connection of power stations—the forerunner of the present national grid system.

PRIDE IN ACHIEVEMENTS

Continuing, he said: We can rightly claim to have achieved, throughout the life of the company, what is stated in the Government's Electricity Bill as its first object, namely, "the use of all economical methods of generating, transmitting and distributing electricity." Indeed our area of supply of 5,640 square miles, with total connections of 1,414,526 kilowatts and 302,443 consumers, is a large and balanced area containing a variety of industrial and domestic consumers, both urban and rural, such as is in the minds of those who advocate reorganisation of the industry. We claim moreover that we have already achieved that degree of co-ordination which makes nationalisation superfluous.

In conclusion, as this will probably be our last annual meeting if the Bill passes in its present form, I think we can honestly say that our undertaking will be handed over in a sound condition when the time comes, and, though regretting the policy which enforces this change, we can only hope that the industry will, in spite of it, continue to give good service to the public.

DECLARED DIVIDENDS

The directors' report and statement of accounts were adopted, and confirmation was given to the payment of full dividends on the 7 per cent. and 5 per cent. Preference Stocks and 7 per cent. on the Ordinary Stock, less income tax.

The retiring directors were re-elected, and Messrs Price Waterhouse and Co. were reappointed auditors.

GOSSARD LIMITED

CORSET TRADE PROBLEMS

MR B. M. LINDSAY FYNN'S REVIEW

The 12th ordinary general meeting of Gossard, Limited, was held, on the 20th instant, at the registered offices, 168, Regent Street, London, W., Mr B. M. Lindsay Fynn, F.C.A., the chairman, presiding.

The secretary, Mr W. A. Dormer, read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year 1946:—During the year we were almost entirely engaged on civilian production—our Government production having declined to very small proportions—but conditions have by no means reverted to those of before the war. Our greatest difficulty, and indeed that of the corset industry in general, remains the shortage of female labour. Despite our excellent canteen facilities, our social and welfare club, our five-day week, our training schemes and high average earnings, our labour force at our main factory at Leighton Buzzard remains stationary. Bedford factory, opened last Spring, is fully staffed, and has made a welcome contribution to output, which contribution will continue to increase for some months as our girls become more highly trained.

We applied for permission to extend the Bedford factory, as more girls apply to us for employment than our small works can accommodate, but we have been refused official sanction and we are therefore negotiating in other areas.

RAW MATERIAL SHORTAGE

Our other great difficulty, which is a special difficulty of Gossards more than of the trade in general, is the shortage of raw materials suitable for the high quality merchandise for which we are known. We are the highest grade manufacturers in Britain and it is precisely the high grade materials that are in shortest supply. In addition the production of garments from them is restricted and the restriction affects us, of course, to an exceptional degree.

The Board of Trade last autumn decided to admit a quota of American and foreign corsets. The garments imported (and we were given an allocation) are comparatively expensive, and I suggest that the precious dollar exchange could have been used better had it been diverted to increase the purchase of the high-grade raw materials we need so badly for our home trade and of specialised plant and machinery which we need to maintain and further improve our high output per operative.

EXPORT TRADE DOUBLED

Our export trade has developed considerably during the year being nearly double that of 1945, and considerably more than in the last pre-war year. This has been helped by the grant of import licences to enable us to purchase high-grade materials abroad, provided the resultant finished product is wholly exported. We believe that to-day we are one of the largest exporters of British corsets. Our exports are almost entirely of the highest quality product, requiring operatives highly skilled and accustomed to fine work and fabrics. This is why we need more high-grade materials and greater freedom to concentrate our production on high-class models, both for home and export, as it is very difficult to make both high-grade and utility merchandise in the same factory and with the same operatives.

There are still certain valuable corset fabrics made in Britain which are not available to the corset trade, even for export corsets, but which are exported in the piece to the markets we supplied with corsets before the war. I hope the Board of Trade will make those available to us also—otherwise we shall be compelled by local competition and American exports to consider the erection of local factories in our overseas

markets and so to lose for ever much valuable export trade.

HIGHER OUTPUT PER OPERATIVE

Now I have told you the gloomier problems—restrictions, shortage of fine materials and labour, etc. There is also a brighter side. Our output per operative is substantially higher than before the war, and is equal to the best American standards. Our volume of civilian production in 1946 was 50 per cent. higher than our volume in the last pre-war year (while that of the industry as a whole is 40 per cent. lower), and yet we are selling on the average at less than our pre-war prices. We are justly proud of our achievement and yet dissatisfied with it. The demand for our products has risen so largely that they are almost unobtainable and are sold immediately they reach the stores. I want to tell our customers how much we regret what we consider the wholly inadequate deliveries we continue to make to them and how much we appreciate their forbearance in the matter. We anticipate that our output in 1947 will show an increase over that for 1946, although unfortunately the fuel crisis led to the temporary compulsory closure of our Leighton Buzzard and Bedford factories.

During the year we appointed Miss Cassy an executive director. Miss Cassy came to us from our good friends Harrods, Ltd., and is well known to the trade. I am satisfied that the appointment was a wise one, and that it will enable us still further to improve our quality and service.

VISITS TO USA

We like, from time to time, to renew our American contacts, and with this in view, I paid two visits by air to the U.S.A.—the second time being accompanied by Mr Sambrook, our works director, and Miss Cassy, our stylist. We received the greatest kindness and assistance from our friends in the American Gossard Company, with whom we were able to discuss our many problems and from whom we could learn the latest developments in American manufacturing technique and fashion trends. Most of the time was spent in factories or in the corset departments of the big American stores or in informal talks with buyers from all parts of the States, and we were made to feel that the magnificent organisation of the H. W. Gossard Company was entirely at our service and to realise that it is still the leading high-grade corset business in America. Indeed, it goes from strength to strength.

Our subsidiary and associated companies have made marked progress during the year, their output and profits in total being a record, and we anticipate that they will make still further progress this year. One factory that received a direct hit from a medium bomb is closed for reconstruction, but should reopen next summer, while an associated company has obtained permission to build a small new factory to replace production space destroyed in the war, and this should be available in about six months' time.

LIQUID POSITION STRENGTHENED

During the year the directors obtained permission to place 50,000 5½ per cent. Preference shares of £1 each at 23s. 6d., less 6d. commission, and, as a result, our liquid position has been greatly strengthened. We also realised a part of our trade investments at a substantial profit.

In view of the Cohen Committee recommendations, we publish this year a consolidated balance sheet. To achieve this it was necessary to alter our balance sheet date to December 31st, and alter similarly the dates in the case of our subsidiary companies as their accounts terminated on differing dates.

The report and accounts were unanimously adopted. The retiring directors, Mr R. W. G. Mackay, Mr W. A. Dormer and Miss M. V. Cassy, were re-elected, and the auditors, Messrs. J. Dix Lewis, Caesar, Duncan and Co., were re-appointed.

MIDLAND ELECTRIC CORPORATION FOR POWER DISTRIBUTION, LIMITED

THE NATIONALISATION THREAT

The forty-ninth ordinary general meeting of this company was held, on the 27th instant, in London.

Sir Alexander Roger, K.C.I.E. (the chairman), said that their unit sales at 309 millions had risen 6 per cent. over the 1945 level and the equivalent revenue from sales of electricity showed the substantial increase of £97,226, of which approximately £68,000 was obtained from lighting and domestic supplies and the balance from industrial sales. The balance carried from revenue account showed an increase of £39,731. That, however, was largely liquidated by an increase of £36,516 in provisions for taxation. The directors recommended a final dividend of 6 per cent. actual, less income tax on the ordinary share capital, making a total distribution of 9 per cent. for the year.

50 YEARS' SERVICE

The Midland Electric Corporation for Power Distribution, Limited, was incorporated on June 23, 1897. It was registered by far-seeing enterprising individuals who were among the first, if not the first, to realise that the future of electricity supply, outside the large boroughs, would require wider boundaries than single municipal units. They, therefore, negotiated with a number of local authorities, whose areas were contiguous, and eventually secured the transfer of 25 provisional orders to form a compact area of over 100 square miles, largely comprising the area of South Staffordshire known as the Black Country.

The company had made a great and lasting contribution to the area it served—in the accelerated development of the area, due to the provision of cheap and abundant electric power, resulting in the removal of smoke from the one-time Black Country, due to the installation of some 450,000 h.p. of electrical plant and the wholesale replacement of coal-burning apparatus. Their friendly and happy relationships with the local authorities and their officials had contributed in no small degree to wider opportunities for service to the community.

It should also be remembered that the company had combined with the boroughs of Wolverhampton, Walsall and West Bromwich in establishing the West Midlands Joint Electricity Authority for the joint generation of their electricity requirements and the development of a large rural area. For a period of 21 years they had worked harmoniously with representatives of those boroughs and those of other undertakings who had subsequently joined them.

Their Jubilee Year might see great changes in the electricity supply industry, but they very much doubted whether the pioneering spirit, the progress and the service they had contributed to the district would be equalled under the new control.

THE ELECTRICITY BILL

The Electricity Bill for the nationalisation of electricity supply undertakings was now before a "Standing Committee" of the House of Commons, and the continued existence of the company depended on its progress. He had written to stockholders pointing out the arbitrary, unjust and entirely unnecessary nature of the proposals it contained, especially the inadequate compensation it proposed to impose on stockholders in return for their investments in the company, which would reduce their income by 35 per cent. If stockholders disapproved of the proposals to dispossess them, he hoped they were taking every opportunity of registering their views.

He was entirely at a loss to know in what manner that transfer of ownership would

benefit the community. Personally, he was certain it would be to the detriment of the consumers and to the stockholders—the owners of the undertaking. At a time of grave economic crisis, while the Government was exhorting the country to bend all its energies in a joint and universal effort to achieve maximum production, it was incredible and amazing to see the same Government forcing further upheaval, unrest, dissension and frustration on industry and the taxpayer investor by nationalising the electricity supply industry, which had a record for success and development second to none in the country.

The change of stock certificates from holdings in a public company to a public or national board, brought no added sense of responsibility for the development of electricity supply, nor any added interest in the problems of management, neither would it assist in producing more units at a reduced price. In fact, the statutory obligation to provide a cheap and abundant supply had been omitted from the Bill, presumably on the realisation that under national operation electricity would neither be abundant nor cheap.

The splendid record of the company had only been possible by close co-operation between management, operatives, consumers and local authorities, and it should be remembered the company had distributed larger sums in wages than in dividends. The spirit in which the industry was operated was of greater importance than the form of ownership, and he was concerned to note that in the Electricity Bill, the relationship between the central controlling authority, the regional boards, the consumers and the general public, was defined by declarations, rather than by specific statutory obligations. There appeared to be no body competent to insist upon the controlling authority carrying out its duties, performing its functions, or giving effect to its policy.

The report was adopted.

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

DIVIDENDS RESUMED

The thirty-eighth ordinary general meeting of this company was held, on the 26th instant, in London, Mr H. J. Welch (the chairman) presiding.

The following is an extract from his circulated statement:—

The proposal to pay a dividend of 3½ per cent. for the past year and the changes resulting from continuance of our war-time policy of moving a portion of our invested funds from rubber into tea are the salient features of the directors' report and accounts. We commenced the year with a carry-forward of £176,649: after adding to it the surplus revenue for 1946 and deducting taxation and the proposed appropriations, we carry into the present year a surplus of £154,123—and retain intact the dividend equalisation reserve of £50,000.

Gross revenue was up by £20,260 and net revenue by practically the same amount, before deducting taxation, which increased by £11,017.

Throughout 1946 we continued our search for improved revenue yields consistent with reasonable safety of capital; funds invested within the British Empire were to the extent of just over 4 per cent. of our total investments transferred from Malaya to India and Ceylon and at the end of the year were equally divided between those countries. Transfer of funds from rubber into tea were made to the extent of about 5 per cent. of our total investments.

Quoted securities had a market value of £2,091,911, whilst the unquoted securities were valued at £84,812, making a total valuation of £2,176,723.

The report was adopted.

TELEPHONE AND GENERAL TRUST, LIMITED

SIR ALEXANDER ROGER ON NATIONALISATION

The annual general meeting of this company will be held on April 2nd in London.

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

Profit amounts to £126,345, an increase of £4,854. Dividends and interest received at £181,049 increased by £8,516, and sundry receipts were less by £2,396. Management expenses and directors' fees are up by £1,145. Interest paid on loans and deposits remains practically unchanged at £7,695.

Income tax absorbs £60,000, and after providing for the preference and ordinary dividends of 7 per cent. and 8 per cent. respectively, less income tax, £96,252 is carried forward, as against £83,070 brought in, an increase of £13,182.

BALANCE SHEET

General investments have decreased by £353,747 and shares in telephone operating companies by £23,969. An active movement in loans both to and from the telephone operating companies took place during 1946, and at £371,734 loans to these companies show a net increase of £301,375, while at £181,270 loans from the companies were reduced by £284,836, showing that at long last deferred capital expenditure programmes are going ahead.

The valuation shows an appreciation of over 29 per cent. The total investments stand at £2,805,482, of which quoted investments amounting to £1,730,982 are valued at middle prices on December 31, 1946. Unquoted investments and loans at £1,074,500, mainly in telephone operating companies in British West Indies, Portugal and Venezuela, are considered by the directors to be valued on a fair and reasonable basis.

Geographically, 76.03 per cent. of total investments and loans are in the British Empire and 23.97 per cent. in foreign countries, of which Government stocks, debentures and loans amount to 18.3 per cent., preference stocks (including subsidiaries) to 14.6 per cent., ordinary to 39.3 per cent. and subsidiary ordinary to 27.9 per cent.

PROBLEMS FACING EXPORT

Last year I again laid emphasis on the vital importance of overseas investment to export trade as an essential feature of economic recovery plans. Now it has been forced afresh upon the nation by the coal and electricity crisis which brought the country to an industrial standstill, in turn leading to a more rapid exhaustion of our American loan and bringing all too near our supreme crisis, that of insufficient and unattractive food for the nation.

We still have many hundred millions of investments abroad bringing us steady orders for goods, but every step taken here extending nationalisation sets a clear example to our foreign customers on whom we depend utterly and absolutely for our foreign business.

I have often said that if Britain possessed sufficient natural resources to be a self-contained nation, like Russia and the United States, neither of whom are essentially dependent on exports and imports, the Government could go on turning business and industry upside down as they are doing at present without the world doing more than shrug its shoulders. Britain, however, while lacking these natural resources, yet remains the real nerve centre of the most complex international business and industrial machine the world has ever seen. Its mobilised and successful experience, ability and knowledge of international business, banking, finance, insurance, transport and trading is still unequalled, and to discard or interrupt this

wonderful machine for political and ideological reasons, or to proclaim that the machine is inefficient or incompetent, is nothing short of suicidal and has the most serious adverse repercussions all over the globe on our trade, our prestige and our foreign commercial influence.

Our trading Empire is the world, and all our great business since the days of Queen Elizabeth has been built on the profit motive which is ingrained in the British people and their descendants throughout the world. It may be ideologically wrong in theory, but it can't be broken in practice in the life of a Parliament or 20 Parliaments, and fecklessly to enforce a change of practice and a change of outlook in times like these is courting disaster.

CONTROLS AND FRUSTRATIONS

Even if nationalisation were the best scheme in the world, we cannot now afford the dislocation and frustration and shock to confidence which the pursuit of it entails. We all want to be engaged in a single aim. We all want to close the ranks and fight for recovery as we fought for victory in the war. But when Government says that "First things must come first," they merely mean nationalisation with further restrictions, controls and frustrations, whether you like it or whether you don't.

Karl Marx did not know the first thing about international trade, neither do some of his intellectual followers in Parliament, but they show no sign of willingness to learn from the vast experience gathered successfully over a century and more. Though available in this country right in our midst, this experience is being politically ignored and foolishly despised.

Cabinet Ministers have not been educated in the intricacies of manufacture and international trade, of production and distribution, the tempo of salesmanship and competition, and yet at a time when the dire and desperate need is for speed and action in every phase of production and trade the business of the nation is being geared to the slow movements of a partisan political machine.

TOTALITARIAN PLANNING

It is interesting to note that in the view of our democratic Government totalitarian planning differs from their kind of democratic planning. They somewhat naively state that totalitarianism subordinates all individual desires and preferences to the demands of the State, but what else are they doing?

Over 50 per cent. of the people in this country detest nationalisation, and yet they are asked—and this includes all classes, whether directors, managers, superintendents, charge-hands, clerical, factory or shop workers—to subordinate their beliefs born of practical successful experience and embark on an uncharted economic sea. In fact, the Government's only plan is to force the extension of a system on the people which must, by its very nature, defeat any hope of a united effort.

They hamstringing industry, cotton markets, metal markets and produce markets, cut out middle men who know how to sell, pack, ship and deliver anywhere in the world. These men have created the trade marks, know the quality that is needed and the price that should be charged; they know all about insurance, freights, import and export duties, and a thousand and one other things that go to make an expert and sell an export. Literally there are thousands of experts in this country who are eating their hearts out because they are not allowed to use their experience and knowledge.

GOVERNMENT RETURNS

For the week ended Mar. 22, 1947, total ordinary revenue was £90,889,000 against ordinary expenditure of £133,303,000, and issues to sinking funds £100,000. Thus, including sinking fund allocations of £17,003,197, the deficit accrued since April 1st is £476,175,264 against £2,080,090,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1946-47	Receipts into the Exchequer (£ thousands)			
		April 1 to Mar. 23, 1946	April 1 to Mar. 22, 1947	Week ended Mar. 23, 1946	Week ended Mar. 22, 1947
ORDINARY REVENUE					
Income Tax	111,100	132,152	117,115	34,115	33,242
Sur-tax	80,000	66,729	72,142	2,550	2,800
Estate, etc. Duties	140,000	117,156	144,874	2,410	2,700
Stamps	29,000	24,899	36,809	2,410	1,710
N.D.C.	325,000	34,781	31,547	1,110	440
E.P.T.	1,000	425,547	320,161	8,650	4,100
Other Inland Rev.		681	669	50	90
Total Inland Rev.	1,686,000	1,991,316	1,723,317	51,295	45,082
Customs	595,000	554,621	601,593	9,240	14,938
Excise	592,000	523,500	552,600	5,900	4,400
Total Customs & Excise	1,187,000	1,078,121	1,154,193	15,140	19,338
Motor Duties	45,000	42,826	49,123	...	...
Surplus War Stores	150,000	...	151,533	...	16,449
Surplus Receipts from Trading	50,000	...	40,000	...	...
Post Office (Net Receipts)	5,300	4,720	9,110	...	D3,150
Wireless Licences	1,000	930	870	...	...
Crown Lands	15,000	10,762	26,780	...	3,155
Receipts from Loans	22,000	67,772	65,250	1,267	10,015
Total Ord. Rev.	3,161,300	3,196,447	3,220,176	67,702	90,889
SELF-BALANCING					
Post Office	123,300	113,550	128,500	2,000	4,900
Income Tax on E.P.T. Refunds	...	302	149,774	268	1,394
Total	3,284,600	3,310,299	3,348,676	69,970	97,183

Expenditure	Estimate, 1946-47	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Mar. 23, 1946	April 1 to Mar. 22, 1947	Week ended Mar. 23, 1946	Week ended Mar. 22, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	490,000	451,366	495,217	1,168	1,423
Payments to N. Ireland	20,000	10,789	18,021	...	...
Nat. Land Fund	50,000	...	50,000	...	...
Other Cons. Fund Services	8,000	7,735	7,081	...	...
Total	568,000	469,890	570,319	1,168	1,423
Supply Services	353,404	479,027	510,929	114,534	131,879
Total	410,204	526,016	567,938	115,702	133,303
SELF-BALANCING					
P.O. & Broadcasting	123,300	113,550	128,500	2,000	4,900
Income Tax on E.P.T. Refunds	...	302	149,774	268	1,394
Total	422,534	537,401	397,622	117,970	139,596

After increasing Exchequer balances by £393,338 to £3,072,844, the other operations for the week increased the gross National Debt by £60,198,722 to £25,586 million.

NET ISSUES (£ thousands)					
P.O. and Telegraph	450				
E.P.T. Refunds	1,704				
Overseas Trade Guarantees Act, 1939, Sec. 4(1)	48				
Local Authorities Loans Act, 1945, Sec. 3(1)	2,550				
War Damage: War Damage Commission	2,000				
Civil Contingencies Fund	10,000				
Finance Act, 1946, Sec. 26(7) Post-war Credits	240				
Finance Act, 1935, Sec. 30(1) 3 per cent Local Loans Stock	300				
	17,292				

Statistical Summary

CHANGES IN DEBT (£ thousands)		NET REPAYMENTS	
NET RECEIPTS		3% Defence Bonds	11,362
Treasury bills	62,301	Tax Reserve Certs.	12,244
Nat. Savings Certs.	8,500	Other Debt:—	
2½% Defence Bds.	2,357	Internal	1,023
Ways & Means Advances	2,670	External	1
	75,828	Treasury Deposits	1,000
			15,630

* Including £748,000 paid off on maturity.

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
Mar. 23	1720-0	2605-1	445-7	18-75	1560-5	6360-1
Dec. 7	2080-0	2487-3	376-1	...	1742-5	6685-9
" 14	2100-0	2377-8	388-6	...	1729-0	6688-1
" 21	2120-0	2496-0	375-8	17-5	1688-5	6697-5
" 28	2140-0	2455-6	448-0	...	1676-5	6720-1
1947						
Jan. 11	2150-0	2467-1	411-4	...	1686-5	6715-0
" 18	2150-0	2457-2	412-2	...	1681-0	6700-4
" 25	2145-0	2461-6	395-1	...	1657-5	6699-2
Feb. 1	2145-0	2435-2	427-2	...	1633-5	6640-8
" 8	2145-0	2418-2	439-7	9-0	1640-0	6602-9
" 15	2155-0	2441-3	446-5	...	1508-0	6626-1
" 22	2165-0	2506-5	530-3	15-0	1473-5	6759-3
Mar. 1	2175-0	2565-5	582-2	...	1443-5	6812-9
" 8	2185-0	2600-7	583-7	...	1435-0	6830-7
" 15	2185-0	2628-5	582-2	...	1435-0	6830-7
" 22	2185-0	2690-9	582-6	2-25	1434-0	6894-7

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	% Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
Mar. 22	150-0	234-4	150-0	10 1-35	50
Dec. 20	170-0	280-3	170-0	9 11-92	46
" 27	170-0	285-8	170-0	10 0-27	47
1947					
Jan. 3	170-0	273-7	170-0	10 0-69	54
" 10	170-0	287-6	170-0	10 0-16	47
" 17	170-0	273-4	165-0	10 0-41	51
" 24	160-0	277-2	160-0	10 1-43	24
" 31	160-0	303-0	160-0	10 1-14	37
Feb. 7	170-0	290-6	170-0	10 1-52	46
" 14	170-0	263-6	170-0	10 2-17	58
" 21	170-0	277-9	170-0	10 1-79	41
" 28	170-0	246-3	170-0	10 2-16	63
Mar. 7	170-0	287-0	170-0	10 1-15	43
" 14	170-0	273-9	170-0	10 1-59	51
" 21	170-0	288-2	170-0	10 1-29	45

On Mar. 21st applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 45 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for Mar. 28th. For the week ended Mar. 29th the Banks will be asked for Treasury deposits to a maximum of £90,000,000.

NATIONAL SAVINGS CERTIFICATES AND 2½% BOND SUBSCRIPTIONS (£ thousands)

Week ended	N.S.C.	2½% Defence Bonds	Week ended	N.S.C.	2½% Defence Bonds
1946					
Dec. 28	2,500	1,960	Feb. 8	4,700	3,410
1947			" 15	3,600	2,500
Jan. 4	2,600	2,910	" 22	4,600	2,810
" 11	3,500	3,240	Mar. 1	7,350	4,200
" 18	3,700	6,780	" 8	6,700	2,983
" 25	5,100	5,820	" 15	5,600	2,330
Feb. 1	5,050	4,620			
			Totals to date	*1,716,370	*1109,333

* 382 weeks. † 46 weeks.
Up to Mar. 15th principal of Savings Certificates to the amount of £443,975,000 had been repaid.

BANK OF ENGLAND RETURNS

MARCH 26, 1947

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt	11,015,100
In Circulation	1390,702,811	Other Govt. Securities	1438,257,084
In Bank of England Department	59,545,022	Other Secs.	719,606
		Coin other than Gold	8,206
		Ant. of Fid.	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1450,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	321,660,660
Reserves	3,975,147	Other Secs.	16,780,638
Public Depts.	10,618,776	Discounts and Advances	11,092,028
		Securities	27,852,666
Other Depts.	286,400,556	Notes	59,545,022
Bankers	24,418,868	Coin	609,087
Other Accts.			409,967,435
			409,967,435

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Amritsar	Colombo	Mandalay	Mombasa
Bombay	Delhi	Nuwara	Nairobi
Calcutta	Kandy	Eliya	Nakuru
Cawnpore	Karachi	Rangoon	Nakuru
Chittagong	Lahore	Tuticoria	Nairobi
Dar-es-Salaam	Mwanza	Zanzibar	Kampala
Tanganyika Territory			
Uganda			

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PAID-UP CAPITAL ... £2,000,000
RESERVE FUND ... £2,200,000

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Preliminary Examination: May 13 and 14, 1947.

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(1945 Accounts)

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UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in Agricultural Economics tenable at the London School of Economics and Political Science (salary £800-£1,000-£1,200). Applications must be received not later than May 22, 1947, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in Economics (Public Utility), tenable at the London School of Economics and Political Science (salary £800-£1,000-£1,200). Applications must be received not later than May 22, 1947, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in Colonial Economics tenable at the London School of Economics and Political Science (salary £800-£1,000-£1,200). Applications must be received not later than May 22, 1947, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

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The Economist

April 5, 1947

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VOL. CLII NO. 5406

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3

BY AIR (U.S. and Canada only) \$24

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Members and Electors

AFTER several weeks of economics, politics is once more in the ascendant. The two subjects are not nowadays easily distinguished, since political issues mainly turn on economic facts, while economic trends in their turn depend on political decisions. But whereas for two months the attention of the Government, of Parliament and the public has been directed to the economic elements of the state of the nation, this week's headlines have been mainly concerned with the domestic concerns of the Labour Party. Several things have combined to produce this result. In the first place, the debate on the second reading of the National Service Bill has revealed more, or at least more open, opposition to the Government within the ranks of their own party than at any time since the General Election. Secondly, it is becoming apparent that the Labour movement in the country is not so solidly in support of the Government's handling of the economic crisis as is the Parliamentary Party. Members visiting their constituencies bring back reports which, if not yet alarming to them, are equally not very reassuring, and the Trades Union Congress has let it be known that it is by no means satisfied with the trend of the Government's policy. Important changes in the personnel of the Government are rumoured, the most sensational being that Mr Bevin is about to forsake foreign affairs for economic policy. And finally, the central offices of all parties have been flustered in recent weeks by insistent reports that the Prime Minister is considering the possibility of a General Election in the autumn.

It is very difficult to know how much credence, if any, should be attached to any of these reports. On the one hand, it is abundantly clear that the honeymoon period of the Labour Government is long since over. It can no longer blame anything on its predecessors; it can no longer count on beginner's luck; and, above all, it must find something to bind its supporters to it more durable than the initial flush of enthusiasm that comes after an unexpected victory. But, on the other hand, it would be a very great mistake to exaggerate the extent of the discontent within the Labour Party. There are, it is true, several groups that are discontented with specific aspects of the Government's policy and it happens that the National Service Bill brings several of them together in opposition. There is the large element of conscientious objection to conscription, which by long tradition enjoys much respect in the Labour Party and to which several members of the Government have belonged in the not very distant past. There is another body of members who, while not objecting to conscription in principle, nevertheless have suspicions—fortified by recent experience in the armed forces—that the Service Departments are being allowed a far greater share of the national manpower than they deserve or can use economically. And finally there is the persistent band of critics whose chief objection is to Mr Bevin's foreign policy—though Mr Crossman, who led the "rebellion" last autumn, voted and spoke on this occasion for the Bill.

These elements of dissent, it will be seen, have very various motives. But opposition to the National Service Bill is by no means the only thing that unites them; they are also united in not wishing the Government any

real harm. None of them is within a hundred miles of wishing to split their party or bring the Government down. Indeed, it was only because, on this Bill, the Government was quite sure of a majority that so much skirmishing against it was indulged in. It was not out of sheer benevolence that Mr Churchill, so openly and so early in the debate, promised the Government the support of the Opposition. To promise support was, on this occasion, the surest way of embarrassing Mr Attlee and Mr Alexander, because it made it quite safe for any Labour member to exercise his conscience or his spleen. It would be a misreading of the situation to think that Tuesday's vote, when some 70 Labour members voted against their front bench, threatens the continuance of the Government. Had the Government been in danger, the Labour battalions would have been on parade almost to the last man. The effects of the current discontent inside the party will not be seen in any insecurity of the Government. Where these effects may, in the course of time, be visible is in the policy and personnel of the Government. Ministers may think it advisable, if not to alter their course, at least to tack. The Prime Minister may think it wise to remove some of the objects of criticism, or to silence some of the critics by appointing them to office. And the final effect will not be seen until the next General Election reveals whether the dissensions within the party have subtracted anything from the votes it can poll.

*

To say that the present Ministerial team is not perfect is to carry understatement to the point of satire. Many Ministers are tired, some are ill, and quite a number have been proved inadequate. Yet Mr Attlee may find it very difficult to make changes. Every Prime Minister starts out with the warning that his original team is an experiment and that failures will be removed from office; but every Prime Minister also finds it very difficult to change his team once chosen. He never again has even the limited freedom of choice that he has at the start. For example, there is a strong case for a transfer of Mr Bevin from the Foreign Office to domestic economic policy, which badly needs both the impulsion that he could give it and the influence that he can uniquely exercise over the trade unions. It may even be that Mr Bevin wants to make the change—though of that there is no evidence. But who could succeed him at the Foreign Office? Not Mr Morrison, who is in no fit state of health to undertake the rigours of modern diplomacy. Mr Dalton would naturally be a strong candidate but, apart from the difficulty of moving him in Budget season, could he be counted on to pursue the foreign policy in which not only Mr Bevin but also Mr Attlee himself believe, and not to go off on a chase after the will o' the wisp of a "Socialist" foreign policy? The Prime Minister is no doubt conscious of the failures in his team. But could he replace them with better men and still maintain the trade union quota?

A sitting Government, for reasons such as these, always finds it difficult to change its character in mid-course, and the present Government, so far from being an exception to the rule, seems to the outside observer to be more firmly caught in its own inhibitions than most. The probability is that it will go on much as it has been going, and with much the same personalities. But how long will it go on? This is where the rumours of an election become relevant. From the strictly party point of view, there are some arguments for a dissolution this year. By the end of the present session, the Government will have passed into law a very large part of the programme they put before the electorate in 1945; they must either mark time for three more years, or exceed their "mandate," or seek a new one. They have not yet lost a by-election (though it is only fair to add that they have only fought one—and that in a mining

district—since the severity of the economic crisis became apparent). They might, by dissolving now, get five more years of office, whereas to wait until later is to run all the risks of deepening economic crisis and spreading disappointment. Moreover, there would be a purely tactical advantage for the Labour Party in fighting before the re-arrangement of electoral boundaries, which will probably work to Labour's disadvantage, is complete.

And yet there would equally be grave disadvantages, again from the strictly party point of view. Most of the Labour Ministers and members are dependent on their salaries for their livings, and there will be many who will be nervous about endangering them before it is necessary. Moreover, to have an election requires an election issue. The Opposition, with their command of the House of Lords, could create an issue at any time; moreover, if it were to take the form, not of a rejection but of postponement of the unpopular Transport Bill, the cry "the peers versus the people" might backfire among the middle sections of the electorate whose votes are needed for victory. But the Tories will not issue a challenge unless the trend of events gives them a chance of winning—in which case the argument in the Labour Party for letting well enough alone will be all the stronger. And if the issue is created, there must also be a programme. That also would create difficulty, for Ministers, who see all the problems from very close, and their followers, who are inevitably somewhat removed from reality, might have very different views. While those behind cried "Forward," some at least of those before would cry "Back."

On a balance of probabilities, therefore, the odds are that this Parliament will live out its normal life and that the General Election is still two or three years off. But the odds might change. It is often forgotten that the balance in the country is not very far from being even. The following figures of the last four General Elections are worth recalling:

	1929	1931	1935	1945
Labour	8,380,000 37.0%	6,648,000 30.7%	8,465,000 38.6%	12,051,000 48.1%
Conservative and allies	8,659,000 38.2%	13,059,000 60.4%	11,792,000 53.7%	9,978,000 39.7%
All other	5,595,000 24.8%	1,932,000 8.9%	1,688,000 7.7%	3,066,000 12.2%

Both the major parties can apparently count on a minimum of almost 40 per cent of the vote (save in such exceptional circumstances as 1931), while the Liberals and the other smaller parties have never fallen much below 8 per cent. This means that General Elections are decided by about 12 to 15 per cent of the voters, some 3,000,000 people, of whom, in 1945, two-thirds voted for the Labour Party and gave it its Parliamentary majority. If one million of these—less than 3,000 in each seat now held by Labour—were to transfer their votes to the Conservatives, the electoral vote would be equal. If two million, without voting Tory, were to withdraw their votes from Labour the result would be the same. These are small margins. When it is remembered how many electors voted Labour last time purely as a protest, how little the Labour Government has done to please those who do not consider themselves to be members of the working class, and how much more general economic trouble is to be anticipated before 1949 or 1950—when these things are remembered, it is difficult to share the confidence of many Labour supporters that they will win another easy victory next time, even if they once again have Mr Churchill's assistance. The next few by-elections will be watched very closely. If they show Labour as strong as ever, the temptation to dissolve this year will be very powerful. But if they show, for the first time, any significant fall in the Labour vote—and a fall would not have to be large to be significant—then it will be the Opposition that will begin to talk of an election and whose tactics, in both Houses of Parliament, will be shaped to that end.

Asia and the Truman Doctrine

BETWEEN the wars a book was published with the title of "Europe, the World's Banker." It was, in fact, an analysis of capital export before 1914 from Britain, France and Germany, including their lending to, and investment in, other European countries. To-day, nobody would dispute that the title of "the World's Banker" should be assigned to the United States of America; no amount of talk about a World Bank or financial assistance by the United Nations can alter the fact that the United States is the only country at present with the capacity for really large-scale foreign investment, whether with private or national funds. It is also a fact that the greater part of the world is crying out for the economic aid which America is able to provide, and this demand comes not only from countries devastated or impoverished by the war, but from the vast region of lands classified as "backward" and eager for the rapid economic development without which they cannot take their place among the nations of the modern world.

Even if there had been no war, the problem of the economic development of the countries of Asia to the south of the Soviet Union, from the Mediterranean to the Pacific, would confront the world with many delicate issues in international relations. In the whole of this region only Japan had achieved a modernised economy before the war and even in Japan the process had been a very uneven one. Elsewhere, Asia had remained in a condition of relatively primitive economy with scattered installations of modern industry or transport, mainly of foreign origin; politically it had been divided between dependencies of Western nations and countries formally independent, but subject either to definite restrictions of sovereignty or to various degrees of foreign "influence." The Western nations exporting capital to these countries had not, generally speaking, aimed at their industrialisation, but at their development as sources of primary products for the world market and at the promotion of commerce in these commodities. On the other hand, the emerging nationalist movements everywhere aimed at industrialisation, both as a means to the increase of national wealth and as an essential condition of national power and independence. These movements were faced with the dilemma that their projects in every case involved large-scale borrowing from abroad, yet their political principles forbade them to submit to any of the political or administrative controls which had previously been associated with foreign loans, credits and large business enterprises. Asiatic nationalism, therefore, and the growing anti-imperialist conscience of the West alike set the problem of how to induce capital to move as required from more advanced to less advanced countries with sufficient security for the lender, but without "strings attached" of a kind unacceptable to the borrower.

For the new era of international investment in Asia the United States has started with two great advantages. In the first place, the gospel of industrialisation of backward countries has taken hold of the American mind earlier and more strongly than of the Western European; partly because the American economy has so much more self-supply of foodstuffs and raw materials and is, therefore, less inclined to assume a lasting division between industrial and primary-producing countries; partly because faith in industrialisation as a way of general human salvation has been more widely prevalent in America. A second advantage for America in Asia is the fact that the United States has never acquired territorial sovereignty anywhere in Asia except in the Philippines, where it was taken from another European nation and subsequently renounced by the grant of sovereign national independence to the Filipinos. The Americans have thus enjoyed in Asia a certain reputation for disinterestedness and benevolence which has enabled them to start well in relations with the new nationalist forces bent on liquidating all traces of colonial rule and foreign privilege.

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As against this, the very isolationism and anti-colonialism which have kept America out of the past interventions, conquests and partition arrangements of the European Powers in Asia are now acting as a barrier to capital export. The private investor, in fact, is showing himself very wary indeed. Theoretically, in a system of private capitalism, money for investment abroad, whether in State loans or business enterprises, comes from private capital accumulation on the same calculations of profit and risk as in domestic investment, the decisive factor being a judgment on the credit-worthiness of the country concerned or on its capacity to provide suitable conditions for the operation of a business enterprise. But in practice there has normally been in the past a reliance on the government of the lending country to provide security for the investor by means varying from direct control, as in colonial territories, to diplomatic pressure and influence. If there is no such protection from his government, or if it is insufficient, the investor is left to cope with all the dangers of lending money to a foreign government which may squander it and fall into bankruptcy or of putting money into a company whose operations may be frustrated by official extortion, brigandage or civil war. These risks have been increased by the spread of xenophobic and anti-imperialist doctrines, which represent the foreign investor as an enemy and justify any measure of default, confiscation, freezing or squeezing that a poor nation can get away with. Thus it has come about that the export of private capital from America before the proclamation of the Truman

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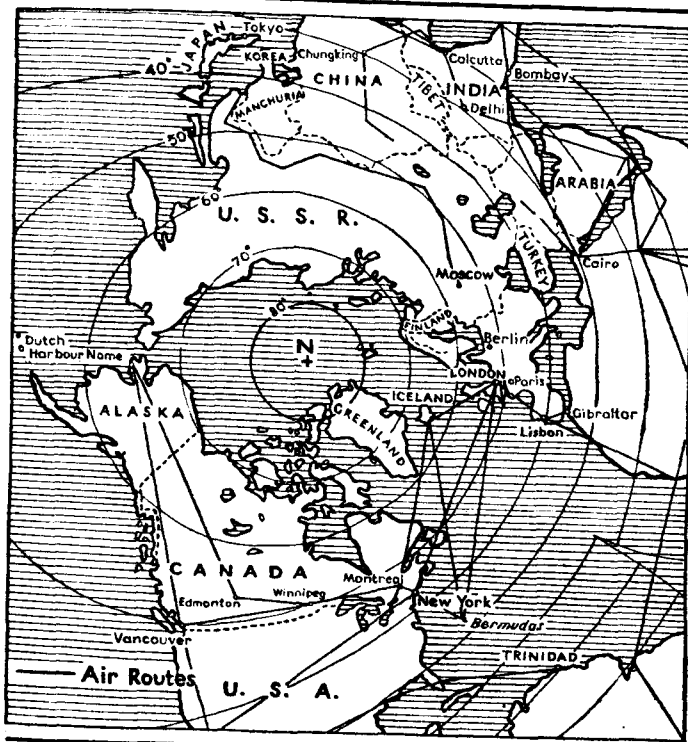
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Doctrine was quite inadequate for the needs of a number of countries crying out for financial aid.

The alternative is for Uncle Sam to go into the foreign investment business himself. This means first of all the Export-Import Bank, which provides funds not forthcoming from private financial institutions, but must justify its operations commercially according to strict regulations; and secondly, it means loans which are granted by the United States Government, subject to the approval of Congress in each case. This removal of foreign investment from Wall Street to Washington inevitably brings it into the sphere of politics and, as far as Asia is concerned, links it directly with foreign policy. The State Department has certainly grasped, what the American public as a whole has only half realised, that American foreign investment is insecure without support by American political power and that this power in the world cannot be effective



unless sustained by dollars. The US Government, indeed, has motives for investment in Asia over and above the private investor's desire to make a profit by lending his money. There is, first of all, the wish to develop markets, especially for capital goods, and thus bring about a new prosperity for American industry. But even surpassing this motive—which by itself would justify a strong support for foreign investment expansion—is the purely political purpose of sustaining the independence of a number of nations which, in Washington's official opinion, would otherwise lose it.

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This is the design which has been exposed with the frankest emphasis to the American people in President Truman's appeal for assistance to Greece and Turkey. It is clearly not the whole of the scheme. It is openly declared that the threat to Greek and Turkish independence comes from the Soviet Union or from Soviet satellites using internal revolutionary elements as auxiliaries. But to the east of Turkey, Persia, Afghanistan and China have common frontiers with the Soviet Union, and in the extreme east of the continent is newly "liberated" Korea, divided between Soviet and American occupation zones. Lacking direct contact with the Soviet Union, but divided from it only by narrow tracts of intervening territory, are the Arab countries of South-west Asia and India, which is due to start its career as an independent nation (or nations) in

the middle of next year. All these countries will need external economic aid, if they are to achieve national strength and stability and make orderly progress in the near future. It is not logical that American bounty should stop at Mount Ararat. Already Teheran and Nanking are hopefully awaiting the golden rain.

The idea that America ought to protect China against the pressure of land power from the interior of Asia is not in fact a new one; it is much older than the Soviet Union. As early as 1855 Humphrey Marshall, the United States Commissioner in China, urged the State Department that "almost any sacrifice should be made by the United States to keep Russia from spreading her Pacific boundary or coming directly to interference in Chinese domestic affairs." But that was prophetic rather than actual; when Russia at last reached the Yellow Sea, it was not the United States, but Japan which gave battle. Later on, Russia and America were to be drawn together by a common interest against Japanese aggression, but tension began almost immediately after Japan's surrender. The main issue on which policies at once seriously clashed was the disposal of the important Japanese-installed industrial equipment of Manchuria, which had been earmarked in Washington for China's initial post-war industrialisation. The systematic removal of this plant to the Soviet Union as "war booty" gave a greater shock to the American Government than any other Soviet act, and the consequences were manifest not only in the Far East; at the other end of Asia the United States challenged Soviet policy in Persia and brought the matter before the Security Council. More recently, the move for aid to Turkey—a country part Asiatic and part European—has linked together the European-Mediterranean and the Asiatic-Pacific policies of the United States.

The Americans have involved themselves deeply in Asia, almost without knowing it, and they are now having to face the implications of the protective rôle which they have so rapidly assumed over so vast an area of the Earth's surface. The Communist spokesmen, both in Moscow and New York, assert that no country is in any danger from Soviet power and that it is simply American imperialism which is invading China, Persia and Turkey. There is no end to argument about this; it is a historical fact that empires have frequently grown from protecting weak nations against other empires and that weak nations rarely retain real independence unless all stronger nations observe a self-denying ordinance to keep their hands off them. If the United States sustains the Rimland countries of Asia against the Heartland, it will certainly assume certain rights of guidance and advice in relation to these countries. But it will not annex territory or establish formal protectorates—all that is, in any case, out of date—and it will seek to combine its protective function with the programme of industrialisation which has already been projected on purely economic grounds.

The principle of financing, however, will now be no longer purely economic; if the American nation's money is to be lent in Asia for political as well as economic purposes, the loans cannot be viewed merely as business propositions. They may serve their political purpose even if the financial outlay is never recovered. However, the political commitments will in fact improve the economic prospects; without them the economic case for large-scale investments in Asia is not good enough. Neither private nor public American funds are well invested without some kind of political guarantee in countries torn by civil war or capable of such waste as befell Unrra goods in China. It will be no use saying there are no strings to American lending; it is the strings which alone will make the lending worth while from an American point of view. Money talks, but it only talks with confidence when there is someone around to take care of it.

April School's Day?

FROM last Tuesday, April 1st, all children under the age of fourteen will be required to stay on at school for an extra year. The die is now cast, and the argument over whether to raise the leaving date this year, next year or sometime later is now decided. But if the fate of every Dick and Mary is thereby settled from an administrative point of view, their situation from a more personal angle is not, for no one yet knows whether the classrooms, desks, chairs and teachers will be ready for them. It is the purpose of this article to examine the prospects for fulfilling the targets for staff, accommodation and equipment, to consider the plans of what will be taught during the extra year, and to estimate whether in the immediate future and on balance the school children will gain or lose.

In all the following discussion two points should be kept in mind, two points which are the life line to salvation for the local authorities. The first is the fall in the birth-rate that took place in the early 1930's: in 1946 there were (in England and Wales) 575,000 fewer children in primary and secondary schools than there were in 1938. The raising of the school leaving age will entail an increase over the 1946 figure of some 390,000. Thus the education authorities, even with the extra age group, will have fewer children to deal with than before the war. The second point is that the effects of raising the leaving age will come by stages during the first 18 months. There will be no extra children until September, 1947, when only an extra 130,000 will stay on, and the full impact will not be felt until September, 1948; this will, therefore, give the local authorities a breathing space. Without these two reliefs it would be quite impossible to deal with the increase in numbers, for the losses in teachers and in school buildings during the war were very serious.

Perhaps the most surprising feature of the situation is the official expectation that the supply of teachers will be comparatively comfortable. So much has been heard about delays in selecting teachers for the emergency training scheme, in placing them in colleges, and in paying them allowances, that it has not generally been realised how large an improvement has taken place recently. The opening of the new training colleges, which was badly delayed in the early stages, has been greatly speeded up. The target was originally 42 emergency colleges giving a year's course: the target has now risen to 60, and there are 47 already open. As the result, only 2,000 teachers recently emerged from the first year's course, but there are now 11,000 in training, who will be ready for action before the summer of 1948. As it was estimated that 13,000 teachers were required to deal with the extra age group, and additional teachers are also forthcoming from the regular training colleges, it is safe to assume that the numbers of new teachers will be able to cover minimum demands, even when allowance is made for retirements.

The position, is, in fact much more favourable than the Ministry of Education had expected. In 1945 certain estimates were made of the number of ex-teachers who would return to teaching from the Forces and of the number of women who would retire from teaching, when the emergency was over. In the event far fewer married women have given up, and more ex-service men have returned to teaching than was budgeted for. There should accordingly be 8,000 teachers, over the requirements for the extra age-group, available by September, 1948, to make their contribution to the reduction in the size of classes; the number is not large but at least it is on the right side of

the balance sheet. The general picture does, however, mask shortages in certain areas and in certain categories. There is, for example, a shortage of women teachers compared with men—only one woman to every five men has applied for emergency training—and this is really acute for the infant classes. For various reasons, young women who are ready to go into the more picturesque surroundings of the nursery schools for under-fives or into the secondary schools for the over-elevens will not go into the infant and junior schools. This difficulty will become even more severe in a year or two, when the high wartime birth-rate shows its effects in the figures for school entries. The education authorities are very disturbed about the prospects.

Apart from this difficulty of sex distribution and shortages of certain specialist teachers, the response to the emergency scheme as a whole has been very satisfactory, so much so that a closing date for applications from men has now been fixed. So far there have been 90,000 applications, of whom 30,000 have been accepted for training, and applications are still coming in at the rate of 500 a week. Owing to the difficulties of finding living quarters at the present time, those Local Education Authorities which have a non-residential college within their boundaries have a big advantage in recruitment.

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For school accommodation the future is more problematical, owing partly to the recent crisis and partly to the general difficulties of the building industry. Fortunately, owing to the fall in the birth-rate in the 1930's, a large number of the places can be found in existing schools: for example, Birmingham can find 50 per cent of the additional places in its existing schools and another 20 per cent in other buildings, so that huts are required for only 30 per cent of the extra age group. In London no temporary huts are being built, and the whole expansion is to be engineered on a shock-absorbing programme of 12 or 13 large new schools in semi-permanent buildings, erected in areas where complete new schools are required. The relative proportions of huts and existing accommodation vary between one authority and another according to local conditions—bomb damage, movements of population and so on—but the total of extra huts required for meeting the raising of the school-leaving age is only some 6,000, of which 3,700 are required by September, 1947. Up to about six weeks ago progress on these huts was very bad and the Ministry of Works, which supplies them, estimated that only 50 per cent of the target would be fulfilled. The position was so serious that the priorities were drastically altered, and it is now hoped to achieve 80 to 90 per cent of the target for September, 1947; whether this will be attained remains to be seen, but there are reasons for thinking that local authorities have over-estimated their needs and that the gap is smaller than it appears.

In addition to the huts, permanent buildings on sites where huts are not suitable are to be provided for some 70,000 to 75,000 places. But there is little prospect of any quantity of this work being ready by September, 1947, though it should be complete by September, 1948. When the two schemes are combined, the building programmes will employ 1.0 to 1.5 per cent of the country's total building labour force, 0.25 per cent of its supplies of steel and 0.5 per cent of its supplies of timber. It cannot, therefore, be claimed that the resources of the country employed in building work for the extra age group are large. When it comes to replacing old schools with new, providing for smaller classes and all the extra space and building involved in

carrying out the full programme of the 1944 Act, the picture will be very different. The London County Council's School Plan, costing £187 million over eighteen years, gives a foretaste of what the burden of the complete plan is likely to be.

The basic equipment for the new huts—desks, chairs, shelves, cupboards and benches—is being supplied centrally from standardised patterns. In terms of the total output of the school-furniture industry, the requirements are very small: it is reckoned that the whole programme would demand only 4½ weeks' work from the firms making school furniture, and as the resources of the furniture trade are underemployed, timber is the only shortage. But the allocation is so small compared with demands from other sources, for houses, factories and the like, that there are reasonable grounds for hoping that it will be delivered in time.

The question of what the fourteen-year-olds are going to learn in their extra school year raises very different questions. In many areas the problems of bricks and mortar and the pressure upon overworked staff have been so acute that very little thought has been given to this problem. And yet it is the paramount one, for neither huts, nor desks, nor inexperienced teachers can make the extra year worth while. The new experiment will meet only opposition and resentment from both parents and children if the extra year is felt to be wasted.

The most forward-looking authorities visualise a complete re-organisation of the course on a four-year basis, to take in the whole period from 11 to 15, rather than to tack an extra year's course on to the existing one. This is clearly the only satisfactory solution, provided that enough latitude is given in the fourth year to allow the child to follow some of his special interests, that the methods of teaching are permitted to be less formal and allow more scope for individual work, and that the child's natural orientation towards his future career and the outside world is encouraged and made use of by means of visits, and contacts with extra-school bodies. In some ways the difficulties of the first year may assist this process, for the absence of the normal books and facilities and the presence of teachers unaccustomed to the old routine, and with more experience of

the outside world, will help to break down old barriers, and to set up less orthodox practices. By universal consent, the generation of teachers now passing through the emergency training colleges is outstandingly good by pre-war standards and possesses a keenness and sense of initiative which should work wonders.

What does this all add up to? How far does this April mark an upward step? How will the children caught in the first year's experiment benefit? There can be no doubt that beyond the immediate future the raising of the leaving age will be wholly beneficial: the question is really whether in the short period, say the next five years, the pressure of the extra age group will serve to depress standards and cause a greater loss than gain. There can be no categorical answer owing to the variations in local conditions. In rural areas the pressure in individual schools is relatively small, and wherever the local authority, in unreorganised areas, has made special temporary arrangements for the extra age-group, as for instance in the Isle of Wight where the fourteen-year-olds are being collected together in special schools, there will be an undoubted benefit and the extra year will not be wasted. But where such arrangements are not planned and in those towns where pressure is greatest and improvisation most necessary, the first batch of children will benefit very little, if at all, from the extra year's confinement and their presence will delay improvements, such as a reduction in the size of classes, which might otherwise have been given to all the other children. It is irrefutable that if the extra teachers and huts had been provided while the raising of the age had been postponed until April, 1948, all the children between 5 and 14 would have benefited more than they will now do, and there would have been much less danger of a depression of standards. On the other hand, party pressure and the fear of an indefinite postponement of the date made it politically impossible to reverse the earlier decision. In the light of the estimates of progress it looks as if a fair proportion of the extra age group might benefit, and only a small proportion will seriously lose. Whether the gains of the first will outweigh the possible losses to the bulk of under fourteens is anybody's guess.

NOTES OF THE WEEK

Turning Point in Moscow

On April 1st the Foreign Ministers cut down their delegations to a score of persons and retired behind closed doors. This at least removed the temptation to make speeches for reproduction in the German press, where some vigorous wooing of parties is going on, with claims that Germany must be represented at the peace conference and that the bi-zonal arrangements in the west are already breaking down. Otherwise the conference has made negligible progress. In fact on Wednesday the Foreign Ministers turned away from reparations—the crucial matter—to a debate on the political structure of Germany, which is in the long run primarily the concern of the Germans themselves.

None the less, observers at the conference note a growing realisation among the Russians that only a very long-term arrangement for paying reparations out of production is possible. The estimate made in *The Economist* last week that there would be no surplus for such reparations until the 'sixties now has the support of M. Rueff, chairman of the Inter-Allied Reparations Agency. The French suggestion—an obvious gesture to the Russians in return for their support over the Ruhr—that there might be a surplus for reparations by 1949 if economic unity were attained this year is ludicrous. Any attempt to exact them at that date, combined with the French insistence on a low level of industrial production and high coal exports from the Ruhr, would merely perpetuate the burdens of the British taxpayer.

Mr Marshall, who has been as obstinate as Mr Molotov, has now made it clear that he expects only very limited results from this meeting. He obviously believes that conditions in the Russian Zone will get worse while those in the western zones get better. He may even believe he can get the French to join their zone to the British and US zones, so at least giving western Germany

economic unity. The inducement would be exports of coal from America. Mr Bevin, who has also allowed no nibbling at his case, may find some hope in the general tendency to admit that the level of industry must be raised and that free movement of goods and persons between the zones should begin as soon as possible. Why he—as well as Mr Marshall—has raised the question of the eastern frontier at this juncture is not clear. If even the most exiguous bargain is to result from this meeting it will have to be on reparations; for the Russian claim that these should come out of current production is the rock on which their whole case is founded and on which the conference still looks like splitting.

Austria—Free or Satellite?

The Moscow debates on Austria have been a good deal less important, but no less instructive, than those on Germany. Ostensibly the Foreign Ministers have been arguing about the disposal of German assets in eastern Austria, which the Soviet Government are entitled under the Potsdam Agreement to take as reparations from Germany; in fact they have been fighting for and against the eventual independence of the Austrian state. On the surface, the British and the Americans—supported by the French—have appeared very disinterested and European-minded with their insistence that Austria will be ruined if the Russians are left to interpret Potsdam as they wish; underneath there is deep concern lest the Russians should retain a permanent hold on vital Austrian industries and financial assets which would enable them to dictate policy in Vienna.

Mr Marshall produced an irrefutable argument when he reminded his Russian colleague that the title to German assets remains for the time being vested in the four Powers; although

he may find in practice that the title has in one or two important cases been already jumped, notably in the Zistersdorf oil fields. M. Bidault protested that the four Powers could not be "beneficiaries of spoliation," in other words sharers of swag. So M. Molotov has given way to the point of admitting the need for some definition of these assets to appear in the treaty. What it will be and how it will be enforced remains to be seen. If the Russians are allowed to take everything that, in the years before the war, passed from Austrian to German ownership, except only those properties that were taken by the threat of force, the consequences will be serious, if not disastrous. For German penetration of Austrian industry began before the Anschluss of 1938. I. G. Farben, for instance, had a decisive voice in the Austrian chemical industry long before the Nazis used the occupation to gain virtually complete control. It will take a clever accountant to unravel the threads. And the Vereinigte Stahlwerke of Duesseldorf held over half the shares in the Alpin Montangesellschaft iron-ore concern before the Hermann Goering combine absorbed the lot. As for the Zistersdorf oil fields, now one of the most valuable in Europe and producing over 750,000 tons a year, the prospecting rights are British and Dutch and the amount of German capital involved must be small.

There is no doubt at all that in this controversy the Austrian interest and British and American interests coincide. The Austrians are living on loans and gifts of food from the West; they will go on living a hungry and bankrupt existence until the four zones work together. Their industry, raw materials and agriculture are complementary. If agreement is not reached in Moscow they will be held apart indefinitely and Allied troops will stay; and the reluctant House of Representatives and the hard-pressed British Treasury will be asked for further loans—another example of the way in which the threat of economic catastrophe is being used to squeeze the Anglo-Saxons from the Baltic to the Aegean. If this reparations quarrel is settled the rest of the Austrian Treaty should give no serious difficulty.

Francisco the Eighth

"Spain and Russia," General Franco recently remarked, "are the only two countries in the world to-day that know exactly where they are going." But apparently his most vociferous supporters do not share this certitude. A few days before the Caudillo finally reaffirmed that Spain is a Catholic Kingdom Falangist busybodies were castigating Monarchist sympathisers in the streets of Madrid. He would have spoken more accurately, if less effectively, had he said that Spain knew exactly where it did not want to go. Ever since 1939 Franco and his notably small group of political advisers and executors have been cannily waiting on the up-and-down of events beyond the Pyrenees to decide their commitments. The friction between Russia and her wartime Allies, sharpening into President Truman's manifestation of time interest in the strategic outposts of Europe, has done more than any indignant resolution of the United Nations to persuade them to pledge a restoration of the Monarchy—*mañana*. In return for the spoken promise of orderly evolution towards a more liberal régime, and for the unspoken promise of the historic strategic advantages of the Peninsula in time of trouble, Franco is counting on urgently needed economic help from overseas.

There is to be no haste in his policy. In Spanish homes Franco has long been dubbed Francisco the Eighth by virtue of the meagre weekly ration of an eighth of a litre of olive oil. The reign of the healthy 54-year-old *Generalissimo* is to continue until his death or incapacity. In the background, preparing for the least changeable change-over, will be the newly-nominated Regency Council, composed of the President of the Cortes, the Primate (the Cardinal-Archbishop of Toledo), the Chief of the General Staff, the President of the Supreme Court of Justice, the President of the Institute of Spain, and four Councillors representing the Syndicates, the Universities, the local authorities, and the professional organisations. When the time comes this Council will offer the throne to whom it considers the most satisfactory candidate of Royal blood. If none is deemed satisfactory—the Pretender, Don Juan, has hitherto proclaimed policies unwelcome to the Church and Army—a Regent will be appointed.

Franco tacitly assumes these arrangements will be ratified by the necessary two-thirds of the Cortes, which is little more of a debating Chamber than was Hitler's Reichstag. There are no dissenting Republican or Communist Deputies to voice approval or dissent. Nor is the Press free to discuss the pros and cons of a restoration. What, then, do the unconsulted Spaniards think? The majority, including the Army, are ready for peaceful change; but only a small and at times seemingly quixotic minority are

still moved by personal loyalty to the Royal House. Many former Republicans would now choose a restoration as the lesser of two evils, for the Spanish Government-in-Exile has lost the confidence and interest of most of its supporters at home where no new leaders have been allowed to arise. Positively opposed to a restoration are only a small faction of Communists, Republican diehards, and such *Falangistas* as are likely to lose their jobs and perquisites in a more open market. Having learnt their lesson of civil war and observed the violent end of contemporary dictatorships, Spaniards are probably more qualified to-day than they have ever been before for an experiment in constitutional monarchy, and it will be a pity if they are kept waiting overlong.

The Conscription Debate

The political implications of the National Service Bill influenced the whole tone of the debate on the Second Reading. Members, that is, were anxious to establish or reject the principle of conscription itself, and little attention was paid, except by Mr Isaacs, who opened the debate, to the provisions of the Bill imposing it. As the Bill will be considered in a Committee of the whole House, there will be further opportunity for members to give it more detailed attention, and it is hoped that they will then take up some of the points raised by Mr Isaacs's speech.

Notice has already been given that an amendment will be put down to reduce the period of conscription from eighteen months to twelve. This indeed would be the biggest improvement that could be made, but it again raises the question of why conscription is necessary. *The Economist* has always maintained that the real purpose of conscription is the need to have a large reserve of trained men who can immediately be mobilised in the event of war. This has at last been admitted by the Government; but both Mr Isaacs and Mr Alexander made it quite clear that the conscripts will also be used to help to fulfil the country's commitments. They will be fully trained in ten to twelve months, and they may then be used to do such service as garrison work overseas. What, however, neither Minister made clear was how many men will be needed to fulfil each of the individual commitments, from garrison duty in Hongkong to anti-aircraft defence at home. If the total were totted up, it would surely be apparent that the contribution of an extra six months' conscription towards it would be very small—certainly not large enough to justify the social and economic dislocation that it will cause.

On lesser points, members should take up a remark by Mr Isaacs to the effect that doctors and dentists when called up will serve as doctors and dentists—and therefore in the officer class and not in the ranks. From a strictly military point of view, this may be justifiable, since they would serve as doctors and dentists in a war. But this is a Bill in which equity must be paramount, and at all costs the principle of equal service must be maintained. Young men should not be attracted into the medical and dental professions by the bait of less unpleasant military service.

A third point, which received small attention in the debate, is the conscription of women. On grounds of equity, there is no justification for totally exempting them. On the other hand, there may be practical reasons for doing so. The armed forces could not take them all, and to direct them to other work would introduce the principle of industrial conscription, which is politically impossible. But the Government should at least be asked to state its reasons for excluding them from the Bill.

The FBI and the TUC

The similarity between the proposals for tackling the economic situation which have been put forward within three days of each other by the Federation of British Industries and the Trades Union Congress is remarkable, but not surprising. It is certainly encouraging to find organised employers and organised labour thinking, to some extent, on parallel—and, to some extent, constructive—lines; many of their recommendations are, however, largely a matter of commonsense, and are neither illuminating nor imaginative. For instance, both bodies call for more definite and speedier planning, the TUC laying particular emphasis on the need to fix industrial targets, the FBI insisting that planning should not be confused with controls. The FBI points out that the Government has undertaken too much, with too few resources, and urges it to soft-pedal on controversial issues, such as nationalisation, a view to which the TUC can hardly be expected to subscribe. Both organisations have arrived at the same target—220 million tons—

for coal production in 1947, though neither really suggests how this revised target can be achieved. Both urge the need for giving priority in supplies of fuel and steel for the production of mining machinery, generating plant and railway wagons and locomotives, and both recommend the Government to adjust its export policy accordingly. The Federation pays rather more attention to the dangers of inflation than the TUC does, but makes no recommendations whatsoever on manpower or wages. This omission, explained by the fact that the British Employers' Confederation is the appropriate body for dealing with these matters, makes its document curiously lopsided.

If the constructive parts of the two documents are flat and uninspiring—through no fault of the bodies concerned, but because they have been rehearsed so often, and to such little effect—the omissions are frankly disappointing. The TUC is silent on a policy for wages, and refuses to depart from the principle of a shorter working week. The references in the Economic Survey to the need for abandoning restrictive practices on the part of both sides of industry are ignored, as if by mutual consent. So far as the TUC is concerned, this may be because it has no guarantee that any good advice it puts forward will be adopted by the individual unions—the builders' opposition to payment by results is a good example. Yet it seems that the Government is relying, to compensate for its own lack of an economic policy, on both sides of industry to find their own cure, now that the diagnosis has been made clear to them. If the views of the FBI and the TUC are really representative of the attitude of the individual employer and worker, which by no means follows, then the prognosis is indeed poor.

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Small Savings

With the passing of the much-advertised deadline of March 31st, the rate of interest payable on National Savings Certificates drops from £3 3s. 5d. per cent to £2 13s. 2d. per cent, tax free. Possibly this stiffening of terms, planned in the heyday of the cheap money policy, will prove a deterrent too strong for the National Savings Committee's purposes, and may be maintained only by penalising still further the alternative outlets for private saving. The Budget may show. Certainly there is no evidence of any strong pressure by small savers such as would, on old-fashioned economic grounds, justify the cut in yield.

On the other hand, certain long-run forces may be working in Mr Dalton's favour. Savings, after all, have a double purpose, only part of which, and to the small saver the less important part, is the provision of a permanent income. They are income—income spread over a lifetime to fit a pattern of needs which rarely corresponds to the pattern of earnings. The position of the man who can without anxiety overspend his current earnings during the years when his family responsibilities are heaviest, because he has for that specific purpose deferred his spending when they were low, is enviable enough to be imitated regardless of the rate of interest which he gets as an extra advantage. Nor is it only the comparatively large holding whose advantage is obvious. Even a small nest-egg makes possible a freedom and an efficiency in purchasing unknown to those who bump along the bottom from pay-day to pay-day, deviating now to the pawnshop and now to the tally-man. It is in itself as much an ingredient of a higher standard of living as a second suit or pair of shoes, and the interest payable is neither here nor there. For these day-to-day elasticities, of course, the Post Office account rather than the Savings Certificate is the thing; but the savings habit, once established, is not likely to be given up in a hurry, because one of its advantages, and that the less important, has been fractionally diminished, any more than the practice of keeping an extra pair of shoes would be given up because the price of shoelaces had risen.

In so far as Certificates are held in blocks of the maximum size by comparatively large investors, for the sake of their yield, the cut may damp down demand. But of the 17 million holders, only about 10 per cent hold the maximum, and the great majority hold under £100 worth. It is a fairly safe guess that for these smallest investors it is the nest-egg itself, rather than the yield derived from it, which counts.

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The Ruhr on the March

Mass demonstrations in Duesseldorf and other Ruhr towns, a march of 10,000 with banners in Krefeld—which is not a coal town—and the threat of a strike to be called by the miners' union delegates at their Bochum conference this week have made the

British authorities nervous. A general strike in the mines would cost 250,000 tons of coal daily, and already time spent in discussing grievances has brought production down from its peak figure of 238,000 tons on March 21. The repercussions of such an event would be endless: cutting down of the coal exports from Germany to Europe planned for the next quarter and disappointment to such sensitive customers as the French and the Belgians; further delay in increasing German production; and a mortal blow at the efforts of the newly-fused British and American zones to get Germans on the path towards paying their own way. If anyone wished to cause confusion in the ranks behind Mr Bevin in his struggle for the British case in Moscow, the Ruhr is the place to strike. Correspondents on the spot have hinted that the demonstrations have Communist inspiration; this has yet to be proved as a valid explanation of events which arise out of genuine grievances and intolerable living conditions. The grievances are partly human, partly political. Food supplies for the Ruhr area are precarious; time and again full rations have not been honoured and the contrast between the rations of heavy workers and normal consumers is particularly striking there. The farms of the British zone have not delivered their quotas. Their target for January was 190,000 tons and delivery only 133,000 tons; the target for February was 170,000 tons and delivery only 87,000. Meat and other produce also fell short and potato stocks are almost exhausted.

*

The demonstrators included among their political grievances demands for the dismissal of Dr Schlange-Schoeninger, formerly head of the Food Department in the British zone and now deputy head of the new bi-zonal Food Office in Stuttgart. Why he should be blamed for the faults of a clumsy and incomplete administrative machine is not clear. It is virtually the old *Reichsnaehrstand* without the old Nazi inducements and ruthlessness. The rigid cultivation plans and delivery quotas remain, but without adequate supplies of fertilisers, machinery and consumer goods to keep production costs down and incentives alive. In the absence of these inducements only strict policing of the farms could ensure deliveries, but there are no special police for the purpose.

Add to this the curious administrative set-up and it is not surprising that German farmers should not be making their full contribution. The new bi-zonal organisation set up on January 1st is not yet a working machine. German responsibility is still only regional and lies with the governments of the *Länder*. Each of them is showing a curious revival of federal selfishness; the interest of each *Land* is put before the interests of the two zones. The *Länder* of the American zone, for example, whose requirements of imported cereals is a third of those of the British zone, refuse to take their quota of maize for bread grain. The need for real unification of authority and administration in German hands is urgent; federalism is showing its faults.

* * *

Eleven Good Men and True

The Security Council's first birthday has passed quietly. At its first meeting on March 25th last year Mr Byrnes declared: "If disputes cannot be settled by friendly negotiations, they must be brought before the Security Council. That is why the Council must at all times be prepared to act promptly; that is why it must be prepared to function continuously."

In its first year's record it can indeed be claimed on behalf of the Council that it has been prompt in its consideration of cases and that it has not refused to "function continuously." Whether it can be said to have "acted" is another matter. The Council has worked as a kind of loosely regulated tribunal with the spotlight of world publicity upon it; eminent counsel for prosecution and defence contend in verbal duel, and in this dramatic form some inkling of what the dispute is about is conveyed to the infinite multitude of normally uninterested human beings who compose "world opinion." The verdict does not matter so much, for everyone knows that eleven good men and true cannot decide anything if the Great Power Veto is invoked. It is now fairly well understood that the Security Council cannot provide security by any kind of military enforcement, for a Great Power can veto any action by the Council against the aggression of itself or its satellites. In this respect the Security Council cannot even accomplish as much as the old League of Nations; under the Uno Charter the League would never have been able to get as far as putting sanctions on Italy in 1935.

But the Security Council has been prompt; it has avoided the League's tendency to postpone or conceal issues in the hope that they would somehow be settled off stage. The Security Council has been a ring for straightforward fights with no pulling of punches, and the chief reason for this has been the American

determination to have it so. It started off with the American appeal on behalf of Persia; Russia countered with charges against Britain over Greece and Indonesia, which raised plenty of dust but not enough to obscure the fact that Russian troops were remaining in Persia after the date when they were due to be withdrawn. In the end they were withdrawn, and though it cannot be proved that the debates in the Security Council had anything to do with the withdrawal, it seems unlikely that they could have been got out of Persia by normal diplomatic means; at any rate, the ignominious collapse of the Pishvari régime in Azerbaijan has shown that the presence was necessary to sustain the Russian-sponsored "autonomy." The Security Council has likewise served as a sounding board for the vital discussions on atomic energy; the world now knows where the Great Powers stand on the issue. Tennyson's "fierce light that beats upon a throne" now beats on the eleven men who represent the world in conclave; it may yet be a gain for humanity that they cannot get away from the glare of the arc lamps.

* * *

Freeze-out of Houses

The February returns (Cmd. 7079 and 7080) for housing are every bit as catastrophic as had been expected. The appalling weather has reduced the number of permanent houses completed during the month from 8,500 in January to 3,800 in February and of temporary houses from 4,800 in January to 2,400 in February. (The full details will be found in the *Records and Statistics Supplement*.) Although the cold weather broke in March, it was succeeded by a record rainfall which is as detrimental to housing progress as frost, so that no recovery of lost progress can be expected in the next returns. The gods have been extremely unkind.

The target for the year 1947 was 240,000 new permanent houses, which demands an average of 20,000 houses completed a month. It might have been possible to make up for the losses of the first quarter if there had been nothing but bad building weather to counteract. But unfortunately the fuel crisis has also played havoc with the output of building materials, and the results of this will last for many months to come. For example, the output of cement during the five weeks of January was 550,000 tons and only 192,000 during the four weeks of February, and brick output fell from 379 million to 247 million in the same period.

* * *

University Scholarships

The creaming of the intellectual talent of the country by Oxford and Cambridge universities has for long been a problem to those who desire to see a balanced expansion and a more even distribution of ability round the civic universities. The announcement that the allocation of state scholarships is now to be controlled is a welcome step in the right direction. In the past Oxford and Cambridge could accept as many as they desired of the state scholars, for the majority made these two universities their first choice. In future, with the increase of state scholarships from 360 to 750 announced last week, only 50 per cent will be allowed to go to Oxford, Cambridge and London, on a ration of about 120 each, and the rest will be distributed round the other universities in proportion to their size. This still leaves to Oxford and Cambridge a larger proportion than their numbers should strictly entitle them, but it was not thought possible to restrict the numbers below what they have had in the past.

The new denying ordinance continues to permit these two universities to take the cream off the 750 scholars, for intending students will still hanker for their prestige and hallowed precincts, but at least they will not receive a still larger share than in the past. And the other universities are now attempting to create their own counter attractions, for the development plans of every university include a large expansion of halls of residence, and other buildings designed to improve amenities. It may even be that the imitation is being taken too far, in view of the cost.

In addition to the normal scholarships there are to be 100 new Technical State Scholarships for students who go into industry and commerce from school and take part-time classes. These will be offered to students under the age of twenty on the recommendation of the Colleges of Further Education and on the advice of a Selection Committee, and like the other scholarships they will cover fees and maintenance based on an income scale. Thirdly there are to be twenty scholarships for older men and women who have missed the opportunity in earlier life—a very small number, but at least a beginning.

These three schemes show that the Ministry of Education have appreciated that there cannot be a large expansion in university numbers without a considerable increase in state grants to cover the students' expenses. But even now with 65,000 university students there are only 6,000 regular awards annually given or supplemented from public funds covering fees and maintenance—1,500-2,000 major awards given by the local education authorities, 1,200-1,500 open scholarships awarded by the universities and 1,800 awards given to intending teachers and the 870 announced under the new schemes. The 32,000 awards so far given to ex-service men and women will not continue indefinitely, and without some provision to fill this gap later there may be difficulties.

* * *

The Lords Debate Divorce

Last week the House of Lords, on a motion by Lord Reading, debated the Final Report of the Denning Committee on Matrimonial Causes Procedure, and once again the Lords demonstrated the public value that their deliberations can have. The immediate interest of the debate lies in the positive announcements made by the Lord Chancellor in his reply. First, he stated definitely that the Government will follow the recommendation of the Denning Committee by giving financial aid to existing voluntary organisations offering marriage guidance in one form or another. The second point concerns the proposal in the Denning Report that "marriage welfare officers" should be appointed both in the Divorce Court and in the magistrates' courts. This, the Lord Chancellor said, he was not prepared to follow at the moment, for two reasons. One was the practical difficulty in finding enough trained and suitable people—already the number of probation officers attached to magistrates' courts is below what is required. The other was based on his desire to see this proposal fitted into the larger machine for State assisted litigation envisaged by the Rushcliffe Committee's report and likely to be the subject of legislation next session.

No one can quarrel with those two reasons but there is a great deal that can be done in the meantime. This problem is, *par excellence*, a case where the interests of all would be served by the publication of early and full details of the pattern which this proposed legislation will follow. The problems tackled by the Rushcliffe and the Denning Committees are closely linked, for at the moment some four-fifths of all assisted litigation is litigation over matrimonial disputes. Whatever machinery is proposed will require the willing and intelligent co-operation of a very large number of individuals and organisations, ranging from the social worker to the whole of the legal profession. It is imperative that they should be given as long as possible to study and comment upon the actual details which the Government intends to put into its Bill.

* * *

Palestine: Waiting Without Seeing

Is no one ready to make any concrete proposal, or to take any firm step, to deal with Palestine? Each party concerned is now seeking, by inaction, to avoid prejudicing its position when the United Nations Assembly debates the case. The British are

The Economist Budget Supplement

Statistical material relating to the National Finances and the Budget, which replaces the Budget Supplement published by *The Economist* for many years, will be issued as part of a forthcoming number of the *Records and Statistics Supplement*.

The date of publication, dependent upon the issue of the National Income estimates for 1946, will be either April 19th or April 26th.

A limited number of copies will be available, price 6d. post free, for readers who are not subscribers to *Records and Statistics*. Orders should be sent to:—

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going forward with a historical document on pros and cons, but without a policy. The Zionists are equally negative. The result of their recent Agency Executive meeting reflects the division within the movement as between the partitionists and the "whole loaf" school. It was decided not to present the Assembly with any firm statement of its aims, but to leave all doors open to the best bargain obtainable subject to three conditions. These are, as was only to be expected, no prejudice to the independence of the Jewish national home; no bars to immigration and no restriction on land sales. These conditions do not exclude partition. But, in deference to the extremists on the Executive, they do not recommend it. The United States is the third haverer. The American Government, fearful of the problem's implications in home politics, prefers not to sit on any preliminary Uno committee of study. So there is to be no preliminary committee. A full Assembly, meeting either in special session or in September, will deal with the matter. The American Government also prefers not to put forward any solution of its own. Who, then, except the Arabs, is going to speak out?

This job clearly falls to the British Government. No one else possesses the relevant experience or data. Either it must get the American Government to join it in advancing a proposal, or else, failing this, it must say what situation it is itself prepared to guarantee, given the consent of other states members. The first possibility—that of a joint Anglo-American proposal—has become vastly more likely since President Truman stepped into the Levant. A president who has guaranteed Turkey can no longer afford to suggest that Jewish newcomers in unwanted quantities shall be planted upon Turkey's Arab friends. He becomes as interested as is Britain in striking a balance that will work in the Middle East.

Until some concrete proposal emerges, terrorism is in the ascendant. It breeds freely in an atmosphere of stalemate. The terrorists have the whip hand both of the British, who, in letting the Dov Gruner appeals mount up, have subordinated government to security. They also have the whip hand of their own people. Jew is now murdering Jew and, by tampering with water supplies, is penalising whole villages simply upon suspicion of collaboration with the Government.

Nothing can stop this process except Jewish public co-operation. Jewish public temper, although anti-British, is rising, as the recent *Vaad Leumi* resolution against terrorism showed. If, indeed, there is to be no stage at which exasperation produces the missing element of Jewish effort, any future Jewish state will start with a heavy handicap in the shape of chronic saboteurs.

* * *

Lord Winster and the Cypriots

The determination with which the Cypriots have come to grips with Lord Winster must not pass unnoticed. He arrived to take up his governorship on March 22nd. He came full of the political and material improvements that were described in *The Economist* of October 26th. But the local church authorities and political parties ordained that the presentations to him should be boycotted. Some important Cypriots, including four members of his Advisory Council, obeyed the injunction. He, seeing in this lapse of courtesy an insult to the Crown, preferred not to receive them in Council. It is to be hoped that the brush will not be allowed to develop into a rug-of-war.

For the Cypriots are disposed to pull with a will. If asked, by plebiscite to-day, what future they would prefer for themselves, a very considerable majority (excluding the one-fifth of the population that is Turkish and Moslem) would unhesitatingly answer: "Union with Greece." What is the force that moves them to wish to leave the British Empire, within which they are economically fairly secure, and unconditionally to join a state that is politically in chaos and a prey to inflation? They say, almost unanimously, that the motive is not hostility to Britain. Is it the notion that a British decline has set in in the Eastern Mediterranean? Or is it due to past British imprudence, or to Communist influence, or merely to Greek sentimentality?

The last is the major part of the explanation. Greeks, for all their individual success in commerce, are not collectively a nation of shopkeepers because as soon as two or three of them are gathered together their Mediterranean emotions take charge. No other explanation can account for the Cypriots' readiness to plunge into Greece's chaos without thought of safeguarding their tranquillity and economy by claiming at least some measure of local autonomy. Is Greek sovereignty, for instance, incompatible with retention of a place in the sterling area?

Only the moment for their present display of feeling is prompted by outside events. Of these, far the most potent is a siren call

from Greece. On February 28th, just before rising for two months, the Greek National Assembly dealt with two similar resolutions on Cyprus, one from the Sophoulis Liberals and the other from the Government parties. The Government seized on a topic productive of unity and expressed its unshakable confidence in Britain's capacity to apply the principles of self-determination. Here was a filip to the Cypriots compared with which the British exodus from Egypt or the careless American disclosure that the State Department favours a Greek Cyprus carry small weight.

* * *

Channel Islands Constitutions

Last week saw the publication of the Report of the Committee of the Privy Council set up to consider the proposed reforms in the constitutions and legal systems of the Channel Islands (Command 7074). The Home Secretary was chairman of this Committee, and its members included Viscount Samuel and Mr R. A. Butler. Its origin lies in the proposals for reform put forward by the governing bodies of Jersey and Guernsey last year, and the task of the Committee was to advise the Government on what action it should take on the Channel Islanders' own proposals.

In substance the Committee approves the original plans. The constitutions of the two islands are in outline similar, and both are completely mediæval in form, having existed, with no more than modifications, since the 13th century when continental Normandy was lost to the British Crown. The plans considered in this Report leave that structure largely intact, but the alterations, if carried out, will extend the franchise, give universal adult suffrage (generally speaking, women have little voice in Channel Island affairs at present), and will revoke the provision that gives the Dean and the Rectors *ex-officio* membership of the assemblies. The Committee seem to have discharged their task well. They gave considerable facilities to everyone interested to bring forward their views. They visited the Islands last year and held public sittings. So far as possible they have tried to find out the majority opinion in the Islands and to give effect to it in their recommendations. And they have shown scrupulous regard for the Islanders' own attachment to their history and customs. The Report gives every appearance of being a document that will assist in carrying out sweeping reforms to two separate constitutions with the minimum of public disturbance, itself a notable achievement in such a year as this.

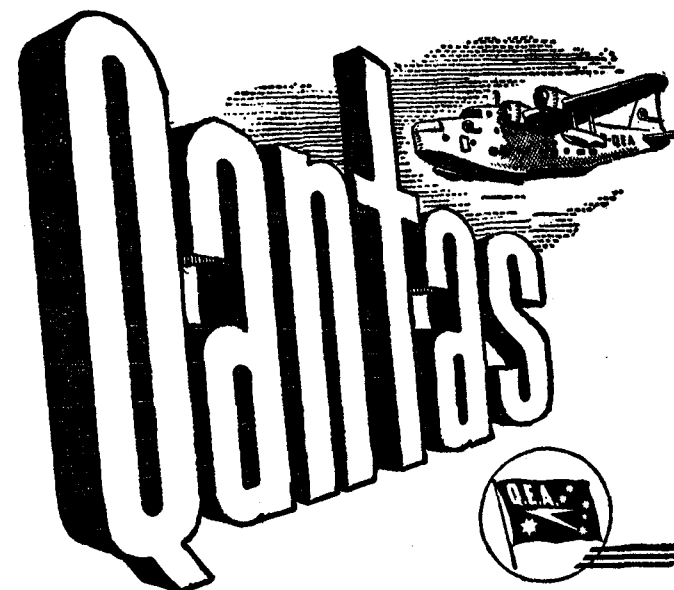
There is, however, one comment that should be made. The Report deals with the question of appeals from the Islands' courts, and recommends the setting up of a court of appeal common to both Islands. In this section of the Report there is an extract from the evidence of the Stipendiary of Guernsey on the state of the criminal law in the island: "The punishment is not defined and the law is not defined . . ." he says. No one can possibly consider that to be a satisfactory state of affairs. It is a basic condition of criminal law that it should be fixed, unambiguous and understandable by each citizen. It is to be hoped that the Privy Council will in their advice to His Majesty suggest that steps should immediately be taken to remedy that state of affairs.

* * *

Part-time Nursing

In the autumn of 1945, when the Ministry of Health launched its latest campaign for nursing recruits the national shortage of nurses was estimated to be over 30,000. To-day, the shortage is still 30,000, but one county at least, not only has a full staff for its public assistance infirmaries, which are notoriously difficult to staff, but has a waiting list of volunteers and was able to provide the entire staff for a hospital of a neighbouring county out of its reserve. The county which has thus won distinction is Gloucestershire, and it has done so through the employment of part-time nurses.

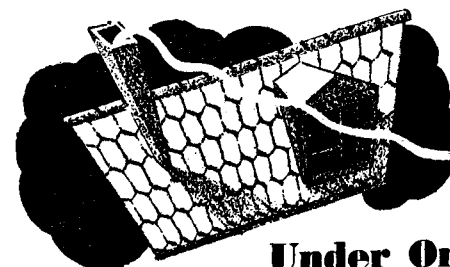
There is nothing new in a scheme for part-time nursing. But it is certainly new to find one that has been so completely successful as in Gloucestershire, and the secret of Gloucestershire's success lies in the new approach that was adopted. Hitherto, part-time nursing has been regarded as a stop-gap, as a means of filling vacancies caused by a shortage of full-time workers. In Gloucestershire, where at the beginning of 1946 the position in the county infirmaries was so serious that the whole service was on the verge of breaking down, the part-time nurses are regarded as the main part of the nursing staff and the full-time nurses as supplementary. Of the 301 part-time nurses engaged, 72 are trained nurses, 32 enrolled assistant nurses, 92 nursing attendants and 105 nursing orderlies. Other interesting figures are



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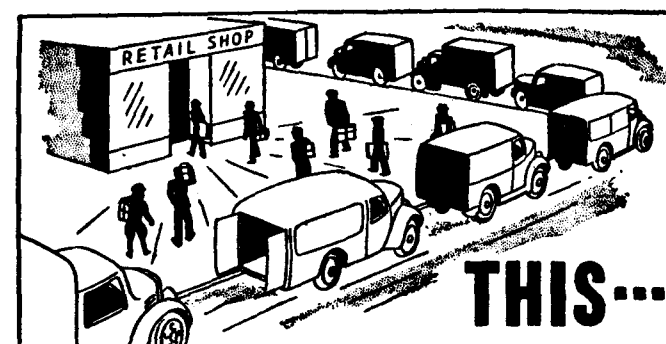
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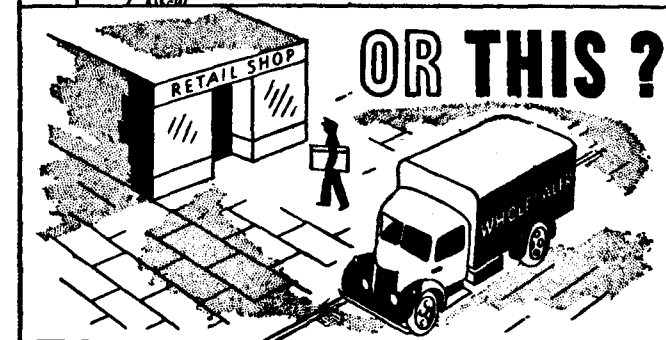


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that their average age is $38\frac{1}{2}$; $86\frac{1}{2}$ per cent are married, and there is an average of 1.8 children per worker. In spite of this division of loyalties, absenteeism has been negligible and can be fully compensated by the reserves or "casuals." It is also worth noting that the full-time staff do not resent the part-timers but welcome them, and are themselves working under better conditions than they have ever known.

Gloucestershire's example is being followed in other areas, and the campaign which has been running in the London area has so far produced about 1,800 volunteers of whom about 90 are midwives and 700 either state-registered nurses or enrolled assistant nurses. Further campaigns are planned for the other regions, and will be launched shortly. Some controversy has arisen about pay. Gloucestershire pays its part-time staff on a scale varying from 1s. 6d. an hour for a nursing orderly to 2s. 6d. for a fully-trained nurse. But the Ministry of Health is in favour of the Rushcliffe scales being rigidly adhered to, which means that a trained staff nurse in London will only get 2s. 1d. an hour, whereas the London charwoman receives at least 2s., and a nursing attendant (a woman who is untrained but with previous nursing experience) only 1s. 5d., which is only a penny an hour more than the minimum wage of a ward cleaner. Payment for part-time nursing should not be so high that it induces full-time workers to become part-time, but anomalies like this should be rectified.

Perhaps the most encouraging aspect of the part-time nursing scheme, at least in Gloucestershire, is that its sponsors were able to break down the traditional rigid organisation of the hospitals to inaugurate it (as illustration—the patients now sleep till 7 or 8 a.m.). Trade unions and managements, please note.

* * *

Scottish Nationalism

The Scots have been meeting in Glasgow in solemn conclave to create a National Assembly as an instrument for obtaining greater independence—chiefly in the form of a devolution of legislative powers. The pre-occupation of the House of Commons at Westminster with English affairs has long been a grievance, and as the pace of legislation and the demands on private members' time have increased so has the sense of grievance. Not only can little time be devoted to the discussion of Scottish affairs, but when an important Scottish bill is in progress through Committee, as with the Scottish Health Bill at present, the Scottish members have, for practical purposes, to choose between this and the discussion of other matters of importance to the nation as a whole.

The recent gathering was attended by 400 delegates from all parts of Scotland and from a wide range of public bodies, political parties, local authorities, trade unions and Church organisations. No doubt, those who were unsympathetic to the general aim stayed away, but those who came represented a broad cross-section of the country, and were not noticeably dominated by any political colour. The general temper of the meeting was moderate and reasonable; very little invective was hurled against the

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English, and the main resolution which was passed by a large majority asked for a legislative committee for Scotland "with power to initiate and carry through legislation affecting Scotland's domestic affairs" subject if necessary to some control by the House of Commons, and a Commission of inquiry to consider how reforms in procedure could be carried out.

While there are strong arguments against a proposal of this sort, a meeting of this kind is of considerable significance. Little has been heard of it in the English press, and most Englishmen are either blissfully unconscious or wilfully blind to the independence movement. It may result in them receiving an unwelcome surprise later on, whereas it would be far better to be forewarned—and if necessary forearmed.

Shorter Notes

Of the five Africans sentenced to death in December, 1944, for a ritual murder in the Gold Coast in 1943, whose case was commented on in *The Economist* of March 8th (page 322), three were executed last week. The execution of the remaining two was postponed for an eighth time, on this occasion because a writ of *habeas corpus* was applied for. The Governor has now decided to commute their sentence to life imprisonment. His statement announcing this decision declared that on the previous occasions when an application for postponement was made, the condemned men were fully aware of the defence's intentions to avert the execution at the last minute and therefore suffered none of the mental torture alleged. After three of them had actually been executed, however, the position of the remaining two was different, for they were aware that the tactics of the defence had failed as regards their accomplices. It was because of these circumstances that the Governor decided to exercise his prerogative.

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Replying to a parliamentary question last week, Mr Attlee defended the lucidity of the Economic Survey for 1947, and the general level of intelligence in the nation, by pointing out that the combined sales of the Economic Survey and its popular version had reached nearly 300,000. It is worth pointing out that the combined sales of the Beveridge Report and its popular version reached about 665,000. The moral does not lie in the comparative lucidity of the two publications, nor in the national IQ now and then, but in people's apparently far greater interest in what they can get out of the national income than in what they can contribute towards it.

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The Registrar-General's quarterly return shows that 221,891 live births were registered in the last quarter of 1946, representing a birth-rate of 20.5 per 1,000, the highest birth-rate for a December quarter since 1941. For the whole of 1946 the birth-rate was 19.1 per 1,000, the highest since 1923, and infant mortality at 43 per 1,000 was 2 per 1,000 below the previous low record. But the most interesting figure of this bumper return from the Registrar-General is that the net reproduction rate for the year was 1.102, the first time it has reached replacement level since 1922. Whether this has any long-term significance, or merely reflects large-scale demobilisation, remains to be seen.

*

The 1951 Exhibition is definitely off as far as anything really spectacular is concerned, although a token commemoration may be staged on the "Britain Can Make It" scale. Sir Stafford Cripps announced this last week, and gave as the reason the demands which a really large exhibition would make on the building resources of the country. The decision is certainly right, though it is a sad commentary on the pace of recovery.

*

The National Farmers' Union has opened an Agricultural Disaster Fund to mitigate financial losses resulting from the disastrous weather, which the Union estimates to be around £20 million. This figure is, inevitably, a very rough guess indeed, and, serious as it is, the weather has given grounds for much gloomier prognostications. It is said that 1,300,000 sheep and lambs died in the snowdrifts, and, whatever the position elsewhere, there can be no doubting that very many hill farmers are financially crippled and require generous and speedy assistance.

*

The Attorney-General announced in the Commons on March 27th that it was the intention of the Government (at a time not yet settled) to introduce legislation to abolish Special Juries, with the exception of City of London Special Juries, which are only ordered by the Court for trials in cases of considerable commercial complexity. It is unlikely that there will be any general regret at the passing of this unnecessary survival of class distinction.

Letters to the Editor

Misery Loves Company

SIR,—Your article on March 15th is unfortunately liable to confuse the reader's mind on two wholly separate issues. One is the question of the re-distribution of goods in the interest of social justice—as evidenced, for example, by our policy of food rationing combined with subsidies. The other is the operation of controls and restrictions in a mistaken and corrupt interpretation of the notion of "fair play"—so as to avoid any discrimination between the efficient and the inefficient, the necessary and the unnecessary, the desirable and the undesirable. The uniform ban on all periodicals, the uniform restriction of coal allocation to all claimants, the uniform ban on the use of electric power, irrespective of whether it was generated by coal or water power, are all examples of "fairness" which have nothing to do with the needs of social justice, but only with a blind desire to preserve the *status quo*. So is, for that matter, the rumoured opposition of the General Council of the T.U.C. to an increase in miners' wages, if it is not accompanied by similar increases in other industries; and the opposition of industry to any policy of re-organisation that does not compensate adequately for the loss of profits of inefficient units.

Equalitarianism of this latter type is thus not confined to the Left, or to the Civil Service; innumerable examples could be quoted from the actions of pre-war Governments, and of unofficial bodies like trade associations who are not conspicuous for their desire for social equality. And it is this latter kind of equalitarianism, and not the former, which threatens to destroy initiative, prevent essential adjustments and ossify our economic structure.

Your article also argues that "apart from inflation, some controls must endure for a long time yet as tools of the social conscience"—meaning that in a world of scarcities and of unequal distribution of wealth, the allocation of goods cannot be left solely to the hazards of a free market. This is undoubtedly true; but it would be wrong to suppose that it is *only* the social injustice of a free-market-distribution that makes controls necessary at the present time. Even if wealth and income were distributed equally, we should still need controls to ensure, e.g., that sufficient resources were devoted to exports, or that the composition of our imports was such as to provide for the long-term necessities of the community, and not only the immediate preferences of individuals.—Yours faithfully,

NICHOLAS KALDOR

Houghton Street, W.C.2

The Coal Target

SIR,—May I be permitted to make a brief but stern protest against a statement of Mr F. B. Cope, writing as the secretary of a scientific workers' committee, in your issue of March 22nd? He says that "the domestic open coal fire must be replaced by stoves burning processed coal (coke, coalite or gas) whatever sentimental sacrifices are involved." What right has he to say "must"?

The open coal fire is exceedingly valuable as a stimulant to individual reflection and to interesting conversations, and is also dearly loved by many of us for its own sake. It may be an extravagance. Mr Cope's wording implies that he is not thinking mainly of the critical two years ahead, but of a longer period ("succeeding winters")—in which we hope that as output per man rises progressively, amenities of various kinds will be steadily increased and more widely diffused. Why then "must" we sacrifice an age-old and highly prized amenity? It must be added that even now neither the open coal fire nor, for that matter, intelligent discussion are luxuries confined to the rich. They are, however, peculiarly symbolic of what may be called civilisation, from the decay of which "science" has not yet demonstrably shown that it can save us.

Yet I write as a passionate believer in the value of science to man, and it is largely for this reason that I wish to protest against the detriment done to science by the reference to it under the signature to a letter containing the quoted statement. I pursue a study, which unhappily has not yet graduated as a science—economics. This is concerned with analysing the extent to which procedure and behaviour in a complicated society succeed or fail in providing men and women with the things that *please* them. This is a different kind of problem from that of how to raise a given cubic space to a certain temperature with the minimum ex-

penditure of fuel. Modest though the achievements of economics are, yet they are quite good enough for economists to claim that all technological proposals of this kind be submitted to economic criteria and, if necessary, rejected.

Without pausing to consider these matters, Mr Cope most unscientifically rushes forward and urges the Government to "allocate" a "priority" to his proposals. When these kinds of things are said, it is incumbent on economists to be most vigilant.—Yours faithfully,

R. F. HARROD

Christ Church, Oxford

Fission in the Security Council

SIR,—The following quotations from the report of the Atomic Energy Commission to the Security Council provide at least a partial answer to the query in your Note of March 22nd as to what has happened to the suggestion that atomic fuel should be "denatured" in such a way as to make it unsuitable for making bombs.

"Whereas concentrated nuclear fuel is required for bombs, a less concentrated material is sufficient for peaceful applications. This has led to the suggestion that material be added which may make the fuel less suitable for bomb production, while maintaining its suitability for use in a controlled reactor. Such materials, which are called 'denaturants,' must be chosen so that they are extremely difficult to remove from the fuel material proper.

"It has been suggested that secondary reactors for electric power or industrial heating, designed so as not to regenerate explosive material, might operate on 'denatured' fuel. If so, and to the extent that this proves to be technically feasible and effective, diverted material would not be usable for weapons without further processing, involving large plants and appreciable time."

I would like to add an analogy that may help in understanding the position. The use of methylated spirit requires less strict supervision by the Excise authorities than does the use of the pure alcohol that can be obtained from methylated spirit by the possessor of a still; but these authorities still require wide powers to prevent the illicit distillation of alcohol from methylated spirit.

From *The Economist* of 1847

April 3, 1847

SHALL THE STATE EDUCATE THE PEOPLE?

We are . . . perfectly convinced that our present system of school education is as bad as possible. But we are also convinced that our system of cookery is far from good in England. It is extremely wasteful. The people generally speaking are ignorant of the chemical properties of food, and ignorant of the art of making it at once tasteful and nutritious. We are of opinion, too, in common we believe with many other persons, that the means of subsistence are unfairly distributed. While some of the population are fed in the most scanty manner, others waste great quantities of food in riot and extravagance. We are sensible of the existence of many evils in other parts of the country as in education, but as we do not conclude that the Government should equalise the means of subsistence, and reform the national cookery; neither can we agree with those who affirm that it should provide education for the people. We reprobate its interference with education, because we do not see how it can then object to equalising the means of subsistence and reforming our cookery. Nay, we are convinced, that from calling on the State to educate the people, to calling on it to equalise property, the stages are few and short. . . .

Education is, with much parade, provided by one class for another; after many years of schooling, the children have learnt little more than their catechism, and, perhaps, some little contempt for their less-instructed parents. After leaving school, it is a chance whether they ever find any use or advantage from what they have been taught. Were education left untouched by the State, its own beauties and inherent advantages are so great that the people would be as naturally attracted to it as they are to high wages, and would be as eager to obtain it as they are to get plenty of fine clothing and wholesome food.

Similarly, "denatured" atomic fuel would ease the task of inspection but would not greatly lessen the powers that must be given to the inspectors if they are to prevent its improper use.—Yours faithfully,
P. B. MOON

Atomic Scientists' Association, Birmingham University

Smuts Puts the Clock Back

SIR,—I was very alarmed by the arguments put forward in favour of General Smuts's policy towards Indians in South Africa by Mr Meulen in your issue of March 8th. His argument that "drastic measures" were justified against the prospect of a race different in culture and tradition swamping the white population very much reminds me of the Nazi arguments for their policy towards the Jews. I see no profound difference, as both arguments dismiss the principle of "equality of man." I believe it to be most essential that this principle should be applied exactly there, where it implies inconvenience, whilst I find no particular merit in applying it where it does not.

The difference between Mr Meulen's attitude and Fascism is to be found only in the measures he is prepared to agree to, i.e., a difference of degree, which is not based on principle but on practice.

I had hoped that Germany's deterrent example would suffice not only for us but for everyone to perceive, that the only way to safeguard humanity is to safeguard one's mind against inhuman conceptions, alike the one of Mr Meulen.—Yours faithfully,
Hamburg 23, Hagenau 5, Germany

RICHARD DEGWITZ

Budget Targets

SIR,—How about a tax on advertisements? Vast sums of money from accumulated and undistributed profits are being spent in boosting goods that are in any case unobtainable. These sums, being allowed as trade expenses, represent a form of tax evasion. If a tax on advertisements cuts down the demand for newspaper space the press would probably not suffer any loss

of revenue, as the demand for space is at present much in excess of supply. And a tax on hoardings and placards might have a beneficial effect on streets and countryside now suffering ghastly disfigurement. Administration should not be difficult—in most European countries every placard has to carry a revenue stamp, and we cannot afford to be too proud to take a lesson from the foreigner. Collection from the press could be on a basis of space and circulation.

There would still be a loophole—the sandwich man. But even he should not defeat the great brains now in charge of our affairs. And if they could concentrate their attention on the real problem, they would find it a rich source of revenue.—Yours faithfully,
GERARD TALLACK

44 Pine Avenue, Gravesend.

Intellectual Relief for Germany

SIR,—May I ask for a little space to bring to the notice of your readers a request I have just received from the Committee of Former Political Prisoners in Germany begging for English papers and periodicals?

The intellectual and spiritual isolation of Germany bears very hard on the tried and proven anti-Nazis who are engaged in the most difficult task of re-educating Germany, a task in which they do not always receive full encouragement from officials.

The secretary of the Inter-Zone office writes: "Since our organisation is pursuing the aim of developing the spirit of true democracy in Germany we are almost entirely dependent on publications abroad. . . German democracy is still a very feeble shoot, and it requires assistance from abroad if it is to grow."

Anyone able to send either regularly or occasionally, any or all, of the publications listed below should send them direct to: Hans Schwartz, Inter-Zone Sekretariat, Komitee ehemaliger politischer Gefangener, Maria-Louisen-Strasse 132, Hamburg 39.

The papers are: *The Times*, *The Manchester Guardian*, *News Chronicle*, *The New Statesman and Nation*, *The Economist*, *The Spectator*, *The Tribune*, *Time and Tide*, *Reynolds' News*.—Yours faithfully,
BEATRICE KING

28, Aldbourne Road, London, W. 12

Books and Publications

American Business

"Big Business." By Peter F. Drucker. Heinemann. 302 pages. 10s. 6d.

MR DRUCKER has set out to examine the large business corporation, not in its economic, but in its social functioning, inspired by the belief that it "has become America's representative social institution"—representative that is not of the average, but of the norm to which the other economic units of a modern industrial state inspire. He reports his findings in two parts: a study of its internal structure, "the corporation as human effort," and a study of its relationship to the rest of society, "the corporation as a social institution."

The expectations aroused by the freshness and importance of the theme are disappointed by the treatment. It is not merely that Mr Drucker's material appears to have been gathered too exclusively from one field, that of General Motors, to whom he served as consultant for eighteen months. It is rather that there is lacking the basis of detailed and direct observation, of hard facts and precise figures, without which his remarkable powers of analysis and exposition seem to be operating in a vacuum. A study of the large corporation as a social institution remains to be made which will capture something of the actuality of life in the factory and in the office and examine their principles of organisation and administration in terms of the human beings who compose them: it would do for industrial society what Bryce's *American Commonwealth* did for the United States of its time. *Big Business*, from which all sense of life as it is lived in an industrial establishment is wholly lacking; in which even the organisational chart of General Motors is described only by loose analogies to "federalism" and the structures of the Prussian Army and the Catholic Church, is, unfortunately, almost wholly lacking in even the raw material for such a study. This gives the book a curious air of unreality—an impression hardly diminished by recollecting that the corporation which it principally studies (and, in its main features, warmly

endorses) was involved, just as the book was completed, in one of the largest, longest and most crippling labour disputes in American history.

That is not to deny that Mr Drucker's book renders certain valuable services. It presents its problems—of the accommodation of big business internally and externally to the social and political claims of modern society—in a clear and pungent form, breaking them up into their logical and manageable components. It presents certain criticisms and makes certain recommendations. More disputably, it relates its conclusions (no small feat this) to the philosophy of the author of *The End of Economic Man*. This is all very stimulating, but it is not very rewarding. It is an elegant intellectual exercise; it does not carry conviction.

East and West

"The Meeting of East and West." An Inquiry concerning World Understanding. By F. S. C. Northrop. Macmillan: New York. 531 pages. \$6.00.

THE author of this formidable book is Professor of Philosophy in Yale University. His ultimate aim is to expound his own philosophy which emerges in the last two chapters. But the greater part of the book is taken up with the study and criticism of historic philosophical doctrines of both West and East, viewing them in a broad perspective as constituents of different forms of civilisation, as "ideologies." In the course of his investigation the author ranges widely over science, art, sociology and politics, and the variety of his topics is reflected in his style, which relieves tracts of somewhat indigestible philosophical jargon with passages of lively impressionistic journalism.

Professor Northrop starts from the fact that in the world to-day "ideological conflicts are present everywhere." He refers at the outset to the ideological conflict between the Western democracies and Russian Communism, and in Chapter VI provides a very competent and interesting critique of Marxism as a philosophical system. But he claims that this is not the most important ideo-

logical difference—an eminence which he assigns to the older contrast of Eastern and Western civilisation. He claims that his own philosophy reconciles the basic world-views of East and West. His account of the matter, however, involves him in a curious definition of "Eastern"; he first of all excludes Islam and then equates Chinese to Indian thought by an extremely fanciful and unjustifiable interpretation of Confucianism. It is clear that what really interests Professor Northrop as a philosopher is Indian thought. On the other hand, his force is attracted by things Chinese, and seems anxious to group China and India together in a way that cannot be done without violence to cultural facts.

It is symptomatic of the author's approach to the contemporary world that he starts his survey with Mexico. His geographical angle of vision is American, not European, and this also accounts in part for the preoccupation with China, which comes so naturally to many Americans imbued with the enthusiasms of the "Pacific Era." The book is indeed significant of a specifically American endeavour to attain "a more inclusive, truly international, cultural ideal which provides scientifically grounded intellectual and emotional foundations for a partial world sovereignty." In its tendency to seek spiritual refreshment in Asia the book is often reminiscent of Koestler's *The Yogi and the Commissar* and Aldous Huxley's *The Perennial Philosophy*, but it strikes a more robust and optimistic note than either of these; it is the work of an American who is at ease with engineers as well as with yogis, even though not enamoured of commissars. This philosophy may not be perennial, but it is good twentieth-century American, and its catholicity of interest comes from strength and not weakness.

European Population

"European Population Transfers, 1939-45." By Joseph E. Schechtman, Geoffrey Cumberlege. Oxford University Press. 532 pages. 21s.

MR SCHECHTMAN's book is one of a series on the reconstruction of Europe which is being published in America under the auspices of the Institute of World Affairs. It contains a great deal of valuable information about certain of the changes that have taken place in the ethnic geography of Europe during the war; it is copiously and painstakingly documented, efficiently indexed, and objectively presented. But unfortunately it is not the book suggested by its title. At the most, it can only claim to be an unfinished study.

In his introduction the author confesses that his picture is incomplete, and that the bulk of his data is taken from newspaper reports, mostly German. The result is a sadly lopsided survey. Over two-thirds of the book's 500 pages are devoted to Hitler's programme for the repatriation of *Auslandsdeutsche* from Eastern Europe. This section includes brief references to the Jewish and Polish populations which were evacuated to make room for the resettlement of these Germans, but gives only a few clues as to their ultimate fate. Mr Schechtman then turns to the transfers of Soviet, Finnish and Balkan minorities carried out by German, Soviet and other authorities during the war years. It is understandable that the absence of reliable information has compelled him to dismiss many of these movements rather summarily. But it is difficult to understand why there is no reference at all to some of the most interesting transfers. Mr Schechtman describes the Soviet evacuation of Volga Germans into the Asiatic hinterland, but does not mention the similar evacuation of Poles from the area east of the Curzon Line. The only detailed information about the deportation of Jews is confined to those taken from north-western Poland. Nothing is said about the Germanisation of such areas as Alsace-Lorraine. And the enormous transfers which began in 1945 are not even mentioned.

In a final chapter Mr Schechtman outlines the lessons of past experience. But he wisely concludes that there can be no hard-and-fast rules governing either the necessity for, or the chances of success of, any given transfer. However that may be, it is unfortunate that fuller information about wartime transfers is not yet available, and that the most important transfers involved in the post-war settlement have already been carried out with very little respect for the lessons of the past.

Power of the Cinema

"Sociology of Films." By J. P. Mayer. Faber and Faber. 328 pages. 15s. net.

MR MAYER is a crusader. No one who reads this book can doubt the sincerity of his conviction that the cinema has a profound influence on its audiences and that it is in the main a bad in-

fluence. In fact, his belief in his cause is so passionate that it transcends his clumsy literary style—the book abounds in such phrases as "value patterns" and "sensation-perception mechanisms"—and almost persuades the reader that he must always be right. Almost—but the query persists: is this real evidence? As Mr Mayer shows in two interesting chapters which summarise some American investigations in the early 'thirties, the subject is not one that can readily be investigated by the statistical method. What he does, therefore, is to give what amount to his clinical impressions, which is all very well provided he is aware of the drawbacks of the evidence and warns his readers of its dangers. Instead, he defiantly states, after describing one child's reactions, "There must exist tens of thousands of Hazels in this country. . . The social conditions of her case allow strict and valid generalisations, though I am unable to say whether 100,000 Hazels are similarly affected or merely 99,999."

But why, the reader asks, should Hazel be regarded as representative? Or the secondary schoolgirls of Hampstead, whose essays on the films they like and dislike are given and discussed in detail? Why, especially, should the people who wrote to him through the *Picturegoer* (prizes being offered for the best letters) describing their reactions to films be considered representative of the adult cinema audience of this country? One has the feeling that Mr Mayer is too convinced of the rightness of his cause to have troubled to test sufficiently the efficacy of his weapons.

Most people probably have the clinical impression that the cinema's influence is very important, especially on children, who, as Mr Mayer very pertinently remarks, often cannot see isolated scenes in the context of the whole story and therefore lose the moral that it tries to present. Few, too, will dispute the absurdity of the present method of classifying films as A, U and H. But just how permanent the cinema's influence is, and how strongly it affects people's lives and actions, one is still left guessing even after reading all the clinical data Mr Mayer has so industriously collected and presented in this sometimes infuriating, but nevertheless interesting, book.

Local Government

"A History of Local Government." By K. B. Smellie. Allen and Unwin. 172 pages. 7s. 6d.

THIS is a valuable short history. The first chapter, which in many ways is the most interesting, deals with the genesis of local government prior to 1832 and from then onwards the main developments—the creation of new types of authority, the extension of functions, the periodic reorganisations of finance, the modern extension of central control—are faithfully and briefly recorded. The emphasis is descriptive rather than critical, although judgments are offered on some points, such as the undesirability of confusing health functions with those of public assistance. Current problems, such as the issue of regionalism, are not ignored but their treatment is too perfunctory to be satisfactory, even in a book of this size. Indeed the weakest part of the book is the comparatively short section dealing with the period from 1929 to the present day, when the swift march of administrative changes seems to have defeated the attempt to hold it in perspective. It is a pity that there is not a specific chapter on the post-war problems in local government that have now to be faced. Reform in local government, as Mr Smellie's own historical account demonstrates, has always been forced upon it by the external logic of administrative necessity. Once created, a local body, whether elected or appointed, is difficult to abolish; but, if it becomes unsuitable, it will be progressively by-passed until the accumulation of separate authorities compels some drastic measure of reorganisation. Mr Smellie rather ignores the steady growth of new administrative pressures, which may soon force some such crisis on the present system of local government. The result is a certain tendency for his history to be backward-looking rather than forward-looking, although this does not alter the fact that, within the limits which he sets himself, his book is both fair and informative.

Shorter Notice

"The Furnished Houses (Rent Control) Act, 1946." By L. G. H. Horton-Smith. Justices of the Peace Limited. 47 pages. 4s.

MR L. G. H. HORTON-SMITH, barrister, is chairman of a London Furnished Houses Rent Control Tribunal. The book consists of a number of questions arising on the Act with their answers and should be of considerable practical value to those concerned in the administration, and with the effects, of the Act.

AMERICAN SURVEY

Farm Surpluses

(From a Correspondent in Iowa)

IN a hungry world, American farmers are still haunted by the spectre of unsaleable farm surpluses. Ruinous gluts of the 1930s are fresh in mind; recent experiences with cotton and potatoes bring the spectre home. Cotton remained surplus throughout the war, with a full year's supply in storage in the United States on the eve of each harvest. It took poor crops in both 1945 and 1946 to reduce the carryover to one-third of a year's supply. Last autumn's potato yield was sold, given away, used to capacity by distillers, and even exported—and still quantities were left to rot in the ground or be crushed by government bulldozers.

"It's hard to believe, here in the land of plenty," chats the Corn Belt monthly, *Successful Farming*, "but the experts in the US Department of Agriculture say the world will be hungry again this year." An Iowa farmer wrote to another paper, "Farmers never in history have had so much to be thankful for. I only hope that farm prices do not get any more out of line so as to cause anybody in this country to go hungry." This blind spot toward hunger beyond the national border is the rule; the exception is the frequency with which people call on newspapers, radio stations, and prosperous immigrants to translate letters of thanks from European recipients of food packages. Yet the record income of United States farmers in 1946 is due to coincidence of the end of price control, famine in Europe and Asia, and bumper crops in America.

President Truman's official proclamation of the "end of hostilities" limits to 1947 and 1948 the Government's promise to maintain prices of farm products at 90 per cent of "parity." So this Congress, not its successor, must write a legislative programme for postwar agriculture. Politicians had hoped to postpone it until after the 1948 election. There is still no very broad consensus on how to deal with possible surpluses. Policy could be directed towards export of farm products; or towards government limitation of production to the size of the domestic market; or towards government-encouraged expansion of the domestic market, either through better diets or more non-food uses. The New Deal tried all of these in some degree.

"Parity" is that devious calculation, designed to give farm products the same relative purchasing power they had in American agriculture's Golden Age—1910-14. Without production control it makes little sense, and the 1910-14 base becomes more and more absurd as time goes on. Even farmers' organisations agree it must be altered. To take its place a committee of the New Dealish National Farmers' Union, which met this March in Topeka, Kansas, endorsed a "forward pricing" plan, proposed by Professor Theodore W. Schultz, of the University of Chicago. This was the lure which won the big wartime increases in oil-producing crops: announcing in advance of a crop year (or livestock cycle) a price the government will guarantee at its end, setting the price high (or low) enough to bring out the desired production.

The three large conservative farm associations have not gone as far as that towards undermining the idol of parity pricing. But at a joint meeting in Buffalo, N.Y., last autumn, the American Farm Bureau Federation, the National Grange, and the National Council of Farm Co-operatives agreed that the parity formula should be revised, "giving, among other things, careful consideration to a ten-year moving average adjusted to the 1910-14 overall parity relationship, and to inclusion of farm labour costs in the parity index." For the two years of postwar price supports, however, these associations would retain the existing formula to calculate parity for wheat, maize, cotton, tobacco,

rice, and peanuts, the "basic crops" of the Agricultural Adjustment Act. On other crops the Farm Bureau is willing to see government price guarantees paid only to those who stay within production quotas—a proviso since announced by the Department of Agriculture for potatoes. But in general, farmers dislike government limitation of farm production.

The lost export market for American farm products reappeared with war and postwar conditions, but in spite of the additional demand likely as a result of this winter's weather in Europe and the British Isles, few expect it to last more than another year or so. The swift ending of lend-lease and Unrra were in part over-hasty anticipations of returning economic self-sufficiency in the Eastern Hemisphere. True, the Farm Bureau now champions Reciprocal Trade Agreements and gradual "adjustment" of international trade barriers, but slips weasel words into its resolutions of support—while midwest congressmen continue to take belligerently protectionist stands. So do a few of the state Commissioners of Agriculture in the South, once the great free trade area.

Farm and small town conservatism stands in the way of most of the New Deal devices for attacking surpluses by increasing domestic consumption of agricultural products through subsidies to consumers and the poor. However, the school lunch programme seems likely to become permanent and general. This involves federal grants-in-aid to help local groups provide well-balanced hot midday meals at cost to all children in school, and free to those whose parents cannot afford payment. Re-appearance of surpluses might revive other such devices.

Meanwhile, one of the white hopes of the nineteen-thirties for absorbing farm surpluses seems more blurred than ever: finding industrial uses so that the farm market would no longer be limited to the capacity of man's stomach and the length of his shirt. "Farm chemurgy," its more fanatical proponents call it. The National Farm Chemurgic Council held its annual meeting this March in Oklahoma City to hear chemists tell of such marvels as making nylon out of corn cobs. But the Ford Motor Company recently discontinued manufacture of moulded parts from soybean plastics. Wartime efforts to make alcohol and butadiene for synthetic rubber from grain proved uneconomic under peacetime conditions.

New industrial uses for agricultural products, byproducts, and wastes are constantly being found, but so are new chemical substitutes for agricultural products. The synthetic fibres rayon and nylon first hit an imported natural fibre, silk, but the effects of chemical research do not stop at the edge of the Water or the Farm Belt. Already cotton as well as silk is staggering under the pressure—of nylon tyre cords for example. Numbers of new synthetic fibres are entering the competition. Wool and leather are insecure; coal, petroleum, other minerals, air and even water, vie with farm products as the raw materials of new chemical industries. In time, food may follow fibre out of the farmer's monopoly.

At best, the chemurgic farm loses the combination of independence and steady demand that has been the boon of staple farming. The essence of the chemical industry is constant research, constant change: soybeans today, bagasse tomorrow, petroleum on Friday week. Even without chemurgic trimmings, American commercial farmers are having to adjust to unstable prices, unstable demand, ever-changing techniques, pests, grades, and markets. That is part of the price of industrial civilisation. It explains the farmer's emphasis in his politics, on the search for factors of stability.

Anti-Trust Activity

(From a Correspondent in Chicago)

WHEN the United States entered the recent war, its anti-trust laws were being enforced upon a scale, to judge by the number of presentations, four times larger than ever before in their history. During the war, in spite of a series of dramatic prosecutions of international cartels, enforced competition gave way temporarily to control of the economy by various war agencies. Today, as the last of the wartime controls are being liquidated, the primacy of the competitive policy is being restored.

The end of the war found control of American industry more highly concentrated than ever before. The 250 largest manufacturing corporations, which owned 65 per cent of the nation's productive facilities in 1939, operated 79 per cent of the new war facilities built with Federal funds and in September, 1944, held 75 per cent of the prime war supply contracts.

An effort is being made to sell about \$11½ billion worth of Government-owned war plants in such a way as to reduce industrial concentration. The Surplus Property Act provides that such sales shall be designed to strengthen free and independent enterprise and discourage monopolies. When a plant worth more than \$5 million is sold, the Attorney General reviews the sale and reports whether it is consistent with this purpose. In the aluminium industry, leases of Government plants to Reynolds Metals Company and Permanente Metals Corporation have gone some way towards loosening the control formerly enjoyed by the Aluminium Company of America. In 1944 this company controlled productive capacity for alumina, primary aluminium, and sheet, strip, and plate which ranged from 86 per cent to 96 per cent of the total American capacity. At the end of 1946 it controlled from 44 to 54 per cent of the nation's capacity for the same products. A similar diffusion of control has been accomplished in the sale of Government-owned nitrogen plants. However, these cases are exceptional. Nearly 70 per cent of all sales and leases of Government-owned war plants prior to 1947 were made to about 60 concerns, which are among the largest 250 manufacturing enterprises in the country. A striking example is the steel plant at Geneva, Utah, largest in the Far West, which was sold, with the approval of the Attorney General, to a subsidiary of the country's largest steel producer, the United States Steel Corporation.

The growth of economic concentration has aroused some political protest. Last year a Senate committee made public a report by the Smaller War Plants Corporation which said that the war had enhanced industrial concentration and predicted that concentration would remain higher in the post war years. Just before the Democrats lost their committee chairmanships, the Senate Small Business Committee published a report on the future of independent business which treated the concentration of economic power as the principal problem of the day and offered a variety of remedial recommendations, including the establishment of a new Department of Small Business, increased appropriations to enforce the anti-trust laws, new laws against mergers of competing corporations and against use of basing-point systems of pricing, reorganization of the patent system, registration of trade associations, and requirement that corporations engaged in interstate commerce operate under Federal rather than state charters.

Use of the anti-trust laws to dissolve large corporations is also beginning. A Federal court has declared that the country's largest grocery chain is an illegal combination in restraint of trade, and the Supreme Court has sustained an anti-trust decision which requires divorcement of the manufacture of sleeping cars from their operation by the Pullman Company, which formerly monopolized both kinds of business. These cases were initiated several years ago, but they are now regarded as merely the first skirmishes of a campaign by the Department of Justice to break up some of the larger and more powerful enterprises. The Federal Trade Commission has renewed its

long-standing recommendation that the law be amended to make mergers difficult.

The attack upon bigness is the most recent development in a broad revival of anti-trust prosecutions. More than twenty cases, many of which involve international cartel activity, were postponed to allow the defendants to concentrate upon war work. These are now on their way through the courts. A test case to determine whether the use of basing-point formulas is illegal price-fixing is being carried to the Supreme Court by the Federal Trade Commission, which failed to establish this doctrine in a lower court. However, prosecutions of new price-fixing agreements are still relatively few, since there is little incentive to make such arrangements while goods are scarce and prices are rising.

Control of Congress by the Republican Party is not likely to diminish the importance of the anti-trust laws. True, this party contains a group which is tender of the interests of big business, but it also contains Western agrarian radicals devoted to the enforcement of competition. In spite of protests by the Department of Justice, an effort is being made to pass a law under which rate conferences organized by railways and road haulage lines may be registered with the Interstate Commerce Commission and may operate under its approval. A similar bill was favourably reported from committee in the last Congress, but failed to pass. Among the many labour bills now under consideration are several which propose to make the anti-trust laws applicable to restrictive practices by labour unions, as was the case until unions were granted immunity by the Court's interpretation of some of the New Deal labour laws. Off-setting these proposals from the conservative side is a bill by a Republican Senator from Oregon which seeks to tighten the anti-trust laws. It would specifically prohibit participation in international cartels. It would require registration of patent licence agreements and would prevent them from containing restrictions about price, quantity, or field of business activity. It would increase appropriations for enforcement of the anti-trust laws and would impose heavier penalties upon those who violate these laws. It would also provide for annual public reports by the President about the extent of monopolistic practices, for directives by him designed to coordinate the attack upon monopoly throughout the Federal Government, and for supplementary devices, such as easier credit for small business and modification of freight rate structures, which might foster competition.

That such divergent tendencies express no serious disagreement about the basic philosophy of the anti-trust laws is evident in the fact that there is general agreement in support of the portions of the draft charter of the International Trade Organization which are designed to curb international cartels. Both parties take this part of the charter for granted. Leading business groups have endorsed the proposal, though some of them apparently hope that a way can be found to use the looser provisions of the international charter as a means of relaxing the domestic anti-trust laws. Newspaper and political comment has been generally favourable, with occasional criticism on the ground that the charter is not strong enough.

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

American Notes

Questions and Answers on Greece

March 31st—the date by which President Truman had hoped Congress would have acted on the Greek and Turkish loans—has now come and gone, with the hearings before the Senate Committee still incomplete. The full Senate debate will not start until April 7, and that in the House will follow. Questions and projected amendments are legion; Senator Vandenberg has collected 400 questions and sifted them down to 100; the list of amendments already number 23. The debate is unlikely to be either short or sweet.

From this barrage it is already clear that the Administration is most vulnerable on the score of by-passing the United Nations; and this omission is being hastily repaired, Mr Austin has explained at Lake Success that the American initiative was merely of “temporary and emergency” character until Uno could take over, and that it complemented, rather than undermined, the activities of Uno in the Balkans. The new preamble to the bill, written by Senators Vandenberg and Connally, serves the same purpose; and Senator Vandenberg now proposes an amendment which would give the United Nations a veto power over the extension of American funds to Greece and Turkey. Some of this new devotion to the prestige of the United Nations is simply good strategy on the part of the opponents of the bill; in part the United Nations may merely be a handy excuse for inaction. But it is significant that second thoughts on Greece have all ruled out the appearance of unilateral action.

The opposition on the left has another string to its bow: the high proportion of military, as opposed to civilian, aid in the plan. Mr Clayton's tentative outline of how the money would be spent is hotly disputed by Senators Pepper and Taylor. The scheme is for the \$100 millions to Turkey to be spent exclusively on defence; the \$300 millions for Greece would be divided, half for defence, half for relief and rehabilitation. Senator Pepper's resolution would deny any aid to Turkey, and would extend only funds for relief to Greece, and those only through the United Nations.

There is as yet no suggestion that Congress will repudiate the President's plan, whatever conditions may be attached. But in answering the questions of Congress, the Administration is steering a nervous course between playing up and playing down the Russian bogey. What a tight-rope has to be walked is illustrated, at the other extreme, by the suggestion that if the United States is going to be tough, it had better go all the way: that General Marshall, and the heads of the Army and Navy, should take over the control of atomic energy from the Lillenthal Commission, and that the new Secretary of State should, metaphorically, tuck the atom bomb under his arm when he pays his diplomatic calls. This is a genie which may be hard to put back in the bottle as the debate continues.

* * *

Mr Truman on Prices

The fresh burst of speculative activity in the commodity markets over the last few weeks is now engaging the constant attention of Mr Truman's economic advisers. At a Press conference held last week, the President declared that the price level had reached a point where it was quite easy for industry to “see the writing on the wall,” while Mr John W. Snyder, for the Treasury, said that prices were “altogether out of line” and that the government had been discussing the position continuously with representatives of the basic industries. Both praised the price reduction policy announced quite recently by such undertakings as Ford and International Harvester, and both hinted that further price revisions of this type may accrue in other basic industries. It is suggested that Washington spokesmen have been pressing US Steel to give a new impetus to price reduction.

Last week, however, US Steel denied that any general price revision was in prospect, and other manufacturers, while they are admittedly reluctant to raise prices again, are very cautious in admitting that downward adjustments are possible. Wage rates are still rising. A few weeks ago, the oil refinery workers got 20 cents an hour, an advance of about 15 per cent. The rubber workers got 8-10 per cent, the steel workers may settle for a similar amount this month, while automobile workers are still demanding 23.5 cents an hour—though they will probably settle at a substantial discount on this bid. Telephone and rail wage negotiations have also reached awkward stages. Organised labour, generally, does not want to strike, but it is determined to cash in to some extent on the present prosperity. In spite of all predictions of impending collapse, therefore, industry does not believe

that the present climate is suitable for downward price adjustments.

Meanwhile, the government cannot do very much to reverse the price trend in the present political set-up. It can set its face against tax reductions, and it can put up a few more barriers against speculators in the commodity markets. But even on Budget policy it will be forced to compromise with the majority party, and the most that it can do will amount to very little against the powerful forces now exerting their pressure on price-levels. On Truman estimates, the 1947-48 Budget might leave as much as \$5 billion to \$6 billion for debt redemption, while the cash surplus of the Treasury over the first six months of 1947 might be as much as \$3 to \$4 billion. In so far as this debt is held by the Federal Reserve system, redemption could exercise a sharply deflationary effect on member bank reserves. The other line of approach for the government is the long-discussed “defrosting” of short-term money rates, though this move, if and when it occurs, will not be intended as a sharply deflationary move, but as a barrier against possible new inflationary pressure arising from the so-called “monetisation” of debt.

* * *

The Controls Behind the Loans

An observer said last week, “Congress must be a very great body, it moves so slowly.” March 31st was a deadline, not only for the Greek and Turkish loans, but for that last handful of controls which even the free enterprisers cannot lightly discard. They were reprieved at the eleventh hour. In February, President Truman asked Congress to extend certain of the authorities granted by the Second War Powers Act, which was due to expire on March 31st. The controls involved work two ways: they regulate domestic distribution of sugar, rice, certain drugs, and imported industrial commodities which are short in the United States; they also make possible American participation in the world food pool, which lays down international “fair shares” and authorises allocations and priorities which make a proportion of American production available for relief exports. Allocations are necessary for wheat and fats, for example, and priorities on the railroads are essential if wheat, coal and fats are to reach the ports despite a box-car shortage worse than anything experienced during the war. Without these controls the dollar could outbid the poorer and hungrier countries; in the ensuing scramble prices would rise and the needy go without.

Congress balked at renewing these powers *en bloc*. Separate measures have been enacted for sugar and rubber, but for the rest a hasty extension of the War Powers Act until June 30th has had to suffice. The debate over sugar controls was bitter, and in the end a compromise had to be arranged between those who wished to abolish controls altogether and those who, like Senator Tobey, wished them extended for a year and heatedly attacked members of his own party for opening the door to the sugar speculator. The pressure on the Senate stemmed partly from housewives, who will now get 35 instead of 25 pounds a year, but chiefly from the industrial users of sugar, who are chafing at the limits on their production and profits imposed by the sugar restrictions.

Between now and June 30th Congress will go over the controls individually; it will also have to act on the extension of the Export Control Act, which President Truman has requested to protect domestic supplies of short commodities and to enable the Administration to direct exports to countries which need them most.

To retain controls, even for export, goes against the grain of a Congress which has triumphantly liquidated them at home. Evidently there will be a bitter struggle inside the Republican party between the followers of Senator Taft, who has no use for “interference” in the domestic distribution of wheat and fats, or for American co-operation in international allocations, and those who like Senator Aiken believe that no foreign loan can offset the damage done by letting allocations and export controls lapse. The loans themselves will become illusory if they cannot be turned into goods, and distribution is to be by scramble. This decision on controls lies at the very core of a consistent foreign economic policy.

* * *

Return of the Tourist ?

(From our US Editorial Staff.)—The recent burning of the liner “John Ericsson” at her Hudson River pier removed one more vessel from the scanty North Atlantic passenger fleet, and dimmed the golden dream of summer tourism by just that much. Mr John Strachey, making his way through smoke to the “Queen Elizabeth” berthed next door, assured reporters that England

would welcome, feed and lodge, sixty to seventy thousand visitors next summer. Meanwhile, possible carrying space going up in smoke on the other side of the pier was throwing more soot than light on the problem of how these thousands could be taken over and brought back again.

Travel hopes burgeon on both sides of the Atlantic, but with different ends. Britain and the continent want American dollars (which used to come from tourists at the rate of \$300 million a year), and are apparently preparing to furnish a modicum of food, lodging and transportation in exchange. Americans want charm, ruins, horror, history, family reunions, the simple sensation of going abroad. They are prepared to find that the food, the beds and the train service which they buy in the process of satisfying less tangible desires are good or bad—in either event they will talk about them. They know that steamship fares have gone up 15 to 30 per cent. They are being warned that the kind of travel facilities which they used to buy on an inclusive basis at \$21 a day will now cost \$25, and that the simpler type for which their poorer cousins paid \$12 a day will now cost \$17. These higher rates are not surprising, but those who plan to pay them have not yet had a chance to measure quality against price.

All kinds of people are planning to go to all kinds of places, without much knowledge of what the going will entail. Two thousand Scandinavian servants who have been saving fat wages during the war years will take them home and come back again for more. The Northern and Southern Baptists will sample international affairs by means of a conference in Copenhagen. The Czechs in Iowa are preparing gymnastic displays for the first post-war reunion of the famous Sokol groups in Prague, apparently confident that the Army will find ways of routing their trains through Germany. As for the unclassified travel-hungry, their applications for space are already exceeding the demand, and two thousand of them want to take their motor-cars with them into lands which still ration petrol.

In all this, the core of the problem is not so much how to get them over as how to bring them back. Of the pre-war transatlantic fleet, only about 20 per cent remains—eight ships out of 40 or 50, and of major tonnage only the Queens. During the summer months those eight ships would have room for 155,000 people, while the seven air lines could carry 200,000 more. But unless the piled-up demand for western passage which has crowded all available space since the war's end were somehow blocked off, only a fraction of this 355,000 could come home again. The

government is, therefore, issuing tourist visas only to those who have guaranteed passage back.

It is not surprising that the representatives of fifteen international steamship lines meeting in Paris on the day the “John Ericsson” burned found it unwise to set agreed scales of steamship fares until October. Steamship and travel offices are expecting to look like the nylon stocking queues last spring, and if stockings could be sold under the counter, steamship tickets may also move by devious and not unprofitable ways.

Shorter Notes

Mr John L. Lewis, the United Mineworkers' leader, recently decided to withdraw the coal strike notice timed for April 1st. This week, Mr Lewis decreed that beginning from that date, the bituminous coal workers should suspend labour for one week “as a memorial to miners killed in the recent Illinois pit explosion.” By the withdrawal of formal notice, Mr Lewis saved his union \$2,700,000 in court fines, gave fresh notice to the private mine operators that the struggle is not over, and demonstrated once again his personal mastery of the mineworkers. Charges of “criminal negligence” in terms of mine administration may not be without foundation (if directed at the right quarters) but they carry less conviction when timed to coincide so precisely with the personal ambitions of Mr Lewis.

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A wage dispute with one firm of brokers threatens a general strike on Wall Street later this month, according to leaders of United Financial Employees, the Labour Federation body covering workers both on the Stock and Curb Exchanges. If mediation fails to avert a strike, the dispute may last for some time since the union has claims against several other firms and asserts that it has been unable to obtain any satisfaction through the usual negotiating bodies.

*

The Civil Aeronautics Boards has approved an advance of 10 per cent in airline passenger fares, to slightly more than 5 cents a mile. This will leave airline rates at levels comparing favourably with those for Pullman car travel, and in the opinion of the industry's leaders, will put the airlines back on to a solvent basis, though it may well slow down the earlier rate of expansion.

THE WORLD OVERSEAS

Ghosts of Vichy

(From Our Paris Correspondent)

THE crisis which hovered over M. Ramadier's Cabinet last week was both more and less serious than the periodical deadlock so familiar to French politics. It was less serious because none of the main parties wanted the Government to fall, and were therefore willing to clutch at any compromise they could find; until their tactics change—perhaps in another few months—M. Ramadier is safe. It was more serious because it brought to a head, in certain of its aspects, a threat to French parliamentary institutions that goes far beyond the scope of party strategy.

Policy in Indo-China, it is true, was more than a mere vehicle for dispute. There has been a genuine difference of opinion on the best way to handle the Annamese independence movement. Formally, the Government parties are all agreed on the desirability of establishing “a free association of peoples within the framework of the French Union”; in fact, of course, this kind of formula, so dear to the French mind, is open to a number of varying and even contradictory interpretations. The Right and Centre Right translate it into terms of more or less charitable trusteeship, allowing that the “natives” may have some voice in managing their own affairs, but making sure, at the same time, that French dividends in rubber, cotton and rice are amply guaranteed by the presence of French soldiers and administrators. It is a fact which may seem remarkable enough in English eyes that only the Communists have tackled the Indo-China problem in terms comparable with the latest British approach to Burma. The Socialists have paid lip-service to the same imaginative policy;

but their actions have not kept pace with their words. The issue has lain between a “colonial” and a “dominion” policy.

The root issue in last week's crisis, however, was not so much Indo-China as the continued development of the Fourth Republic. This may sound strange with an Assembly in which even the extreme Right labels itself “Moderate Republican”; but labels are nowhere more misleading than in modern France. The extreme Right is neither Moderate nor Republican; and how far it is from being reconciled to the Constitution of 1946 can be gauged by the sad confusion of loyalties in which the French *bourgeoisie* lives to-day. What is little less than outright sedition on the extreme Right tones down to self-destructive criticism in the Centre, but of this there is an outpouring as impressive by its dazzling brilliance as by its unflinching abundance.

The foreigner who takes up any of the “intellectual dailies”—with *Figaro* and *Combat* at their head—can only conclude that many thoughtful Frenchmen live in an atmosphere of acute mental discomfort and moral instability, while nothing in France amounts to more than negation and despair. If he goes farther to the Right and reads *Aurore* and *Epoque*, he will be packing his bags by lunch-time and taking the first train home. The impression is perhaps exaggerated: yet these are states of mind not difficult to run across in France. It may be hard to kick against the constitutional pricks: thousands, it seems, are doing it every day.

This almost Gadarene pessimism cannot be explained by the

basic facts of the French political and economic position. A bare summary of things achieved by the coalition governments of the last two years would provide impressive evidence of the far-reaching degree to which a shattered society had been pulled to its feet and pieced together again. Important structural reforms backed alike by Socialists, Christian-Democrats and Communists have brought the ownership and direction of wide sections of the French economy into line with the aspirations of those who, during the years of occupation, planned a new and rejuvenated France. A reform of the civil service that is not far from a revolution has been framed and placed upon the statute book. Young and enthusiastic military leaders have begun the rebuilding of the armed forces.

French industry has made long strides towards recovery; a strong and vigorous trade union movement has accepted the challenge to higher production and the national planning of wages. The association of the working-class in the management of industry has made reassuringly good progress; and, with few exceptions, peace has reigned between workers and employers. Large sums of money have been borrowed on advantageous terms from America and Britain, and much of this has been turned to good account. In spite of astronomical figures and dizzy balance sheets the financial position is far from catastrophic, the note circulation not much in excess of what is justified by existing price levels. The manpower shortage has been faced with realism and—at last week's agreement for the import of 200,000 Italian workers in 1947 showed—with initial success. Even admitting that much is still done badly and even dishonestly, and that some aspects of French life have yet to recover from the demoralisation of defeat, it is nevertheless clear that there are also solid grounds for encouragement.

Scandals on the Right

Yet the Fourth Republic, clearly, is still a frail creation. It is too easily forgotten, perhaps, that the struggle between Vichy and the Resistance was a civil war which split deeply along the grain of traditional loyalties. The ghost of Vichy still walks in France; and the chain of complicities which linked so many *bien-pensants* to Pétain has now begun to rattle. Within the last few weeks a dozen "scandals" have dazzled the public with tales of ill-gotten gold and triple betrayals—and not one of these *affaires* has failed to strike a political note. Their complexities defy coherent description. It is found, two years after the end of the war, that an ex-colonel of the Resistance, a supposed hero, was by his own admission the man who betrayed several members of the National Council of Resistance in June, 1943.

These *affaires*, it may be argued, are nothing but the inevitable repercussions of invasion and occupation. Perhaps: but the evil of them lies in their persistence. They have served to lift the lid on a number of French consciences; and what goes on inside seems far from pleasant. The *affaires* may affect only a small minority of Frenchmen: The alarming thing is that so many of them are explicable only in terms of political affiliations. One by one, with unhappy regularity, they reveal their hidden springs of action in terms of a blind and violent anti-communism. Far from being reconciled to the existence of a strong and constructive working-class movement in France, the Right and all who cleave to the Right are steering obstinately towards a renewal of the battle which the men of Vichy opened seven years ago.

It may be melodramatic to talk of plots against the Republic. It is never as simple as that. Yet, deliberately or not, the publicists of the Centre and Right continue to nag away at old scores that were better forgotten, to harp on all the reasons that exist for despondency and alarm, to illuminate what is dark and obscure, what is hopeful. If the French economy is out of balance, this is at least in large part the fault of those who hoard food and consumers' goods. There is the daily chorus of Cassandras, who, consciously or not, appear to long for the disaster which should relieve them by a miracle from circumstances they find increasingly unbearable. Perhaps there is no plot against the Republic: what is certain is that there is no lack of plotters.

Crucial Months Ahead

At the bottom of their mental revolt, no doubt, lies the knowledge that the Constitution of 1947 was the fruit of new and dynamic growths in French society. The old landmarks of the Third Republic have been swept away; new forms of social integration lie ahead. Whatever exact direction these new forms may take it seems quite sure that the working-class—that is, the

Communists—must have their leading place: the conviction of the Communists, indeed, that the present order of things in France is a necessary if lengthy prelude to Socialism, goes far to explain their conciliatory attitude. Those who foretell a coming Communist *coup d'état* are giving themselves away. Conflicts within the party may well exist (no one outside the inner councils can really measure their importance); but the weekly rumours that the rank and file is divided between Thorez, who wants to work the parliamentary machine, and Marty, who would throw up barricades to-morrow if Moscow were less afraid of American intervention, are mere wishful thinking. A Communist insurrection would be too incredibly convenient: people do not hand their sworn enemies a loaded pistol.

These are crucial months. If the three main parties combined to uphold M. Ramadier last week it was not simply from their several reluctance to leave office. The crisis was more serious than that. To have brought down the Government would have risked severing the last links between Left and Centre and to have opened the doors of the Palais Bourbon to the wide world of adventure.

The ceremony at Bruneval last Sunday was not only a typical De Gaullist occasion, with the emphasis on the General rather than on those who made the raid of 1942; it also marked a long step forward towards an alliance of all right-wing elements under the General's banner. The speech made was not only a characteristically obscure pronouncement *urbi et orbi* but also the opening of a new political campaign which is causing some anxiety to the Cabinet. Henceforward those who regret the Fourth Republic will not lack a leader.

Jewish Camps in Cyprus

[FROM A CORRESPONDENT]

ACCORDING to official figures 13,724 Jewish illegal immigrants bound for Palestine have already arrived in Cyprus, of which 3,942 have been sent to Palestine camps to await the quota. With a further six hundred expected, there will soon be nearly over the 10,000 provided for by the immigration detention law still in the two camps.

No one knows how long the camps will be maintained in Cyprus, and one can only speculate on the possible results of the recent arrests of American crews for aiding and abetting illegal immigration; but according to reports received in the camps here from relatives in Europe, the movement is increasing rather than diminishing. The permanence of the Xylotymbou camp, together with the fact that work has now started on the first of the Caralios camps, which is being similarly provided with Nissen huts, suggests that the authorities expect immigrants in Cyprus for a long time to come.

Immigrants are recruited from almost all countries in Europe (as well as Moroccan Jews speaking only Arabic) and vary from unskilled and rough types to prosperous business men and professional men. This makes it difficult to treat them as a community, but the problem of camp administration is helped by the fact that they usually join the ships bound for Palestine in well organised religious or political groups, varying from 20 to 30 in a group. On arrival leaders of these groups immediately contact leaders of "allied" groups, and the group is treated as a unit for the distribution of food and clothing, and for administrative purposes. A central committee of group leaders deals with the administration of the camp, which is a purely military concern. There is no lack of good will on the part of the military, a fact which seems to be appreciated by the immigrants, but proceedings were undoubtedly held up at first by lack of co-ordination between the military and civil authorities, added to the difficulties to be expected where officers trained to deal with disciplined men are faced with the entirely different problems of civilians. The fact that there have been no serious clashes is due perhaps more than anything else to the Joint Distribution Committee (an American Jewish Organisation with some fifty million dollars behind it), which has not only supplied the camps with extra food, clothing, comforts, and medical supplies, but whose trained welfare workers, speaking Hebrew and Yiddish, act as unofficial liaison officers between the authorities and the Jews.

Some idea of conditions in the camps was given during a Press visit at the beginning of this year to the Xylotymbou camp near Larnaca. It appeared clean and orderly, but Major Macdonald, senior British Medical Officer, stated that of the 1,777 inmates of Xylotymbou, between four and five hundred were being treated for skin diseases. No adequate arrangements for heating water

existed when they arrived, and lack of medicaments due to shipping difficulties had contributed to the spread of disease. However, "facilities for cleanliness were considerably better here than at Caralios." Major Macdonald attributed the lack of more serious illnesses principally to the remarkable stamina of the immigrants, for which he could only account by the theory that only the physically fittest could have survived the past years in Europe. Military authorities confiscated pictures of medical cases taken by Palestine journalists in the camp.

Hasty Preparations

The history of the camps and of the authorities' handling of the press has been an unfortunate one. The plan to use Cyprus for detention camps for illegal immigrants was at least discussed as far back as the beginning of 1946, but when they began to arrive in August the local military authorities had received very short notice, and were not entirely prepared. The first intimation the press received was on August 4th, when Caralios, a military camp outside Famagusta, which in 1918 had been used to house White Russian refugees, was hastily reinforced by a double fencing of barbed wire. Military and civil authorities refused all information, and it was not until August 8th that correspondents learned from Washington that the expected arrivals were indeed illegal immigrants and not Palestine terrorists as one newspaper had suggested. The atmosphere of strictest secrecy was maintained. At dawn on August 14th, when the Liberty ships "Empire Heywood" and "Empire Rival" were escorted into Famagusta by H.M.S. "Ajax," the press, warned away from the port and the foreshore, were forced to meet them in a small sailing boat as owners of all larger vessels had been intimidated by the naval authorities. Even this was only made possible by the refusal of the Cypriot harbourmaster to comply with the quite improper request of the senior naval officer to impound all fishing vessels in the bay.

The first batch of 1,200 immigrants consisted mostly of young married couples, with a fair sprinkling of students of both sexes, and 177 children. The precautions taken by the military, who lined the road to the camp with Bren gun-carriers and troops armed with Tommy-guns, were caustically commented upon by the press. Officers stated afterwards that they had received no information regarding the type of persons being sent and had no idea what to expect. On August 18th, when the second batch of 784 arrived, there was a complete lack of these warlike precautions. The same day the press were allowed to visit the camp.

A great deal has been written about the so called riot on that day, but an eyewitness account may not be out of place. After considerable pressure had been exercised, journalists were informed on August 17th that they would be allowed to visit the camp on the following day, provided that they did not speak to the immigrants personally but submitted written questions to the authorities in advance. Under protest against the conditions laid down, correspondents arrived at Caralios on the day fixed, only to be informed by the military authorities that even written questions would not be allowed, and that all conversation with the immigrants was strictly forbidden. The immigrants had arranged to hold meetings to state their case. When they realised that they were not to be allowed to speak to the press, a determined but perfectly orderly procession marched down to the main gate. It was not until an attempt was made to get the press out through a side entrance that the trouble began. The immigrants rushed the main gate and tore down the barbed wire fences. British soldiers, who behaved admirably throughout the whole proceedings, fired over their heads without stopping the rush.

It is impossible to judge how serious developments might have been (an amendment of the illegal immigrant law providing for the use of firearms to quell disturbances was published the following day), but a Palestine journalist climbed the wire fence at some personal risk and calmed the crowd by promising a press hearing. As soon as the immigrants dispersed the press were informed that they must leave. They replied by ignoring the authorities and marching into the camp. Since then, apart from one or two visits by "selected" individuals, Caralios has been closed to the press.

The visit showed that the camp was far from ideal for the accommodation of the number of men, women and children contemplated. Major Houry, who had been in charge of the camp when it housed only one thousand troops during the war, had admitted then that sanitation was a serious problem. With ten times the number of undisciplined civilians it was insoluble. Local authorities hinted that the insanitary state of the camp threatened the health of the surrounding district. Camp officers unofficially state that they are doing their best, but the immigrants refuse to co-operate, and there is little likelihood that conditions will improve.

Early in November press reports stated that a new camp was being prepared at Xylotymbou, near Larnaca, for the reception of a further 10,000 immigrants. The policy of secrecy was maintained by the authorities, and it was not until December 5th that they admitted that five new camps equipped with Nissen huts and all possible facilities had been erected as winter quarters for the immigrants who would be transferred from Caralios. A press communiqué stated: "The completed camp has been photographed with all its amenities, for record purposes, should the immigrants endeavour to reduce it to the shambles they have made of the camp at Caralios."

The first batch was transferred to Xylotymbou on December 9th, but after that no other transfer was made. Immigrants stated that they preferred to stay at Caralios where they had "settled in" and refused to be moved. The reason seemed to be that they had formed friends and attachments and were afraid of being separated in the new camps.

So things remain, with the authorities worried about the disposal and management if new arrivals are to be expected. The Jewish illegal immigrant problem is a costly one. Xylotymbou cost £500,000, and in addition there are clothing, medical supplies, welfare and civilian labour for running the camps to be paid for. For transport alone, three Liberty ships have been kept permanently in commission.

The Chancellor of the Exchequer, answering a question in the House of Commons in February, stated that the costs of the Cyprus camps would be a charge on the Government of Palestine, but gave no details of the costs.

Spitsbergen

[FROM A CORRESPONDENT]

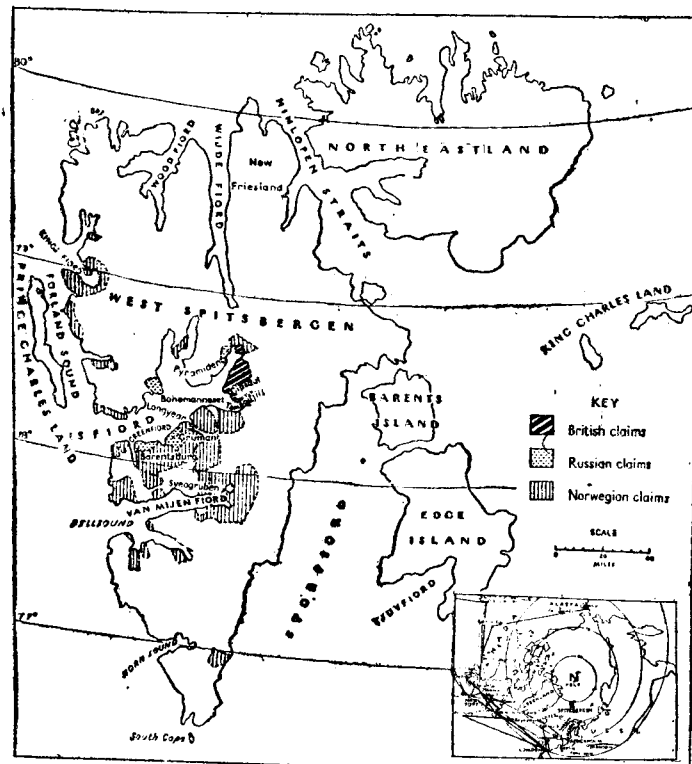
WHEN William Barents discovered Spitsbergen in 1596 he, like the bold seamen of the previous fifty years, starting with Sir Hugh Willoughby's ill-fated expedition from Deptford in 1553, was in search of the North-East Passage. His orders were to sail into the North Seas to discover the kingdoms of Cathay and China. He hoped to voyage along the northern route already shown on contemporary maps and thus to nullify Spanish and Portuguese control of the Indies trade-route. There still is no such Passage, but the strategic importance of Spitsbergen on the northern sea route to Russia gives it an increased significance of which recent events have been reminders.

On January 10th it was reported in London that the Soviet Government were negotiating with Norway for military bases in Spitsbergen. Later that same day the Norwegian Foreign Ministry issued a statement that negotiations had been going on since the autumn of 1944, when the Russians broached to the Norwegian Government in London the revision of the Spitsbergen (Svalbard) Treaty of February 9, 1920. The Norwegians had replied that there could be no revision without reference to the other Signatory Powers (Britain, the United States, France, Sweden, Denmark, Holland, Italy and Japan—the last two being now excluded as enemy Powers), and to the Norwegian Parliament when it met again in Norway. On January 17th a further statement revealed that the Norwegian and Russian Foreign Ministers had discussed the suggestion in New York in November, 1946, and that the Norwegian Parliament was considering the problem raised. The results of its deliberations were announced early in March. In a secret session on February 15th it had voted by 101 votes to 11 (the Communist members) to revise the Soviet-Norwegian Agreement of 1945, which stated that the defence of Spitsbergen was the joint concern of the Soviet Union and Norway. The reason was that the international situation had changed, Uno had been established, and "the opening of negotiations of a military character with any single foreign Power concerning the defence of a region under Norwegian sovereignty would be contrary to the foreign policy which the Government . . . has pursued since the liberation." Nevertheless, having in mind the particular economic interests of Russia in Spitsbergen the *Storting* was in favour of continuing negotiations to make the 1920 Treaty "more satisfactory." The next move is thus with the Russians, and the Soviet Ambassador to Oslo recently went to Moscow—presumably to ascertain his Government's definition of "more satisfactory."

There are thus clearly two sets of interests involved, the political and the economic. The 1920 Treaty recognises 40 claims in Spitsbergen, of which 32, or 87 per cent of the claimed areas, are owned either by the Norwegian Government or by private Norwegian firms. The Scottish Spitsbergen Syndicate owns 4 claims, but has never seriously operated them. The Russian Arctic

Ugö also owns 4 claims of slightly less area; these are Barentsberg, Grumant, Pyramiden and Bohemanneset. The most important of these are Barentsberg and Grumant, which were acquired from Dutch interests in the 'twenties. Barentsberg in the 'thirties produced about 400,000 tons of coal yearly but just before the war production was declining, largely because of the amount of slate mined. The coal from Grumant was of better quality, but its exploitation was more difficult, since wharves could not be built nearby. Small-scale experiments had also been made at Pyramiden. Barentsberg and Grumant were destroyed in the British Commando raid in autumn, 1941, but Pyramiden was untouched. Reconstruction, which was foreshadowed by a small Russian reconnaissance party in the summer of 1945, did not really start until November, 1946—a curious time to send an expedition to the Arctic, although last winter was unusually mild in Spitsbergen.

Two companies operate the Norwegian claims. These are the Store Norske Spitsbergen Coal Co., which has mines at Longyear bought from the Americans in 1916 and at Svea—their total production in the coming year is estimated to be about 500,000 tons; and the Kings Bay Coal Co., with an estimated production in 1947 of 50,000 tons. Reserves at Longyear are estimated at 1.5 billion tons and the Store Norske Co. has been lent over 24 million kroner in the last few years by the Norwegian Government. Although lavish support has also been provided for the Russian company by its Government, geological surveys indicate that, unlike the



Norwegian companies, it has little prospect of ever operating economically.

The vigour and persistence of Soviet interest has thus caused some speculation in Norway. Most Norwegians consider that since the Soviet Government under the 1920 Treaty can do anything it likes except establish military bases, the demand for bases is primarily a reply to American interest in Icelandic airfields. The locations proposed are interesting. A base at the entrance of Isfjord, however, would be tactically valuable. Green Harbour is the best anchorage in Spitsbergen, has good bunker-coal at hand, and controls the bulk of coal shipments from the island. But Soviet bases in Spitsbergen could not be maintained without control of sea and air communications with Murmansk.

If the Soviet Government still press for a revision of the 1920 Treaty, two courses seem open. They may either agree to the Norwegian proposal and negotiate with all the signatories—in which case it is unlikely they would get exclusive use of bases. Or they may drop diplomatic action and concentrate on economic penetration. But they must know that no land on Spitsbergen may be sold without the consent of the Norwegian Government and that Norwegian owners are not likely to sell.

Garrison Prosperity in Palestine

[BY A CORRESPONDENT RECENTLY IN PALESTINE]

POLITICAL difficulties have so far not had a permanent adverse effect on the economy of Palestine. On the contrary, there are very clear indications of further economic expansion during the past year. Foreign trade increased, imports in the first six months of 1946 amounting to nearly £13 million, compared with just over £9 million for the same period of 1945, and exports were worth nearly £29 million, as against just over £20 million. The building of houses and factory premises, the replacement of industrial equipment, agricultural production and industrial activity showed a steady upward tendency. There were no signs of unemployment, wages are high and cost of living is still rising.

These outward signs of the country's prosperity do not, however, give a clear picture of the actual situation. Experts agree that Palestine has not yet entered into the phase of post-war reconstruction and has not started to deal with the immense problems which will have to be faced in the near future. On the contrary, it is still living under a wartime economy in "garrison prosperity." The expenditure of British forces is one of the main sources of national income. According to the Chief Government Statistician it rose from £2,841,000 in 1939 to £25,229,000 in 1944 and 1945, and will most probably reach the figure of £30 million in 1946. This represents about 20 per cent of the total national income, which is estimated at about £123 million. Of this £30 million are derived from agriculture, fisheries and forests; £70 million from industry (including building), trade and transport; and the balance from the Government and local authorities, hotels and domestic service, and so forth.

It is obvious that as long as the military absorbs about a fifth of the national output, and pays for it, not from current taxation, but from funds provided by Great Britain, Palestine will be prosperous.

Jews and Arabs are, however, well aware that present prosperity is mainly the result of "pumping" in of funds by the military, and ask what will happen when political problems are settled, the military establishment is reduced to normal size, and the source of income from military expenditure dries up. The Economic Department of the Jewish Agency seems to realise fully the great advantages Palestine is receiving from being the garrison of the Middle East. Even the extremists are also aware of the financial benefits the country is deriving from the military. Accordingly statements have been made on various occasions by Jewish leaders, as well as by leaders of the underground organisations, that the political struggle and terrorist activities do not aim at driving the British military forces out of Palestine. On the contrary, as soon as the Jewish state was achieved, Jews would be prepared to grant Britain military bases in Palestine.

Although in terms of Palestine pounds the national income has quadrupled since 1939, the real output expressed in goods and services has increased by only 50 per cent. The cost of living index has risen to 260 (1939=100). The war has caused a great change in the economic structure. There has been an important shift from agriculture to industry, and in agriculture itself from citrus fruits to dairy produce, vegetables and cereals. The growth of a large number of industries such as textiles, chemicals, light engineering and the recently extended diamond industry, are also important in the plans for peacetime reconstruction.

To carry any programme of reconstruction through a sound plan will be necessary. Investment would have to be strictly controlled. There is at present no shortage of capital in the country, and there are considerable funds in the form of various reserves for building and replacing machinery and industrial equipment. There also exist a great housing shortage and an enormous demand for factory space. Building costs are extremely high—the shortage of skilled builders and the lack of any wage control have resulted in wages of all building operatives increasing greatly during recent months. But it would be impossible to house large numbers of immigrants without a new building programme. Imports and exports would also have to be more strictly controlled to give preference to local industries and the import of vital machinery.

A vast amount of economic preparation will thus be necessary to save the country from a great depression, which will most probably occur at the moment when the military expenditure in Palestine is to be reduced. It is obvious, however, that in any country such as Palestine it will be very difficult to introduce and carry out large-scale plans. But most difficult will be the attainment of the political harmony necessary for their success.



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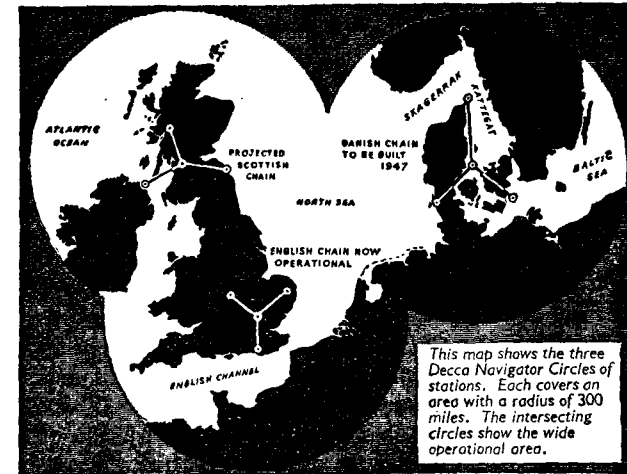
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THE BUSINESS WORLD

When the Dollars Run Out

UNDERLYING the "Economic Survey" estimates for 1947 and the longer-term objectives of which they are the forerunner is the problem of the British balance of payments. It is on what Britain can afford to import that the standard of well-being in this country must ultimately depend. The British accounts with the rest of the world were precariously balanced in the immediate pre-war period. The admittedly rough and unsatisfactory estimates of the Board of Trade showed a deficit of £70 million for 1938, and an average deficit of £43 million for the three years immediately before the war. To that extent the country appeared not to be balancing its current payments and to be drawing on external reserves. Fortunately, the cushion of reserves was a substantial one. Moreover, many of the Board of Trade estimates were of a hit-or-miss character and in the light of subsequent refinement in the mechanism for calculating invisible items of external payments, it might well be true that this country was not in fact balancing its account in the immediate pre-war period.

At best, however, the balance was a precarious one, and with the advent of war this approximate equilibrium was completely shattered. While Britain fought a war "without counting the cost," it lived on imports provided by realising its external capital assets to the extent of about £1,200 million, by increasing its external debts to the amount of about £3,000 million, by lend-lease aid from the United States, which totalled more than £5,000 million, and by gifts and mutual-aid from Canada which totalled about £900 million. The vast total of over £10,000

EXTERNAL PAYMENTS ACCOUNT ESTIMATES
(£ Mn.)

	1946	1947
Imports (f.o.b.)	1,100	1,450
Government Expenditure overseas	300	175
Total Payments	1,400	1,625
Exports	900	1,200
Invisibles (net)	50	75
Total Receipts	950	1,275
Deficit	450	350

million made up by these items has little bearing on the present problem, since it includes the provision of military aid as well as the flow of goods required to keep the British people fed and supplied with essential imports and materials. But the magnitudes involved are some measure of the shattering dislocation to which the British balance of payments was subjected, and from which it has been trying to recover since the war.

It was quite evident that the re-establishment of equilibrium would take time and that after the war-time distortion of the national economy a transition period of perhaps three or four years would have to elapse before Britain's current payments and receipts could be balanced. That was the justification for the American and Canadian lines of credit of \$5,000 million and for further increases in sterling debts which raised sterling balances from a figure of just over £3,000 million on June 30, 1945, to £3,500 million in March, 1946, and to a peak that must have carried the total over £3,600 million in the Autumn of last year. When the dollar credits were obtained, it was the general assumption that the balance of payments deficit for

1946 to 1948 inclusive would total £1,500 million, and that half of this would be incurred in 1946. The actual results for last year and the estimates for 1947, which are shown in the table in preceding column, reveal an appreciable improvement on these original assumptions.

At the end of 1946, £955 million of the American and Canadian lines of credit remained unused and this fact, taken in conjunction with the prospective deficit for 1947, would appear to indicate a reasonably comfortable position. Any reassurance on this score must, however, require a number of reservations.

In the first place, imports in 1946 were kept down, not by exchange shortages, but on supply grounds, and in meeting current requirements a considerable draft on stocks of foodstuffs and raw materials had to be made. In order merely to maintain consumption this year it will therefore be necessary to increase imports above the 1946 level, and in fact the increase, shown in the above table reflects no more than a modest rise in import prices and a margin representing the extent to which Britain lived on stocks in 1946. The 1947 target for imports still represents no more than 80-85 per cent of the 1938 volume, and makes no allowance for building up depleted stocks. Merely to restore the volume of imports to its 1938 level would require at least another £200 million. Even this would not mean a restoration of the pre-war level of imports entering into consumption in Britain, since the need to raise exports to 40 per cent above 1938, which is the target for the end of 1947, and to 75 per cent. above 1938, which is the post-transition period goal, must involve a proportionately heavier import of raw materials destined for the production of export goods. The second reservation that must be entered concerns the difficulty of reaching the stated export target.

Thirdly, there is the distinction to be made between the global deficit and that which is incurred in trade with hard currency countries. The "Economic Survey" for 1947, identifying the hard currency countries with the Western Hemisphere and the soft with the rest of the world, pointed out that Britain was now drawing some 42 per cent of its imports from the former and sending to it only 14 per cent of its exports. Sir Stafford Cripps, in his opening speech in the economic debate, pointed out that the proportion of British exports to hard currency countries had been increasing by one per cent a quarter throughout 1946 and that discussions with exporters were now going on to encourage a further acceleration of this trend. The President of the Board of Trade also emphasised that no occasion was being lost when negotiating trade and financial agreements with other countries to obtain as large a proportion as possible of imports from the soft currency area. But the near future is unlikely to ease the compulsion, in which this country and a great many others stand, of having to purchase a substantial proportion of the most urgently needed imports from countries whose currencies are the most difficult to acquire. If the ratios of hard currency imports and exports given above are taken as applicable to the prospective trade figures for 1947, they suggest a deficit in trade with the Western Hemisphere of about £440 million, to which should be added the small deficit with European hard currency countries, chiefly Sweden and Switzerland. The somewhat ominous result of that cal-

culatation must, however, be tempered by one important reservation, namely the extent to which the British deficit with hard currency countries is offset by the surplus with South Africa, usually ranked among the soft, because sterling, countries, but in fact the hardest of them all. Last year imports of South African gold into the United Kingdom must have neared the £100 million mark and the British current trade surplus with South Africa—some £60 million—was thus available in a form that could be converted into dollars or, if so desired (as it apparently was), to strengthen the British gold reserve. After making due allowance for these factors it would seem probable that the real hard currency deficit this year will be no greater than the global deficit of £350 million to £400 million and that current payments with other countries will be in approximate equilibrium.

*

This has a bearing on the next reservation to which the requirements of dollars should be subjected, namely the cost of the "convertibility" of sterling which becomes effective, under the terms of the Anglo-American financial agreement, on July 15th next. This is the point on which both apprehensions, and misapprehensions appear to exist. One prevalent idea that should be strongly rejected is that convertibility will apply to all the sterling arising from current transactions—that India, for example, will be free to convert into dollars the whole of its export proceeds to Britain. That, of course, is not so. Steps will no doubt be taken before July 15th to define exactly how much of its requirements from Britain India will be able to finance by drawing on accumulated sterling, and it will probably be a very small sum. For the rest, India's imports from Britain will have to be paid for by her exports and all indications suggest that this current trade will be running heavily against India for some time, giving that country no real claim to convertibility. It is the net balance with each country and not the total debit side of the sterling trading account that must be considered in terms of convertibility. When they are broken down, these net balances will be seen to be relatively unimportant as a threat to the British dollar resources. The main debit balances are those incurred in trade with the Western Hemisphere. These have already to be paid for in hard currency, which has been duly allowed for in calculating the hard-currency deficit for 1947. One must beware of making the error of double counting by providing, for example, for the cost of convertibility of Argentina's accumulation of sterling this year. The entry into force on July 15th of the promise to make current sterling thereafter convertible could lead to an additional drain on British dollar resources only in cases where there is a net deficit which does not now have to be met in dollars, and Britain's principal deficits with soft currency countries this year will be with Australia and New Zealand and some of the colonial territories. It may be assumed that any sterling accumulating in these hands will not be unduly pressed for conversion and that the countries concerned will continue to exercise the wise and honourable restraint they have hitherto shown in drawing on the sterling area dollar pool. If the promise of convertibility costs Britain as much as £50 million in hard currencies this year, we shall have to deem ourselves very unfortunate.

On these estimates, allowing for a shortfall of £50 million in the 1947 export target and for £50 million as the cost of "convertibility," the drain on gold and dollar resources this year would be of the order of £500 million, a figure which may be compared with the annual rate of £420 million at which the US and Canadian dollar credits have been drawn on during the past three months. This, allowing for a gradual improvement in the balance-of-payments position in the second half of 1947

and thereafter, would shift the point of exhaustion of the dollar credits well into 1949.

The dollar crisis is, therefore, not imminent. But what really matters is not the exact timing of the exhaustion of the dollar credits, but whether when they are exhausted the British balance of payments will be in reasonable equilibrium. This means looking forward two or three years or, to see the position in all its grimness, to 1951, the first year when the service on the dollars now sustaining Britain has to be paid. The problem which will then face Britain will depend on a number of factors that cannot yet be estimated: the changes in terms of trade, the arrangements that will be made with sterling area creditors, the amount of Government external expenditure, above all the effect of such steps as may be taken to import manpower and increase productivity. Where so much is conjectural it may seem pointless to hazard any estimate. But certain commitments and probabilities are easier to estimate than others. By assembling these, it is possible to assess the broad order of magnitude of the task that has to be accomplished to make the accounts balance without external help.

*

If export and import prices are roughly stable, an import volume equal to that for the current year would amount to £1,450 million. This must be regarded as a bare minimum. Allowing for the fact that larger imports would be required to produce the larger exports, it would represent rather less than 80 per cent of the domestic consumption of imports of 1938, and rather less than is being consumed now. To this sum should be added a minimum estimate of £100 million for external Government expenditure, and another £100 million for the service of the dollar credits and releases of sterling balances. Against total disbursements of £1,650 million, it should be possible to count on an appreciable expansion in the invisible income, which yielded a net sum of £50 million last year and is expected to provide £75 million in 1947. As much as £100 million may be added to this as a result of higher shipping income, a better balance of the film account and the development of the tourist trade. But even on this somewhat optimistic basis of receipts and an austere basis for imports, exports would have to produce £1,475 million or £275 million more than the highly optimistic target for 1947 in order to make current payments and receipts balance. The ultimate figure of £1,475 million does, in effect, represent a close approximation to the target of 75 per cent increase in the volume of exports over and above that for 1938. To reach that figure will call for prodigies either of productivity or of austerity. Indeed, contemplation of these figures leads inexorably to the conclusion that a satisfactory escape from the problem that the balance of payments poses will be very difficult without some fall in the prices of the foodstuffs and raw materials that Britain buys. Fortunately, some such fall can be anticipated with confidence, though it would take a bold prophet to predict either its extent or its timing. If more moderate prices for what Britain buys can be combined with high economic efficiency in the exporting industries, so as to make selling prices competitive while still covering the high British standard of wages, then the problem is soluble.

The first half of the equation is beyond Britain's control; there is little that can be done but wait for more normal conditions to return to world markets. The second half, however, should be well within the control of the British nation. What is needed is not merely effort put into the export campaign of which there is already plenty—but also economic efficiency, the determination to pay a high wage and still sell cheaply. And of this latter there is, as yet, far too little. But it is the only alternative to perpetual short commons for the British people.

Base Metal Boom

IN rapid succession last week-end, the prices of tin, copper and lead were raised to record post-war levels. By these increases, the prices of copper and lead have been doubled in a twelvemonth, and tin is as high as it has ever stood in this century. Nor can it be said that the series of precipitous rises in the prices of base metals since the end of the war has been exhausted. The contrast between to-day's conditions and the stability of prices throughout the war illustrates the degree of strain that the resumption of peacetime demand has imposed on metal supplies.

The magnitude of post-war price changes is important, but even more significant is the rate at which they have occurred. The accompanying chart gives a vivid impression of the trend.

These sharp increases reflect rising metal prices on the world market—for practical purposes, the United States, where the end of price ceilings has produced a major boom in all primary industrial materials. Against the urgency of American demand, bulk purchasing methods have been quite ineffectual. Base metal producers have not been anxious to sign contracts for future supplies at fixed prices; they have preferred to count, so far with complete success, on rising American demand and rising world prices. Since the Ministry of Supply is forced to charge consumers a price which covers its average replacement costs, the whole *raison d'être* of bulk buying comes into question. In food there may be arguments for the artificial maintenance of a low level of prices for the "iron ration." But in metals the case for bulk purchase now seems dubious. If Government buying secured better supplies and more stable prices than the open market, it would be different, but experience in the past 18 months shows that neither of these two conditions has been satisfied. The Government has been trying, always anxiously, and sometimes pathetically, to provide the bare minimum of base metal requirements for British industry, and prices have passed right beyond its control.

Indeed, they are open market prices, for the Ministry has been chasing after the world market, lacking any power to impose its will upon it. Under free market conditions, changes in base metal prices during the last 18 months would have been more frequent, but industrial consumers would at least have been able to form their own judgments about future supplies, and given an organised market would have been in a position to buy spot or cover their forward requirements as they wished. Admittedly, under present conditions of world-wide inflation and a ubiquitous seller's market, the manufacturer may not be greatly worried about this risk, since he usually passes on to the buyer the full costs of the metals and

wages. But these conditions will not be permanent, and, even under bulk purchase, price changes are sudden and arbitrary. They have to be announced only a few hours before they take effect. By watching certain free markets, such as the New York quotation for export copper, and by following in detail the negotiations for supplies between producing and consuming countries, consumers can sometimes get an inkling of price changes—for example, the increase in tin at the end of last week was fully anticipated from the discussions between the Bolivian producers and the American smelters, as described in last week's issue of *The Economist*. But no consumer can tell exactly when the Government may decide to alter its domestic selling prices and the changes of recent months have undoubtedly disturbed industry.

It would, of course, be unreasonable to blame the Ministry of Supply for what has been happening to base metal prices during recent months. After their initial mistake about the prospective demand for copper towards the end of 1945, their room for manoeuvre was small and when American ceiling prices were lifted last November, it disappeared. At the moment the only practical policy may be to follow, perhaps almost helplessly, in the American wake, paying American prices for such supplies as are available. An aggressive buying policy might produce a little more metal for the British consumer, but it would certainly force the price up further against him. This follows from the major change in the American base metal economy. A study of the table below shows that, with the single exception of tin, the United States is now far more dependent than it was in pre-war days upon imported metal supplies, and less dependent upon home production. Corresponding changes are now afoot in the world market, and these have to be recognised if adequate supplies of base metals are to be provided for British industry.

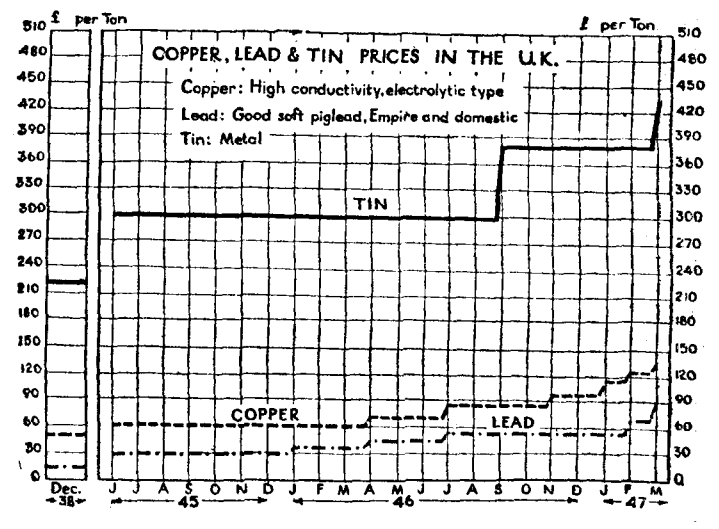
The present situation is little short of desperate. All the base metals are in the most urgent demand for industrial re-equipment and housing. There is a positive merry-go-round of substitution between the different metals, by which those in extreme scarcity are replaced on the margin by others which are hardly less scarce. Copper has been used to replace lead, aluminium to replace copper and cadmium as a partial substitute for tin; but these substitutions have a reflex effect on the demand for the substitutes and the supply of none of them is adequate to afford useful relief. The peacetime pipelines of all base metals in all countries are drained almost dry and they

must be replenished before more stable market conditions can be secured. Present prospects suggest that the current high level of consumption of copper, lead and tin will continue and that the rise in prices is not yet exhausted. The major factor is the search of the United States for metals outside its own frontiers, and since America alone has the needed dollars, it has a long start in the race for world supplies. The race may even be heightened this year, for prospective American consumption of copper has been put at between 1½ and 1¾ million short tons, lead at more than 1 million short tons and tin at 85,000-90,000 long tons.

Despite the rapid rise in prices and the vigorous character of demand, world production of copper, lead and tin has made a disappointing response. This may reflect doubt about the permanence of the present high level of American consumption; American domestic base metal production is still sheltered behind a high tariff and although the present rate of base metal imports into the United States is in sharp contrast with the 'thirties when the American tariff operated with devastating effect to keep out imports from abroad, producers still seem uncertain of its continuance and sensitive to the possibility of a setback in American demand. By all appearances they have not been very active in expanding their production facilities to meet a permanent increase in American imports. Moreover they are operating—or trying to restart operations—under severe physical handicaps. In the Belgian Congo, copper output has been restricted through lack of water; in Rhodesia there have been labour troubles, lack of coal and shortage of transport. In Chile there is the affliction of perennial labour disturbances; in the United States itself, mine output is declining, particularly in lead, where production has been falling steadily despite the subsidy. Lead supplies have been affected by the cessation of production in Burma and Germany owing to the war, and only small quantities are available at the moment in Yugoslavia. Persistent labour shortage in Australia has led to a steady decline in lead output since 1940 and considerable arrears of development work must be overtaken before output can be increased. Rehabilitation in the Malayan and Dutch tin industries have been far slower than was originally expected. From Malaya comes the familiar story of the urgent need for coal and new equipment and the state of labour is not as satisfactory as it should be. In the Netherlands East Indies slightly greater progress appears to have been made in re-equipment but coal is desperately short. Accurate production forecasts for 1947 are hardly possible, but it would be optimistic to suppose that a rapid recovery in the output of copper, lead and tin

is likely, particularly while the present scarcities of equipment and coal continue.

The conclusion of this analysis for the United Kingdom is that in base metals, as in other matters, this country now has to pay the piper without much chance of calling the tune. The rise in base metal prices and the exiguous supplies which are forthcoming at these prices show all too clearly what may happen to Britain's external payments account when the attempt is made to build up stocks of primary materials to a level appropriate for full employment and prosperity. It is difficult to make the attempt or to prescribe any remedy so long as the level demand for base metals in the United States continues at such a high pitch. But it would seem premature, at any rate, to suppose that any major and immediate change is likely to take place. The voices which were prophesying a slump in the United States six months ago have been conspicuously silent for many weeks past. Present conditions are certainly not ideal for reopening the London Metal Market,



which would find it extremely difficult to conduct its business on the basis of such limited supplies of metals as are now being offered. But despite these difficulties it must be seriously asked whether the London Metal Exchange would involve any greater cost or any greater restriction of supplies for the British consumer than the present system. Its functions are being increasingly challenged by New York, and its expertise is gathering together relatively small parcels of metals which, though not large in size, would greatly ease the bottlenecks for British consumers, is being drained away. Is not the onus upon the advocates of bulk purchase now to prove their case for base metals?

U.K. CONSUMPTION AND STOCKS (In '000 Long Tons)						U.S.A. ESTIMATED CONSUMPTION IMPORTS AND STOCKS (In '000 Long Tons)								
Virgin Copper		Refined Lead		Tin Metal		Copper			Lead			Tin		
Home Consumption	Stocks	Home Consumption	Stocks	Home Consumption	Stocks	Consumption	Imports†	Stocks*	Consumption	Imports‡	Stocks*	Consumption	Imports‡	Stocks
1938....	258.0	N.A.	324.0	N.A.	18.2	542	224.9	258.7	487	87.4	103.4	50.6	49.7	N.A.
1939....	292.8	N.A.	336.0	N.A.	27.2	714	300.0	142.4	595	78.1	52.8	70.3	70.6	N.A.
1940....	446.4	134.4	253.2	149.7	31.8	954	438.3	127.8	698	254.6	36.5	75.0	127.8	87.7
1941....	450.0	160.7	214.8	80.6	35.2	1472	656.1	67.8	936	340.3	18.0	100.9	169.5	143.4
1942....	490.8	114.9	246.0	85.8	26.9	N.A.	681.8	58.3	892	439.3	31.2	60.0	55.8	144.4
1943....	442.8	169.4	212.4	121.0	17.6	N.A.	639.3	46.6	981	287.7	29.5	56.0	37.8	125.6
1944....	348.0	282.4	220.8	135.7	18.6	N.A.	701.6	59.6	972	293.0	17.4	65.0	49.9	107.2
1945....	288.2	123.1	236.4	65.3	16.9	N.A.	755.6	68.3	892	289.4	39.1	62.0	41.1	91.6
1946....	325.2	92.3	220.4	24.3	25.6	N.A.	N.A.	68.8	N.A.	N.A.	43.3	N.A.	N.A.	N.A.

* Refined. † Ore concentrates unrefined, refined and scrap, etc., copper content.
‡ Ore, matte, bullion, pigs, bar, dross, type metal, etc., lead content. § Tin concentrates bars, pigs, blocks, etc., tin content.



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Business Notes

Gilt-edged—Prescription as before

The recovery in the gilt-edged market has been quite well consolidated in the past week, with gains ranging up to a full point in the volatile irredeemables and correspondingly smaller movements elsewhere. But hardly anybody expects the further large advance which would be needed to carry prices near to their pre-crisis levels, and already the recovery movement seems to have lost momentum. Meanwhile, the Chancellor has faced the first of a series of dilemmas which his own aggressive tactics have prepared for him. During the fuel crisis he lost ground heavily simply through failure to defend what he had won—doubtless well knowing that the position was either untenable or could be held only at very great cost. He chose to stand aside and pretend that nothing was happening. But now he has been forced into positive action, through the fact that two more corporation issues—and, moreover, 5 per cent issues—were due to be called for redemption. To postpone decision or to pitch the terms for conversion more or less in line with the current market level would have meant an overt admission that ground had been lost and was presumed to be irretrievable. The only alternative was to show a quite brazen indifference to all that has happened in the past seven weeks. And that is what Mr Dalton has done.

The 5 per cent Derby and Newcastle stocks are being duly called for redemption, and offered conversion into new stock on precisely the terms that were being established as standard before the fuel crisis knocked prices down by anything up to six points. They are offered 2½ per cent stock, 1970-75, at par, regardless of the fact that even the earlier series of issues left substantial amounts of stock to be taken up by the official underwriters. When these terms were last offered the Treasury 2½ per cent stock was standing almost at par, and the 2½ per cent Savings Bonds 1964-67—the nearest comparable Government stock—were standing more than four points above par, showing a yield differential, in favour of the longer-dated corporation scrips, of fully ¼ per cent. When these new conversions were announced, the Savings Bonds had only just recovered above par—and that fractionally. And the “Dalton” 2½ per cent stock was fully five points below par. Obviously, the National Debt Commissioners will have to work hard if this prescription is long maintained.

The market had grown so accustomed to the shock tactics of 1946 that even this bluff had its psychological effect and helped to stiffen the recovery movement, but obviously the market is not disposed to conclude that the Chancellor expects to be able to make good his lost ground. The inner defence line of par for a twenty-year 2½ per cent dated stock, in contrast with the forsaken advanced position of the same terms for an undated stock, is now tolerably well held, and perhaps can be maintained without money-creating official support. The Chancellor, if he is wise, will make that the limit of his ambitions—except perhaps for occasional sallies into no man's land for the purpose of testing the strength of the opposition.

* * *

Coal for Industry

Beyond the statement that domestic and non-industrial consumers of coal would have to aim at saving 2½ million tons of coal to close the gap between supplies and consumption this summer, the Prime Minister's statement on the coal shortage last Thursday week was virtually a replica of the Cripps coal budget, which was given in detail in *The Economist* of March 15th. Further consideration of the budget even when it is conceived, in Sir Stafford Cripps's words, as “a forecast of supplies based on current prospects” suggests that it is framed so cautiously as to be pessimistic. There are overwhelming arguments for realism in coal budgeting—for that reason the raising of the coal “target” from 200 million tons to 220 million tons, which has been recommended by both the TUC and the FBI, can only be described as optimistic arithmetic, removed from practical possibility.

But it is less certain that “current prospects” will involve an actual fall of output, during the six summer months, from 94½ million tons—the amount produced in the six corresponding months of 1946—to 89 million tons in May to October this year.

The great unknown is the effect of the five-day week in May. For surface workers, who have recently been working 5½ shifts a week, this will involve a loss of output; but for face workers who have been putting in 4½ shifts or a little more, a full five shifts would make a great difference. Moreover, the industry is still attracting ex-miners back to the pits, and more than half of the total men recruited in February were either ex-miners or had received training. Sir Stafford Cripps has himself admitted that the “Economic Survey” target of 730,000 workers in the coal mining industry should be reached, on the recent rate of recruitment, by October. Will that produce a fall in output?

Admittedly it will be difficult to reach the 200 million ton target in the coming coal year. But the current trend of production is improving and to budget for a further fall in output during the first six months seems to be carrying caution too far. Great arrears of underground development work may have to be overtaken before the increased labour force becomes fully effective. Yet the austerity coal supplies now budgeted for industry this summer will involve the direst consequences for the nation. The Government's anxiety to avoid any repetition of the calamity of February by building up stocks before next winter by 10 million tons is very proper. But it involves a continued and almost equally heavy calamity this summer; industry's requirements are to be cut by one-third; invidious—indeed impossible—choices will be made between “essential” and “inessential” industries; there will be loss of steel output, loss of cotton supplies, and loss of exports. Such is the price which must be paid to build coal stocks by 10 million tons during the summer, on the assumption of a more meagre coal output than last year. Yet the signs of improvement in coal manpower and output are apparent—they do not indeed point to a final solution of the coal problem, but they offer sufficient encouragement to justify a re-examination of the basis on which the summer coal budget was prepared under crisis conditions a month ago. If, as now seems agreed, it is technically possible to discharge American coal ships in British ports, and coal can be bought in the United States this year, the argument would be reinforced. If the results of such a re-examination are promising, it would only be realistic, in the present industrial crisis, to let industry have the benefit this summer of a rising trend of output in the form of increased coal supplies, even if that course involves risks which are always inherent in an act of faith. Complete security is an illusion which can be too dearly purchased.

* * *

The Fiscal Year

The out-turn of the first complete fiscal year since the end of hostilities proves to be a good deal more favourable than either Mr Dalton or the unofficial estimators foresaw at the time of the last Budget, but very much less so than seemed possible a few months ago. Through the first nine months of the year, ordinary expenditure fell appreciably faster, and at an accelerating rate, below 1945-46 than the Budget estimates contemplated. But thereafter the decline became steadily smaller, until in the final month fully £50 million more was spent than in March last year. The closing weeks of the year, notoriously difficult to forecast, have therefore changed the picture much more radically than usual. Three months ago it seemed that the ordinary deficit might be no more than £200 million. As at March 1st (as *The Economist* showed on March 15th, in the first of a series of Budget surveys), it promised to be £400 million or more. It is actually £569 million compared with an original Budget estimate of £726 million and a revised estimate (including supplementary votes for Supply) of £940 million.

This “ordinary” deficit is not, of course, a measure of the true excess of Exchequer disbursements over receipts, nor is it even a measure of the net out-turn of those items which might be regarded as having “inflationary” significance, as distinct from such nominal or capital items as, for example, the payments of subscriptions to the Bretton Woods institutions. “Below-line” expenditure ranges from repayment of post-war credits, which plainly have an inflationary character, to advances to the Civil Contingencies Fund which may be required simply to provide

working capital for the trading controls. The major below-line items other than Bretton Woods have been as follows:

	£ mn.
EPT refunds	184
Housing Acts	91
Coal Nationalisation Act	41
Local Authorities Loans Act	48
War Damage	107
Civil Contingencies Fund	64
Post-war credits	58
	593

Including these items, the overall deficit thus amounts to about £1,160 million—and it should be added that £118 million of the year's apparent revenue was never actually received in cash but represented the net repayment of Tax Reserve Certificates purchased by taxpayers in earlier years in anticipation of tax liabilities. On this basis, therefore, the Exchequer had to find roughly £1,280 million of finance, to which “small” savers contributed about £300 million, £428 million was borrowed under the dollar credits, and the remainder was financed by floating debt. The floating debt actually increased during the year by £467 million, but the movement would have been almost £150 million larger than this had it not been for a purely internal operation—the National Debt Commissioners took up on behalf of the Savings Banks a substantially larger sum in Terminable Annuities than was actually received on balance from small savers.

* * *

Buoyant Revenue

The contraction of the “ordinary” deficit compared with the revised estimate was attributable almost equally to the performance of revenue and expenditure. Ordinary revenue had been expected to fall by £123 million, owing to the tax remissions; expected to fall by £123 million, and thus bettered the estimate it actually rose by £56.8 million, and thus bettered the estimate by almost £180 million. Ordinary expenditure had been expected, on the original estimate, to fall by £1,597 million or, on the revised estimate, by £1,382 million; it actually fell by £1,574 million to £3,910 million—£192 million less than the final estimate. As the table on page 519 shows, the buoyancy of the revenue spread almost right through the list. Only two items fell short of the estimate—surtax and Excise. Over-estimation of surtax receipts has been a notable feature of the budgets for some years past, but this time the shortfall is only £4 million and the total yield, even so, is £7 million more than in 1945-46. The shortage in Excise is wholly due to the cut in beer production, which was estimated to involve a revenue loss of about £48 million; yet the total yield of Excise is only £28 million below estimate, and £23 million more than in 1945-46.

It is noteworthy, however, that of the £180 million gain in revenue, no less than £83 million is attributable to items whose size in any particular year depends to a large extent upon internal financial policy. Miscellaneous receipts, which are habitually under-estimated, brought in £56 million more than the Chancellor chose to assume last April; sundry loans brought in £12 million more; and receipts from sales of surplus stores and from trading operations provided £215 million—£15 million above estimates. In view of this, there is perhaps no reason to revise, in the light of this more favourable revenue out-turn than seemed likely a month ago, the estimates of the 1947-48 prospect given in these columns three weeks ago. But if the Chancellor wants to present his budget in a rosy light, the performance of these “policy” items will certainly serve his purpose. They could be used to support the really striking achievement of the inland revenue duties—with income-tax bettering the estimate by £45 million and profits tax and EPT by £32 million. For the future, this EPT gain is of relatively little significance, but the good income-tax yield plainly reflects the buoyancy of the national income in terms of money. So, too, does the gain of £25 million in Customs—a surprising result in view of the enforced curtailment of the 1946 import programme through sheer shortage of supplies, and one which also speaks of inflationary pressures. But even the evidence of such pressures affords no clue to Mr Dalton's intentions in a fortnight's time. The situation calls for a more purist, anti-inflationary budget; but it is far from certain that this is the Chancellor's view.

* * *

ICI Bonus Implications

Between 1938 and 1945 the directors of Imperial Chemical Industries stabilised the ordinary stock distribution at 8 per cent. This payment had become, in the view of some investors, almost a tradition; ICI, together with some other leading industrial con-

cerns like Courtaulds and Turner and Newall, were credited with the policy of putting the stockholders well down the list for any share in increased profits. This line of argument has been weakened recently by the admission that some increase in the Turner and Newall dividend might be possible for the current year (though this was made before the fuel crisis) and by the allowance in the new Courtaulds dividend arrangements for the possibility of a small final payment. Now the ICI directors themselves have gone far to explode it by declaring a 2 per cent bonus to supplement the annual 8 per cent dividend.

That the increased 10 per cent distribution makes only modest inroads into available profits is evident enough from the past year's earnings figures, which are analysed in detail in the *Records and Statistics Supplement*. Income for last year has been revised to a “net” basis—in other words, it has been struck after provision for the total amount of income tax to be borne on the profits and not, as in earlier years, after income tax on the company's reserved profits only. On this new basis net revenue, after providing for all taxation and £3 million for obsolescence and depreciation, compared with £2,500,000 in 1945, amounts to £7,171,109 compared with £4,770,062 in 1945. The latest year's income has had the benefit of a credit of £1,692,000 from previous over-provision for taxation, compared with £1,100,000 from the same source in 1945. Excluding the special credit, it would appear that net income after all taxation in respect of 1946 amounted to little short of £5½ million. Making allowance for the further provision for obsolescence and depreciation of £1½ million and the net dividend on the preference stock, the resulting earnings for the issued ordinary stock on an approximately “true” basis for the past year would appear to be slightly over 11 per cent. This calculation, it should be emphasised, omits the special taxation credits, but takes full account of the increase in the obsolescence provision. When the figures are viewed on this austere basis, it is evident that the directors of Imperial Chemical Industries are mixing their generosity with caution. Their decision to supplement the 8 per cent dividend with a 2 per cent bonus has naturally given pleasure and satisfaction, but it is wholly consistent with adequate provisions for obsolescence. These will raise the group's reserves under this head by £4,500,000; at December, 1945, they stood at £17.6 million, against fixed assets at cost, less amounts written off, of £66.2 million. The wisdom of a generous obsolescence policy in an industry which is subject to rapid technical change needs no emphasis. Imperial Chemical Industries is faced moreover with a provisional eight-year programme of capital expenditure, involving over £40 million.

In these circumstances the modest satisfaction which is reflected in the advance of the £1 stock units of ICI from 43s. 3d. before the announcement to 47s. seems quite appropriate. The yield of £4 7s. 6d. at this price would be reckoned attractive if the future repetition of the 2 per cent bonus could be taken as read. The question mark for the current year, however, is the extent to which the fuel crisis may have affected the turnover and profits of the group, and in consequence tarnished the prospect that ICI distributions in future might be stabilised at a new level of 10 per cent.

* * *

The Role of ICFC

The broad question of the relations between the two finance corporations (Finance Corporation for Industry and the Industrial and Commercial Finance Corporation, which caters for smaller needs) and the normal new issue market has been raised this week in connection with two new issues sponsored by ICFC. In the first, the National Gas and Oil Engine Company placed 159,993 £1 preference shares with the Corporation; in the second, the Corporation has subscribed for £135,000 of new debenture stock of Viscose Development Company, and has underwritten for a commission of 1 per cent an issue of 344,000 5s. ordinary shares at 7s. 6d. to be offered in the first instance to existing holders of preference and ordinary shares.

Both operations have at first sight a rather remote connection with the function of closing the “Macmillan gap” for which the ICFC was set up. The National Gas and Oil Engine Company is a well-known concern, with an established profits record and a long Stock Exchange history. Viscose Development again is an established company whose ordinary shares are dealt in on the Stock Exchange and have received regular dividends. In size, perhaps, the two operations come within the class of “small finance” which the Corporation was intended to undertake. But it is doubtful whether either operation can be described as assistance to undertakings which would have had difficulty in raising

money through the usual market channels. In reply to questions on Wednesday, the Chancellor of the Exchequer suggested that even if that were the intention when the two finance corporations were created in 1945, he reserved the right to change any arrangement which had then been made—adding, somewhat irrelevantly to this particular question, that his concern was to see that money goes into useful and productive enterprises. The point is whether “useful and productive enterprises”—a description which certainly applies to both these companies—are to make use of the Corporations’ facilities in any circumstances, or only when they cannot for technical reasons obtain finance on the open market.

In these two instances, clearly, the ICFC approached, if it did not cross, the frontier between its intended function of filling a void in the capital market and the existing facilities for providing new capital in the market. It may be that a certain common area between the two is desirable, but obviously it should be kept as small as possible. If, as Mr Dalton appeared to suggest, the original functions of the Corporation are in process of change, that fact and its attendant details should be made clear at the earliest moment.

Industry's Problems

In his candid review of the position of the English Electric Company, Sir George Nelson last week illustrated many of the problems which are facing British industry—particularly in the heavy sections—to-day. English Electric, like many others, has made a full and successful contribution to the export drive; its uncompleted order book, measured not merely in value but in volume too, is higher than it has ever been, not excluding the war period; and it has embarked on important extensions and has raised new capital to pay for them, on the assurance that additional labour and a balanced flow of materials would be forthcoming. In addition the company has concentrated production in specialised factories of efficient size. It has extended its long established training schools for technical staffs and has removed wholesale certain departments manufacturing small products from one works to another in order to release labour for the manufacture of a greater volume of heavy electrical equipment.

After all these efforts, Sir George could only describe the results as “bitterly disappointing.” In the last 12 months the company succeeded in obtaining an increase of less than 300 men to its labour force, whereas it could employ several thousands more on increasing the output of heavy machinery alone. The supply of materials was out of balance long before the coal and power crisis broke. There was particular difficulty in obtaining more than a partial allocation of the special electrical sheet steel which the company requires, though other standard materials were also insufficient for balanced production, and supplies have become even more disrupted during the past two months. The resulting dis-economy of production is revealed in a rise in the burden of overheads, which were projected for a bigger output than is now possible. Working capital tied up in work in progress is out of proportion to output. Output per man of direct labour is sub-normal, not because of lack of effort, but because of disjointed production created by shortage of labour and materials. Finally, output per square foot of manufacturing area is abnormally low because work in progress which cannot be completed is cluttering up the factory floor space.

Sir George concluded that it is necessary to compress and organise the national effort before it can be expanded—as the long-term need requires that it should be expanded—because the nation has oversold its production capacity and must now face the task of bringing its commitments more into line with its available resources. He deplored the proposal to work a double day in two shifts of 3½ hours instead of night and day shifts, describing it as a “fantastic proposal,” when a full 44 hours per shift is a minimum need which itself should be increased for the next two years at least by as many additional hours as can reasonably be arranged.

American Ships for Britain

The United States Government has agreed to sell to Britain 137 of the 271 cargo ships at present on bareboat charter to the Ministry of Transport, at an estimated cost of about £18 million in dollars. British shipowners will be allowed to purchase 106 of the 10,000-ton Liberty ships and one of the short-sea types while the Government itself will buy thirty of the smaller types which are especially suitable for use in the Baltic timber trade. The remainder are to be returned to the United States,

delivery to start immediately and to be completed by this time next year. The Liberty ships are all oil-burning steamships (except for one coal-burner), built during the war in American yards when British yards were concentrating on warship construction. They are not regarded by British shipowners as ideal replacements for peacetime commercial purposes, but are accepted, at the cost of dollars, as a temporary measure to make up for war losses.

This transaction will increase the tonnage on the UK register by some 1,150,000 tons deadweight. On the other hand, the return of the remaining ships will deprive Britain of some 1,300,000 tons carrying capacity within the next twelve months and British output of dry cargo ships is unlikely to reach such a figure in the period. This lends some urgency to an American reply to the bids of British shipowners for 40 surplus Victory ships, for which a further £8 million or so would be involved. This was a private offer made some months ago, but the Americans have shown no great hurry to accept, even though Italy, Greece, China and many others have been awarded ships. In the British Government's opinion the purchase is regarded as a fair settlement of the problem, but many private observers—not all of them in the shipping industry—hold the view that no problem would have arisen had not the Administration been faced with acute pressure from American shipping interests. When the ships are returned they will merely be added to the vast tonnage laid up in reserve. Meanwhile, Russia has so far declined to discuss at all the question of returning 95 ships chartered on similar arrangements.

Record Bank Advances

The seasonal impetus of bank advances in March has carried them past another milestone. In February they exceeded £1,000 million for the first time since 1940; they have since risen by a further £17 million to £1,022 million, which comfortably surpasses the record level of £1,013 million reached in October, 1939. The thousand-million mark has been attained only about half-a-dozen times altogether—in 1929, 1939-40, and now. But the differences between these occasions are more marked than their similarities. In the hey-day of commercial financing by the banks, a figure approaching £1,000 million used to be regarded as the “proper” level for times of activity, and a certain nostalgic interest still attaches to it. But in 1929, when it was first achieved, bank deposits stood at under £1,800 million, or less than one-third of their present volume, with the advances’ ratio at 55-56 per cent. In the 1939-40 phase, the ratio was running at about 44 per cent. Now it is no more than 18.4 per cent which, although above the worst, is actually below the ratio of end-1943 when the advances total touched its wartime low point at £724 million.

These contrasts measure the real deterioration of the importance of advances in the business of the banks: though their total is back to its 1939 level, the real volume of trade and industry which they support, allowing for the change in prices, is probably barely half what it was. Even so, the expansion since VE-day—it amounts to £273 million—has been rather more rapid than many bankers expected. Recently, however, it has slackened somewhat. Despite the effects of the fuel crisis in putting strain upon industry's liquid resources for overheads and payments under guaranteed weeks, the expansion in February and March—especially February—has been no more than seasonal. But the further effects of the crisis, in causing accumulations of stocks of unfinished goods awaiting components, may possibly offset the normal tendency towards a contraction of bank advances in April. And, on a slightly longer view, it is perhaps to be expected that the expansion will accelerate, because EPT refunds and other capital disbursements by the Government, which in the past twelve months have augmented industry's own reserves, are now tailing off.

The other changes shown in the March statement present no surprises—not even, perhaps, to Mr Dalton, who, when seizing upon February's big fall in deposits in order to defend cheap money, must have known that the pace was too hot to last. Indeed, the main cause of the decline—the seasonal revenue surplus—had disappeared even before he spoke. The deficit in the four weeks covered by the March bank statement was so large that even the heavy drafts upon the dollar credits have failed to prevent it from affecting the banking position. Thus “true” deposits have risen by £32½ million, and still stand at £786 million above their comparable 1946 level. The immediate counterpart of this movement is the rise in advances and a £16 million expansion of the investment portfolio, which shows that the banks have supported the gilt-edged market somewhat more substantially than had been generally supposed. The banks’ floating debt assets have changed significantly, as was to be expected. Treasury

deposit receipts have declined by £119 million and money market assets (bills and call money) have risen by £113 million, to the new high level of £1,194 million, with a ratio to deposits of 21.5 per cent.

Another Australian Banking Merger

A further Australian banking amalgamation was announced at the end of last week. The National Bank of Australasia and the Queensland National Bank are to join forces by a share exchange, and the combined business will be carried on under the name of the former institution. The proposals are conditional upon the assent by holders of 75 per cent of the capital of the Queensland Bank, whose shares have been valued for the purpose of the merger (including cash purchase for shareholders who are precluded from exchanging) at appreciably above their market price on the eve of the announcement. The scheme has been approved by the Commonwealth Treasurer, one condition being that there should be no displacement of staff.

The full potential economies of the fusion will not, therefore, be reaped in the immediate future, but there is no doubt that eventually the two businesses, and especially their head office administrations, will be fully integrated, and presumably there will be closings of overlapping branches and agencies. Both are exclusively Australian banks, locally registered; but whereas the National Bank, with deposits of nearly £A.90 million, has a nationwide organisation, the Queensland Bank, with deposits of £A.25 million, has principally confined its activities within that state. Until the 1920's the larger institution did not operate in Queensland, but then obtained a solid footing there through absorption of the Bank of Queensland and now has 58 offices there compared with the Queensland National Bank's 124. Quite apart, therefore, from the economies to be reaped through rationalisation of the branch organisations in Queensland, the two undertakings are in important respects complementary—the one with its wide sweep and the other with its intensive connections.

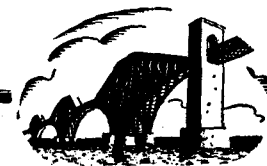
The fact that this merger follows so closely upon that of the Bank of Australasia with the Union Bank of Australia has naturally given rise to suggestions that an amalgamation movement might have been inspired by the now strongly dominant banking authorities. But in fact a tendency of this kind would run directly counter to the whole drift of politics in Australian banking; the

Commonwealth Bank was originally founded as a state-sponsored institution with the specific object of competing with the trading banks and thus of avoiding the supposed danger of the creation of a “money trust.” It can safely be assumed that the authorities have approved these mergers on their specific merits, and do not desire integration for its own sake. There obviously is an indirect connection, however, between official policy and this phase of amalgamation. The wartime principle of control, now adapted to a permanent peacetime form, has put the authorities in a position to dictate the disposition of bank assets even more directly and closely than in countries where the systems are highly organised. And the Australian authorities, by means of the special deposits which the trading banks must maintain with them and through their control of advances policy, do in fact direct the banking system with the object, among others, of restraining any rise in bank profits. The knowledge that profits are thus limited must obviously operate as a strong incentive to the banks to seek economies and strengthen their organisations wherever and whenever opportunity presents itself.

German Yarn for Britain

The Allied Control Commission in Germany has officially confirmed that negotiations are in progress to enable Lancashire firms to get cotton yarn from German mills. It is understood that one deal covering 500,000 lb. of twofold 32's yarn for the lace and net trade has already been commissioned from German mills. Lancashire does not appear to have taken too kindly to this arrangement for reasons which are understandable. Before the war, Germany was an important customer for fine Lancashire yarn for the fabric glove trade. But recently raw cotton has been sent from Alexandria to Germany to be spun into fine yarns suitable for the Midlands trade.

Such a reversal of the direction of trade may well be a blow to Lancashire pride, as well as its pocket, but under present conditions the arrangements appear to be justified from a broad national point of view. So far, no details of the scheme have been published—it is not known, for instance, whether trade will be done on Government account or on a factory-to-factory basis. The fuel crisis in February caused a drop in deliveries of yarn for that month to the home market to only 9 million lb., or some 40 per

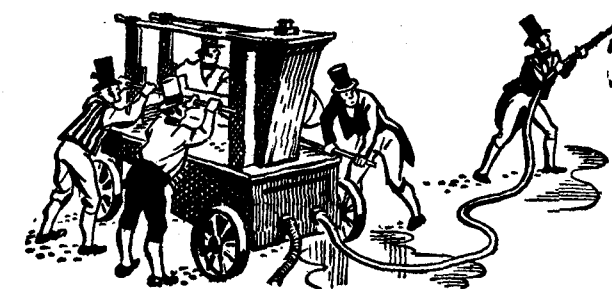


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cent of the allocation of 22.9 million lb. Deliveries to all users—including home trade, export trade, industrial groups and Government Departments—totalled only 30.1 million lb., compared with the allocation of 60.5 million lb. Weavers could still use more yarn, for both domestic consumption and overseas markets, even if the spinners obtained all the fuel they needed. Indeed the Cotton Board's plan for developing the weaving section is being held over until the spinning modernisation scheme has been fully launched. Meanwhile, yarn made in Germany is surely preferable, if it keeps the Midlands industry going, to no yarn from Lancashire.

Output of cotton, rayon and mixture cloth was also seriously affected during February, though the fall was not so severe as in yarn. Average weekly production totalled 24 million yards, compared with 36.4 million yards in January and 43.5 million yards last November, when production reached its highest post-war level.

* * *

The Federal Reserve in Germany

The *Federal Reserve Bulletin* for February gives full details of the legislation under which a new central banking system has been established in the American zone of Germany. For administrative purposes, this zone has been divided into three Laender districts, in the United States, each Land has been given a Land Central Bank. The system set up in Germany copies not only the general decentralised structure of the Federal Reserve System, it also follows in very considerable detail the American legislation regulating central banking operations in the United States. The three Laender Banks have taken over the offices of the former Reichsbank in their respective territories. Their capital has at the outset been furnished by the Governments of the three Laender, but it is provided that within two years the shares are to be sold to the credit institutions (member banks), which are required to maintain minimum reserves with the Laender Banks. The legislation provides in considerable detail for the organisation and administration of these three banks. The constitution of the boards of directors requires the representation of official, banking and commercial interests comparable to that obtained through the three classes of directors in the Federal Reserve System. The permissible business activities of the Laender Banks are defined with considerable precision. Pending the establishment of a uniform system of issuing bank notes throughout Germany each Land Bank will regulate the circulation of currency and the supply of credit in its district; it will execute the cash transactions of the State; it will keep the cash reserves which credit institutions are compelled to maintain with it; it will buy and sell three-name bills of exchange of not more than six months' maturity; it will buy and sell securities in the open market; it will deal in gold and foreign exchange; in

general, it will transact the orthodox business of a central bank. Unless these permissive clauses are operated with considerable elasticity—with the kind of elasticity that had to be infused into the Federal Reserve System at the time of the US banking crisis of the 1930's—the Laender Banks may find themselves armed with such an impressive statute that they cannot transact any business at all in the chaos that fills Germany to-day.

* * *

Italy's Sterling

Mild astonishment has been caused in London by the extremely bullish interpretation of the Anglo-Italian agreement given by Signor Mechinella, the principal Italian delegate in the discussions that led to the agreement. According to his claims, Italy's sterling balance of £50 million will be available for conversion into dollars up to an amount of £32 million. This claim may have admirable propaganda value in Rome, where it was made, but it will not bear unduly close investigation. In the first place, Italy's sterling balances amount to no more than £34 million, and the figure of £50 million is merely a hopeful estimate of the figure at which they may stand by next July. Of the actual figure of £34 million, some £10 million is reserved as a basic balance for the purpose of the payments agreement between the two countries. A further £8 million has already been earmarked for the purchase of British surplus stores in Italy. According to present plans, Italy will require between £9 million and £10 million to finance urgently needed imports from sterling area countries. That leaves about £6 million of the accumulated balances which Italy will be free to dispose of as she wishes. If the total balances increase to £50 million, the excess will be available to meet expenditure in any part of the world—but that is not a privilege to which the Italians can lay exclusive claim.

* * *

Poorer Diet for Stags

Recent signs suggest that speculative investors are becoming more selective in their appetite for new issues. Their flow has been particularly brisk during the last week or two, for many issues were held up by the printing restrictions during the fuel crisis, and an attempt has been made to clear the decks before Easter and the Budget.

The public have been invited to take an interest in a number of established concerns in recent months. In the best of these issues the proportion of capital retained by "insiders" has generally been high enough to create confidence; preferential treatment to customers and to employees has also been a noticeable feature. A number of concerns, however, have revealed some remarkable profits records, with handsome figures for the past year or two but with pre-war figures showing a pale shadow of recent results. This is particularly true of certain of the recent clothing issues. Perhaps the less aggressive appetite for new issues, which is

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Imperial Chemicals; John Barker; Canadian Eagle; Lancashire Dynamo.

Prices, Jan. 1-Apr. 1, 1947		Name of Security	Price, Mar. 26, 1947	Price, April 1, 1947	Net Yield* April 1, 1947	Gross Yield* April 1, 1947	Prices, Jan. 1-Apr. 1, 1947		Last Dividends	Name of Security	Price, Mar. 26, 1947	Price, April 1, 1947	Yield, April 1, 1947			
High	Low						High	Low						(a)	(b)	(c)
British Funds*																
103 1/2	101 1/2	Conversion 3%, March 1, 1948-53	101 1/2	101 1/2	£ s. d.	£ s. d.	113 1/2	106 1/2		Australia 3 1/2% 1965-69	107 1/2	108 1/2	2 13 s. d.			
103 1/2	101 1/2	War Bonds 2 1/2%, August 1, 1949-51	102 1/2	102 1/2	0 9 6	1 10 4	105 1/2	99 1/2	(d)	Birmingham 2 1/2% 1966-71	100	100	2 10 0			
102 1/2	100 1/2	Exchequer Bonds 1 1/2%, Feb. 15, 1950	101 1/2	101 1/2	0 11 1	1 7 6	102	100 1/2	(d)	Argentine 3 1/2% 1972	101 1/2	101 1/2	3 8 0			
195	101 1/2	War Bonds 2 1/2%, 1951-55	102 1/2	102 1/2	0 11 4	1 13 11	137 1/2	122 1/2	(d)	Anglo-American Corp. 10s	130 1/2	131 1/2	3 16 0			
105 1/2	101 1/2	War Bonds 2 1/2%, March 1, 1952-54	102 1/2	102 1/2	0 15 9	1 18 4	151 3/4	118 1/4	(d)	Anglo-Iranian Oil Co. £1	138 1/2	142 1/2	2 16 0			
106	103 1/2	Funding 2 1/2%, June 15, 1952-57	103 1/2	104 1/2	0 15 10	2 1 6	42 1/2	37 1/2	(d)	Assoc. Port. Cem. Ord. Stk. £1	62 1/2	64 1/2	3 2 6			
108 1/2	103 1/2	National Defence 3%, 1954-58	104 1/2	105 1/2	0 17 8	2 4 9	95 1/4	79 1/6	(d)	Austin Motor A. Ord. Stk. 5s	37 1/2	37 1/2	5 6 0			
109 1/2	103 1/2	War Loan 3%, 1955-59	104 1/2	105 1/2	0 18 10	2 4 10	247 1/2	197 1/2	(d)	Barclays Bank Ord. "B" £1	83 1/2	86 1/2	3 5 0			
108 1/2	103 1/2	Savings Bonds 3%, 1955-65	104 1/2	105 1/2	0 19 3	2 5 10	105 1/2	88 1/2	(d)	Bass Ratcliffe Ord. £1	200 1/2	205 1/2	2 8 6			
105 1/2	99 1/2	Funding 2 1/2%, 1956-61	101 1/2	102 1/2	1 2 2	2 4 3	58 1/2	50 1/2	(d)	British Oxygen Ord. £1	96 1/2	98 1/2	4 1 0			
109 1/2	102 1/2	Funding 3%, 1959-69	104 1/2	105 1/2	1 3 0	2 9 1	29 1/2	24 1/2	(d)	Courtaulds Ord. £1	51 1/2	51 1/2	2 18 0			
122 1/2	115 1/2	Funding 4%, 1960-90	115 1/2	116 1/2	0 17 0	2 9 9	69 1/4	64 1/4	(d)	Dorman Long Ord. £1	68 1/2	69 1/2	5 15 0			
110 1/2	103 1/2	Savings Bonds 3%, 1960-70	104 1/2	105 1/2	1 3 11	2 10 4	47 1/2	41 3/4	(d)	Dunlop Rubber Ord. £1	68 1/2	69 1/2	3 9 0			
104 1/2	99 1/2	Savings Bonds 2 1/2%, 1964-67	101 1/2	102 1/2	1 6 5	2 8 9	49 1/2	40 1/2	(d)	Imp. Chem. Ind. Ord. Stk. £1	42 1/2	47 1/2	4 7 0			
123 1/2	115 1/2	Victory Bonds 4%, 1920-76†	109 1/2	110 1/2	1 0 6	2 12 7	49 1/2	40 1/2	(d)	Lancs. Cotton Ord. Stk. £1	41 1/2	43 1/2	4 13 0			
111 1/2	104 1/2	Savings Bonds 3%, 1965-75	105 1/2	106 1/2	1 5 6	2 11 10	55 1/2	47 1/2	(d)	Lever and Unilever Ord. £1	53 1/2	53 1/2	1 17 6			
108 1/2	104 1/2	War Loan 3 1/2%, aft. 1952	105 1/2	106 1/2	0 17 3	2 9 9	77 1/2	62 1/2	(d)	London Brick Ord. Stk. £1	66 1/2	68 1/2	3 15 6			
117 1/2	110 1/2	Consols 4% (after 1957)	112 1/2	113 1/2	0 15 11	2 10 1	84 1/2	78 1/2	(d)	L.M.S. 4% 1st Pref. Stk.	80 1/2	80 1/2	4 19 6			
115 1/2	107 1/2	Conversion 3 1/2% (after 1961)	109 1/2	111 1/2	1 1 7	2 11 3	36 1/2	34 1/2	(d)	N.Eastn. Elec. Ord. Stk. £1	34 1/2	34 1/2	4 0 3			
100 1/2	93 1/2	Treasury Stock 2 1/2% (after 1975)	94 1/2	95 1/2	1 8 9	2 12 3	58 1/2	47 1/2	(d)	Petrol. Ind. Ord. Stk. 10s	56 1/2	57 1/2	3 0 0			
110 1/2	102 1/2	Treasury Stock 3% (after 1966)	103 1/2	105 1/2	1 7 0	2 13 3	39	35	(d)	Prudential "A" £1	37 1/2	37 1/2	1 19 3			
117 1/2	107 1/2	Redemption Stock 3% (1986-96)	109 1/2	111 1/2	1 8 11	2 11 2	63 1/2	53 1/2	(d)	Stewarts and Lloyds Def. £1	58 1/2	58 1/2	4 5 0			
99	92 1/2	Consols 2 1/2%	93 1/2	95 1/2	1 8 10	2 12 6	107 1/2	93 1/2	(d)	"Shell" Transp. Ord. Stk. £1	100 1/2	102 1/2	1 4 3			
							147 1/4	118 1/9	(d)	Tube Invest. Ord. Stk. £1	125 1/2	126 1/2	3 12 0			
							96 3/4	81 1/6	(d)	Turner & Newall Ord. Stk. £1	43 1/2	45 1/2	2 19 6			
							107 1/8	93 1/5	(d)	Woodworth (F. W.) Ord. 5s	98 1/2	98 1/2	3 11 9			

* To earliest redemption, except § flat yield and † assumed average life 17 years 6 months. Net yields after allowing for tax at 9s. in £.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. † Free of Tax.

evident from the following table, reflects the market background rather than any greater exercise of discrimination by speculative investors:—

SOME RECENT NEW ISSUES

Name, Business and Denom.	Percentage of Equity Offered	Over-subscribed Times	Issue Price	Opening Price	Current Price
Jas. Templeton (carpets) (10/-)	23	6	36/6	38/-	40/3
George Cohen (machinery and scrap) (5/-)	33	10	15/6	16/3	16/3
M. F. North (hotels) (2/-)	50	5	20/6	19/6	19/-
Pool, Lorrimer & Tabberer (hosiery) (4/-)	70	†	31/-	27/6	28/-
Jackson (the tailor) (1/-)	...	...	11/7 1/2	10/-	10/7 1/2
S. Schneiders (tailors) (1/-)	52	19	3/5	1/7 1/2	1/7 1/2
Silviro Manufacturing (underwear) (5/-)	...	...	25/-	24/3	24/1 1/2

* Placing price. † Underwriters took up 60 per cent. § 86 1/2 per cent left with underwriters.

But the failure this week of the Charterhouse Finance Corporation's marketing of Pool, Lorrimer and Tabberer on a £4 10s. 3d. per cent dividend yield basis is more surprising. Although 40,000 4s. units were applied for by those connected with the company, 60 per cent of the 350,000 units offered to the public had to be taken by the underwriters; the public interest thus seems to have reached no more than 100,000 units. The service agreements gave the directors an inducement to maintain a satisfactory rate of profit. Whatever the reason may have been in this particular case—not in itself an exception, for certain fixed-interest issues have not succeeded in attracting full support recently—it seems that the chances of automatic new issue profits are diminishing. The stag has recently had some lush grazing. Now he may have to put up with a more austere diet—including an occasional thistle.

* * *

One Buyer For Silver

The New York price for imported silver has been creeping up again as a result of modest but persistent demand from London and the sterling price has been adjusted to this movement, rising to 46d. this week. The market remains highly sensitive to the interaction of demand and supply in a very modest turnover. The silver position is, for the time being, clouded in uncertainty by the Indian Government's decision to suspend the grant of import

licences. The importance of this move is emphasised by the authoritative estimates of imports of silver into India made in the quarterly bullion letter published this week by Messrs Mocatta and Goldsmid. This suggests that since last August shipments of silver from London to Bombay amounted to approximately £7,485,000. In addition it is estimated that about half as much was exported direct from Hongkong to India. Exports from the United States to India are not estimated by Messrs Mocatta and Goldsmid but it will be recalled that the Chancellor of the Exchequer recently stated that the amount of silver arbitrated from New York to India by Belgian operators amounted to about 11 1/2 million ounces, which would represent close on £3,000,000. At present rates, Messrs Mocatta and Goldsmid estimate the absorptive capacity of India at about 60,000,000 ounces a year. They add that there is virtually no other buyer for any large quantities and point out that the main problem of the silver producers of the western world is to discover on what terms India can be induced to buy from them.

As a postscript to the Belgian arbitrage operations, it should be pointed out that since the sterling which accrued to the operators as a result of sales of silver in Bombay was ultimately canalised in transferable accounts, this sterling could be converted back into US dollars at the official rate of 4.02 1/2. Since the transaction made it possible for the Belgian arbitrageurs to convert their dollars into sterling at a rate of around \$3 to the pound, the resulting profit, earned in dollars, was considerable. This fact, moreover, throws some doubt on the Chancellor of the Exchequer's assurance that these transactions had involved Britain in no loss of dollars.

Shorter Notes

The Ministry of Transport has disposed of 49 out of the 59 ships, which were formerly German owned, for £3,526,850. Since November 26, 1946, when the third tender opened, one vessel was withdrawn. Britain received as reparations from Germany 89 ships of a total gross tonnage of 350,000.

The British Government is to pay the Netherlands Government £8,500,000 in final settlement of the bulk of obligations arising out of the use in wartime of Dutch ships. About half the sum is to cover reconditioning of passenger liners used as troopships.



IS FLOUR SELF RAISING?

"A bag of self-raising flour" is, nowadays, a regular item on the housewife's shopping list. But flour is not actually self-raising until certain other ingredients are added. Important among these are the food phosphates, such as Monocalcium Orthophosphate—a mouthful of a name for an aerating material which, through many years of technical research and manufacturing skill, has—so far anonymously—come to the aid of the overworked housewife, and made ordinary flour self-raising.

ALBRIGHT & WILSON LTD.

Food Phosphate Manufacturers

49 Park Lane, London, W.1. Works: Oldbury & Widnes.



Truth to tell...

There is more in the angler's art than luring fish. There is peace and philosophical calm in this traditional pleasure which has fascinated generations of men. Truth to tell—when traditional pleasures are fundamentally good *they live on*.... whether it's the fisher's gentle art or the unchanging pleasure which comes from saying....

Player's  *Please*

PLAYER'S NAVY CUT CIGARETTES · MEDIUM OR MILD · PLAIN or CORE TIPPED [NCC 636]

EQUITY AND LAW LIFE ASSURANCE SOCIETY

TRIENNIAL VALUATION RESULTS

SIR GEOFFREY ELLIS'S REVIEW

The annual general meeting of the Equity and Law Life Assurance Society was held, on the 27th ultimo, in London, Lord Kennet, P.C., G.B.E., D.S.O., presiding in the absence of the chairman, Sir Geoffrey Ellis, Bt.

The chairman read the speech prepared by Sir Geoffrey Ellis, of which the following are extracts:

My first very pleasant duty is to welcome Sir Richard Hopkins, who has joined the Board of the Society since our last annual general meeting. Sir Richard with his keen mind and wide knowledge of affairs will, I am sure, be a great source of strength to the board.

I propose today to devote my remarks mainly to the position of the Society as disclosed by the triennial valuation made as at December 31, 1946; I feel sure that you will find the results most satisfactory. The directors have given full consideration to the basis upon which both the assets and the liabilities should be valued on this occasion. I would remind you of the fall that has occurred in the general level of interest rates and the consequent rise that has occurred in the market values of Stock Exchange securities. Bearing this in mind your directors have decided that credit should be taken in the accounts for the sum of £2,085,000 in respect of profit on securities and transfer from reserve, and that this sum should be applied wholly to strengthen the valuation reserves set against the liabilities under the Society's contracts.

RATES OF INTEREST—VALUABLE MARGIN

We are satisfied that even after transferring the sum which I have just mentioned there remain ample margins between the values at which the assets appear in the balance sheet and their market values. Besides considering the assets from the point of view of their capital value an investigation has been made into the future income which we may expect to receive. After making full allowance for the loss of income likely to be suffered on all securities at present the subject of legislation, it appears that we may expect to receive a return of slightly more than 4 per cent. gross on the written up balance sheet values of the assets.

As regards the other side of the balance sheet, I would draw your attention to the summary of the actuarial valuation basis appended to the director's report. Even measured by the low rates of interest now obtainable on the investment of new money this is a strong actuarial valuation basis—a very strong basis indeed—and involves over all the earning of a gross rate of interest of slightly less than 3½ per cent. gross. This rate of interest is strictly comparable with the gross rate of interest of slightly more than 4 per cent. that I have just indicated as the rate which we expect to earn on our balance sheet values. You will see, therefore, that there is here a very valuable margin of ½ per cent., which should prove in the years to come both a source of strength and a source of profit to the Society.

Besides the strong actuarial basis used there is a contingencies reserve of £500,000; that within this contingencies reserve there are free sums more than sufficient to strengthen the valuation basis of our life assurance business still further to a 1½ per cent. net premium valuation.

We have tried to pursue a principle of "uniform stringency." On the liabilities side we have a margin of ½ per cent. in the gross rate of interest and a contingencies reserve of half a million pounds; on the

assets side we have very ample margins in the values at which our securities appear in the balance sheet and in addition a free investment reserve of half a million pounds.

SURPLUS AND ALLOCATIONS

You will see from the report that your directors have declared the divisible surplus to be £1,062,928, and that it has been decided to allocate bonuses for the last six years in terms of the table appended to the report. In view of the fact that no bonus was declared at December 31, 1943 the sum of £122,889 to be transferred to the Proprietors' Fund is the product of six years profits. In very round terms it may be said to arise as to £50,000 from the period 1941-43 and as to £70,000 from the period 1944-46. Bearing this in mind, and bearing in mind a further consideration to which I shall refer shortly, your directors recommend that the sum of £50,000 should be used to pay up a further 5s. per share of our uncalled capital and that a dividend of 4s. 6d. gross per share should be declared; this dividend is one which I think the Society may reasonably hope to maintain.

BUILDING UP PAID-UP CAPITAL OF THE SOCIETY

Now as to the further consideration which I have just mentioned, it is this. A life assurance office requires to keep a balance between the amount of with-profit assurance business on its books and the amount of its non-profit contracts—both for life assurance and annuity. The existence of the shareholders capital—called up and uncalled—of £1,000,000 gives to your directors a great degree of flexibility in framing policy as to the extent to which they are justified in encouraging non-profit contracts for life assurance and annuity business; this can ensure to the great benefit of our with-profit policyholders, who, I would remind you, receive 90 per cent. of the profits on all our non-profit contracts. It is against the background that I have just sketched that your directors consider it wise on this occasion to apply £50,000 of profits to building up the paid up capital of the Society.

I do not think I need to commend to you the rates of bonus now declared on our with-profit policies; for the current year interim bonus at the same rates as those declared for 1944-46 will be paid on claims arising.

ATTRACTIVE WITH-PROFIT POLICIES

I think that the Society's with-profit policies will stand comparison with those of any other office. This is particularly true when the strength of the Society as disclosed by the triennial investigation is borne in mind. We look to our new business getting staff and to our agents to secure an ever growing amount of with-profit life assurance business.

I would remind you of what I said last year, namely, that just as the expenses of the Society are increasing owing to the need for paying salaries in accordance with modern conditions, so should the man or woman requiring life assurance insure for a larger sum assured. As this happens the old relationships between sums assured, annuities, and premiums, on the one hand, and expenses on the other hand will tend to be restored.

The success of the Society's "Capital Annuity" Scheme continues and the Staff Pension Schemes department is now a well established part of our organisation.

The Chairman closed by referring to the coming departure of Mr. Haynes, to Mr. Whyte's coming election to the Board, and by expressing his thanks to the staff.

THE HALIFAX BUILDING SOCIETY

MR ALGERNON DENHAM'S REVIEW

The ninety-fourth annual general meeting of this society was held, on the 31st ultimo, in Halifax, Mr Algernon Denham, J.P., presiding.

The chairman, in the course of his speech, said:—The balance sheet as at January 31st, discloses assets totalling £136,897,007—an increase of £1,411,094 over the previous record year.

The apportionment of assets shows that 65.9 per cent. represented loans on mortgage, 30.6 per cent. represented investments in Government issues and with local authorities, the balance of 3.4 per cent. being cash in hand and office premises.

On the liabilities side, the amounts due to shareholders and depositors have increased by £1,002,141 to £128,735,955.

STRONG POSITION

Reserves and carry forward, after allocations to which I will refer later, have increased from £6,835,321 to £7,064,423, the addition of £229,102 representing a further strengthening of your society's financial position as a result of the year's operations.

The amount loaned on mortgage establishes a record in the history of the society.

Management expenses are again higher at £789,608 compared with £615,710—an increase of £173,898. The substantial increase this year is due mainly to the return of our staff from the Forces.

You will note that we have placed £50,000 to taxation reserve and once more set aside the sum of £50,000 for depreciation on premises—a prudent course which I know you will approve.

Having regard to the reduced yield from investments of the staff superannuation fund, £100,000 has been allocated to the fund as an addition to the normal annual grant.

I ask your approval of the allocation of a bonus of 5s. 0d. per cent. to the paid-up shareholders, class 1, and to the monthly investing shareholders amounting to £53,654.

HOUSING AND INCREASED COSTS

Among the many disappointments suffered by the nation during the last year, none has been more severe than the failure to produce permanent houses in reasonable numbers. I have never felt any doubts about houses being eventually so provided, but I would again call attention to the continuing rise in costs, which is now much nearer 200 per cent. over pre-war than something less than 50 per cent. prophesied in 1945.

To have in front of us a programme of erecting millions of Government sponsored houses at the prevailing price of approximately £1,500 per house, is almost too fantastic to need comment. I am indeed sorry to say that in the building trades it is beyond dispute that there is organised restriction of output—an exploiting of the needs of the people for which there can be no excuse. The sooner costs and wages are strictly related to output the better it will be for the nation as a whole.

I have still an abiding faith in the ultimate common sense of the British people, but to bring about the state of affairs all would like to see, recriminations, excuses, wishful thinking and platitudes must be replaced and superseded by resolute action and a very real determination on the part of all to face up to unpleasant facts.

Inflationary tendencies can only be arrested by balancing our Budget, paying our way and relating wages to output, which at once would reduce prices and increase the supply of consumer goods. In other words, the alternatives before the nation are greater production and reduced costs or a lower standard of life.

ABBEY NATIONAL BUILDING SOCIETY

ALL ROUND PROGRESS

SIR HAROLD BELLMAN'S REVIEW

The Annual Meeting of the Abbey National Building Society was held at the Wigmore Hall, Wigmore Street, W.1 on the 28th ultimo. Sir Harold Bellman, D.L., J.P., LL.D., Chairman of the Society, presided and in the course of moving the adoption of the Report and Accounts said:

The Society during 1946 showed a considerable measure of progress all round. This will be sufficiently evident from a perusal of our accounts.

BALANCE SHEET ITEMS

The Balance Sheet shows an expansion in total assets from £80,026,000 in 1945 to £83,981,000 in 1946. Our mortgage asset has increased from £56,916,000 to £60,221,000. The Society's financial position remains very liquid. Our investments, together with cash at bank and in hand, total £22,948,000, as compared with £22,289,000. In particular, it is satisfactory to note that the market value of our investments at December 31, 1946, showed noteworthy appreciation when compared with the value in the Society's books. On the other side of the balance sheet, perhaps I need only refer to the combined total of the reserve funds and the balance carried forward, which has increased to £5,856,000, as against £5,583,000, in 1945.

ADVANCES

Our principal activity is best reflected in the amount advanced, which last year reached no less than £14,042,000, which shows more than a three-fold increase, as compared with 1945. This is indeed a gratifying figure and is an earnest of the degree of assistance which a Society of our magnitude can render in furthering home ownership, once freer opportunities exist. As it is, however, it may be considered sufficiently satisfactory. I need hardly add, perhaps, that the volume of mortgage business could have been appreciably increased had the Society not adhered to a policy of prudent discrimination in selecting from the business offered.

It is significant that the average amount outstanding in connection with all the Society's advances amounts only to £480. During the past year the Society continued to charge 4 per cent. as its rate for ordinary advances, while paying 2½ per cent., income tax borne by the Society, on shares, with 1½ per cent., again with income tax borne by the Society, on deposits.

THRIFT AN URGENT NECESSITY

We should all realise now, in the light of the most recent events, the nature of the economic problem which confronts us as a nation. It is evident that a great deal of reconstruction is imperative if we are to maintain a tolerable, not to mention an improved, standard of living. This will necessarily entail the expenditure of vast capital sums, which over the next ten years are being currently estimated at certainly not less than £10,000 million. This money must be found, and it must come from saving of one kind or another. No honest analysis of the existing situation can promise that all this money will actually be forthcoming on the basis of present trends. In coming on the basis of present trends, these circumstances, a new emphasis is placed on the value of individual thrift. This also is closely linked to the need for incentives. In other words, there must first be the capacity to save, and then the disposition to save.

It is clear that a building society is in a unique position to render outstanding service in this matter. It is the focal point at which two of the great needs of our day meet; thus, on the one hand, it promotes

saving, while on the other it utilises those savings in promoting the building of homes for personal ownership, which accounts for one of the important items in the programme of reconstruction which the nation will have to undertake. In these circumstances a building society clearly has a redoubled justification in the economic conditions which the country is now entering.

THE NEW TOWN AND COUNTRY PLANNING BILL

The new Town and Country Planning Bill, is the most fundamental measure of planning so far produced by any of our Governments. The necessity for a framework of this kind can hardly be gainsaid. There will, however, be much less agreement regarding the details of the Bill.

In this Bill there should be two predominant considerations: first, to give it an ethical basis, in view of its exceptional range and importance for the future, which places it beyond legitimate criticism; and secondly, to infuse an administrative flexibility to secure the generally agreed objectives of planning without undue detriment to the satisfaction of the urgent housing needs of the day.

THE FUTURE

The Abbey National Building Society will be ready, with other units of the movement, to take its place in the great work which we hope the future will provide. We claim to offer a nation-wide mortgage service, and this is indeed true. We are steadily expanding our network of branch offices, apart from other offices, and during the past year have opened, in fact, no fewer than 21 new branch offices. At the same time we are sparing no pains to provide a mortgage service which bears the hall-marks of economy, efficiency and simplicity.

Mr Stanley C. Ramsey, F.R.I.B.A., deputy chairman of the Society, in the course of seconding the adoption of the report and accounts, said:

Whatever form of State direction and control obtains here, there must be within the framework of such direction and control the fullest opportunity for initiative and enterprise. The building societies are apt illustrations of this argument. Their activities are controlled by Acts of Parliament and by rules binding both members and directors. These rules have to be framed to the approval of a Government official—namely, the Chief Registrar of Friendly Societies; the balance sheets must be in the form prescribed by Parliament. The Chief Registrar keeps a watchful eye over the activities of the societies, but if his surveillance is strict, it is also friendly and the whole framework of the machinery, including his direction, is such that it does allow of the maximum of initiative on the part of individual societies. In saying this, I would ask you to believe that I am not speaking with undue complacency, but in all modesty, fully aware, as are the majority of those concerned with the direction of building societies, how useful constructive criticism can be.

BUILDING SOCIETIES IN NATION'S FUTURE

What part the building societies will play in the national life of the future, I cannot pretend to say, but that they will have a very important part is my earnest and constant belief. Their primary object is to encourage home ownership and thrift. Now, unfortunately, at the present time comparatively few new homes are being built, and those which are, are for the lower-paid workers who require houses to rent. The problem of producing an ample number of houses in the immediate future is a very complex one.

The provision of houses cannot be regarded as an isolated operation; it is an integral part of the whole economic structure. It has been said that "the English always do the right thing in the end; unfortunately they try all the wrong ways first." I believe that we shall in the end surmount all our difficulties in a manner that will confute both our doubting friends and our scornful enemies.

The report and accounts were adopted.

The Society's auditors, Mr Harold Lake-man, F.C.A., Lt.-Col. W. C. Smith, D.S.O., M.C., F.C.A., and Mr H. P. Walters, F.C.A., were re-elected. The chairman announced that Messrs William Cash, Junr., M.A., Arthur Collins, F.S.A.A., and Herbert N. E. West were duly re-elected to the board.

Mr R. Bruce Wycherley, M.C., F.C.I.S., joint managing director, speaking on behalf of the directors re-elected to the board, expressed their appreciation of the further opportunity to serve the Society. The Abbey National, refusing to be daunted by difficulties or disenchantments, would continue to pursue its chosen path, confident of the worthwhileness of its work and of its own inherent strength.

THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

MR KENNETH A. E. MOORE'S REVIEW

The one hundred and seventeenth annual general meeting of The National Mutual Life Assurance Society, was held, on the 26th ultimo, in London, Mr Kenneth A. E. Moore, F.C.A. (the chairman), presiding.

The chairman, in his speech to the members, reviewed the results shown by the Society's first post-war actuarial stocktaking covering the three years 1944, 1945 and 1946.

After strengthening the valuation basis to accord with current and prospective interest rates, a surplus of total assets over liabilities of nearly two million pounds is disclosed, which is represented in the accounts by a reserve fund of £1,420,000, a carry forward of £130,000 and a distribution of substantial bonuses costing £410,000.

RATE OF INTEREST IMPROVED

The balance sheet reveals certain major movements in the Society's investments. There has been a reduction in the holdings of British Government securities by about £1,000,000, while increases are shown under the heads of debentures (near £500,000), preference and guaranteed stocks (£670,000), ordinary stocks and shares (£500,000). This has had the effect of improving the rate of interest earned on the invested funds.

The Society's new business for 1946 was almost double that for the previous year, while the mortality experience continues to be better than expected and a mortality profit was shown for the year at a record high level.

Together the valuation report and the accounts for the year 1946 disclose a satisfactory position, and the Society's affairs, from a domestic standpoint, are in excellent shape.

DANGER OF INFLATION

Mr Moore went on to say that, although the Society's domestic affairs are in such good shape, there are matters outside the directors' control which are justifiably causing great misgiving. The process of monetary inflation which has been in evidence in recent years and the risk of its gathering pace are causing concern. If the purchasing power of the people's savings, be they represented by National Savings Certificates, Government or other fixed interest securities, pension funds, life assurance policies, trade union funds, bank deposits and the rest, is allowed to dwindle in the months and years to come through Government action or inaction, then the Government of the day, whatever its political shade, will be guilty of the most heartless swindle in the history of mankind.

BRITISH POWER AND LIGHT CORPORATION, LIMITED

REVENUE MORE THAN MAINTAINED

The eighteenth ordinary general meeting of this company was held, on the 27th ultimo, in London, Air-Commodore C. E. Benson, C.B.E., D.S.O. (chairman of the company), presiding.

The following is an extract from the chairman's statement circulated with the report and accounts.

Last year was a period of transition from war-time to peace-time conditions, and it is satisfactory that, as shown by the consolidated profit and loss account, our revenue from sale of energy was more than maintained. In spite of a small increase in revenue our cost of energy decreased by approximately £40,000, due partly to improved water conditions at our Dolgarrog generating station and partly to an improvement in the bulk supply costs of one of the larger of our subsidiary companies. The result is an increase in gross profit of £64,785.

EFFECT OF GOVERNMENT ACTION

After adding sundry receipts, which have increased from £44,752 to £103,917, and deducting reserves for depreciation, the trading profit is £519,272 compared with £482,069 for the previous year. Provision for taxation is £254,884 against £273,082, due to the reduction in the rate of excess profits tax, and the result is that the net balance after payment of preference dividends is some £55,500 higher at £181,275.

This increase in the net balance is not reflected in the corporation's own profit and loss account since, although it is not yet on the Statute Book, we are precluded by the retroactive terms of the Electricity Bill, recently published, from drawing, from those of our subsidiary companies whose profits have increased, dividends at rates higher than those which were paid for 1945.

With regard to the corporation's own accounts, I think that the only item which calls for comment is the reduction of some £15,400 in interest dividends and sundry receipts due to the fact that the profits of two of our subsidiary companies were slightly lower than in the previous year. The net profit for the year, after provision for taxation, is £154,111, against £163,203, of which preference dividends, less tax, take £47,100, and interim ordinary dividend £33,495. It is proposed to pay a final dividend on the ordinary stock of 5 per cent., maintaining the total dividend at 8 per cent., leaving £17,691 to be added to the amount carried forward.

I have already referred to the fact that the rate at which we were able to proceed with the normal development of our undertakings during the past year fell far short of that of pre-war years, as is the case with all undertakers in the industry, owing to shortage of materials. In the areas served by our subsidiary companies we estimate that it will be necessary to expend something like £3,000,000 in order to bring our normal development up to date.

THE ELECTRICITY BILL

Stockholders will no doubt be familiar generally with the provisions of the Electricity Bill which was issued in January and which sets out the Government's intentions with regard to the nationalisation of the electricity supply industry. The proposals include the taking over by the Electricity Authority, to be set up under the Bill, of certain holding companies, of which your corporation is one, and the setting up of area boards for the local administration of the industry, and although the vesting-date has not been fixed, I regret that it may well

be that this is the last occasion on which ELLI shall meet at an ordinary general meeting.

It appears that the amount of British Electricity stock which will be issued in exchange for the stocks of this corporation will be for each £1 unit of ordinary stock 37s. 10d., of 6 per cent. preference stock 29s. 10d., and of 4½ per cent. preference stock 24s. On the assumption that the British Electricity stock will carry interest at the rate of 2½ per cent. per annum those figures indicate a considerable reduction in income for our stockholders. Criticisms have been made from time to time by Government spokesmen of the large profits made by electricity supply companies. In this connection it is interesting to note that the average dividend paid on the ordinary stock of this corporation since its inception has been rather less than 5½ per cent. per annum on the issue price.

RURAL DEVELOPMENT

During the years from 1930 to 1939, when we were free to develop our undertakings, our subsidiary companies expended over £2,300,000 on capital works, this being spent in the development of predominantly rural areas, and in so doing performed a very real public service. There is to-day an insistent demand for electricity in rural areas. It must be remembered, however, that the attitude towards supplies of electricity in these areas has changed considerably during the last eight years, stimulated, I believe, by the shortage throughout the country of hard fuel for domestic purposes.

Unfortunately this demand has arisen at a time when the provision of supplies is fraught with difficulties. I have already referred to the shortage of materials for construction work, but in addition to that there is the fact that war production was given priority over the manufacture of generating plant. While this was undoubtedly the correct policy at the time, it has resulted in a serious shortage of plant capacity and it will be some years before the plant available will be sufficient to supply all the electricity required. Glowing accounts have been given of the benefits to be derived from the nationalisation of the electricity supply industry, but nothing has been said which would indicate that electricity will be more abundant or cheaper in price or that the staff and workpeople will enjoy any better conditions than those under which they are working at present.

THE RECENT COAL CRISIS

The country generally has recently been passing through a crisis involving severe cuts in electricity supplies due to the shortage of coal at the generating stations. As stockholders will remember, North Wales Power Company has expended a considerable amount of time and money in the investigation of the possibility of developing further the water-power resources in North Wales for the generation of electricity, and caused a report thereon to be prepared by two eminent engineers.

It is a great disappointment to your directors to have to report that the amount of thought and labour expended in this connection, not only by the engineers who prepared the report but also by the company's own staff, have so far borne no results, as it is felt that the shortage of coal supplies makes it more than ever essential that the fullest possible use should be made of the water-power resources of the country, as is being done in Scotland under the Scottish Hydro-Electric Board.

The report was adopted.

CO-OPERATIVE PERMANENT BUILDING SOCIETY

DR MANSBRIDGE'S ADDRESS

The sixty-third annual meeting of the Co-operative Permanent Building Society was held in London on the 29th ultimo.

The president, Dr Mansbridge, in the course of his speech said:—

At the close of the sixty-third year of the society it stands in a position of strength unparalleled in its history.

During the year its mortgage assets increased by four and a-half million pounds and its shares and deposits by two millions. This speaks for itself, in a time of national difficulty and perplexity concerning housing.

The spirit of the society expresses itself in social purpose. The housing of the people is its concern. It is keen to assist individuals. Although it must have adequate reserves, now approaching two million pounds, yet it is not out to make excessive profits. It has, for example, over a period of years allowed rebates on mortgage interest amounting to over a million pounds. In its close alliance with the Co-operative movement, the society expects to extend its beneficent power in years to come.

LOW INTEREST RATES

At my time of life I feel the temptation to make a broad survey of social tendencies and, in the light of my experience, to discourse upon the trend of social legislation. I must, however, resist that temptation. But I may at least venture to submit three general observations. The first is that I rejoice in the effort of the Government to maintain interest rates as low as is humanly possible. It is our endeavour to make conditions for our borrowers as easy as possible. Those conditions are determined, in the last resort, by the rate of interest that the Government is able to maintain. I therefore wish the Government all success in its present endeavour.

My second observation is that it is the duty of the building society movement to co-operate to the fullest possible extent with the Government in its effort to build new houses as quickly as possible.

NEED FOR BUILDING SOCIETIES

My final observation is that the need for building societies will continue so long as the desire for home ownership remains and the opportunity to build urgently needed houses exists.

Some voluntary social institutions work for their own extinction; they engage in pioneer work and draw attention to needs that are eventually met by state action. But I do not regard the Building Society movement as self-extinguishing in that way; for as long in the future as we need to contemplate, and for as long as the desire for home ownership remains in the heart of the people, there will be need for the movement of which we form part.

Building societies have a greater housing potential to-day than at any time in their history. The society is doing all that it can to help.

It has given support to housing societies, which were given statutory recognition in the Housing Act, 1936, and have been commended by the Minister of Health in so far as they work in co-operation with local authorities. Co-operative housing societies have been and are being formed, but the progress of their work has been slow; 1947 should see a forward move.

CURRENT ADVANCES

We can take pride in the fact that at the present time roughly one-fifth of our business is in relationship to newly constructed houses built at controlled prices.

Interest rates, both on investments and loans, are considered carefully with regularity. So far we have led the way in the movement by making rates more equitable.

The report and accounts were adopted.

BRITANNIC ASSURANCE COMPANY, LIMITED

TOTAL INCOME OVER £10,000,000

LARGER ALLOCATIONS TO POLICYHOLDERS

Mr J. A. Jefferson, F.I.A., presiding at the 81st ordinary general meeting, said:—

Several factors have contributed to the year's excellent results, among them being the return of our Servicemen, the return to civilian life of so many men who had not for some years had an opportunity of effecting any life assurance, the larger volume of money in circulation, and a growing desire for life assurance.

The total income increased by £657,000 to £10,126,000. The funds amounted to £53,751,000—an increase of £3,680,000, and the claims paid in the year amounted to £3,629,000, bringing the total paid since the formation of the company to £75,000,000.

ORDINARY BRANCH

The new business at £6,908,000 was almost double that completed in 1945, and the average sum assured per policy was £327, against £214 in the last pre-war year. The annual premium income increased by £246,000 to £2,455,000. The fund amounted to £18,948,000—an increase of £1,448,000, and the net rate of interest earned has slightly increased to £3 4s. 10d. per cent. Death claims at £255,000 were a little less than in 1945, and payments under maturing policies were £796,000. The expense ratio at 12½ per cent., although showing an increase of just over 2 per cent., is still very moderate. The rise in the ratio was due to the record volume of new business.

INDUSTRIAL BRANCH

The premium income amounted to £5,559,000, being £225,000 greater than in 1945. The fund at the end of the year amounted to £29,531,000—an increase of £1,972,000. The net rate of interest earned was £3 19s. 0d. per cent., which was 5s. 6d. per cent. in excess of the rate earned in 1945. The main factors contributing to this increase were a rise of 1s. 10d. per cent. in the gross rate of interest, and a reduction in the standard rate of tax.

Death claims totalled £1,389,000. Maturing Endowment Assurance claims amounted to £1,187,000, the increase of £141,000 reflecting the growing popularity of this type of business.

The expense ratio was 27.69 per cent.—an increase of 2.10 per cent. The increase was not unexpected and reflected the record amount of new business. Our present rate shows that the business is conducted cheaply and efficiently; on only two occasions have we achieved a lower figure.

THE ASSETS

Towards the end of last year, we considerably slowed down our investing as it seemed to us that the artificial stimulation of cheap money had created an inflationary condition, out of gear with the country's present level of production. Cheap money pushed to excess means valueless money. The credit of a nation is not to be measured solely by the rate of interest it has to pay on its internal loans, but in the final result by the productivity of its soil and hands and brains. Too high taxation with too low interest has brought us perilously near the point at which spending is more attractive to the individual than saving. Add to this a shortage of consumer goods, and at once you have a vicious condition of inflation, with "too much money chasing too few goods."

BRITISH ALUMINIUM COMPANY LIMITED

SATISFACTORY RESULTS

At the annual general meeting of The British Aluminium Company, Limited, held, on the 28th ultimo, the chairman, Mr R. W. Cooper, M.C., said that the profit for the year was £1,368,095, which was more satisfactory than the previous year. Production at their Alumina Works was at 60 per cent. of maximum capacity. In effecting economies they had unfortunately had to close down their works in Northern Ireland after fifty years of operation. All three Reduction Works in Scotland had operated at full output and the company's total production in this country passed the half million ton mark during the year. At their three rolling mills a record output was obtained and their output of semi-fabricated material was almost four times greater than in 1938.

The company had purchased from the Government certain plant at the Warrington and Milton mills as well as the new rolling mill at Falkirk, an acquisition that would make them well placed to meet demand and competition. Works purchased at Latchford, Warrington, were designed for the remelting of scrap and blowing of aluminium powder. The company and its subsidiaries now employed over 10,000 people in this country.

EXPANSION OF EXPORTS

Export business had continued to expand during the year; but this did not constitute a large proportion of their total because supplies of semi-fabricated material to makers of finished products formed the main part of their material which found its way abroad, exported by manufacturers rather than by themselves direct.

The Government was still the sole purchaser and seller of virgin aluminium ingot and the company's position was causing grave concern. It had been reported in the Press that the Government was able to reduce the price of aluminium owing to a very large and favourable contract made with Canada. The price paid to their company had been in excess of that paid to Canada, whose costs of production were well below any other country in the world for a number of reasons, not the least of which was power cost. The Government seemed to regard the price obtainable in that market as a yardstick and to ignore the fact that costs of production in this country are at least as low as anywhere in the world outside North America.

MODERNISATION AND RE-EQUIPMENT

Stockholders would agree that they must face the risk of heavy capital expenditure on modernisation and re-equipment. British industry must remain virile if it was to survive. The position of their French and Norwegian assets was still obscure. They had a scheme for special production in Norway which would greatly benefit the fabricating industry in this country; but, although, owing to lack of power it was impossible to carry out the process in England they had been refused a licence to send £70,000 to Norway for this purpose.

Turning to the balance sheet, the principal difference was the increase in fixed assets from £4,996,693 to £6,127,751, towards which a refund of £341,946 E.P.T. contributed. The sum of £200,000 to general reserve as compared with £125,000 last year was advisable in view of considerable deferred repairs, and £140,000 was allocated to depreciation as compared with £75,000. A final dividend of 8 per cent. on the ordinary stock made 10 per cent. for the year, leaving the accumulated balance to credit of profit and loss at £308,361.

The report was adopted.

ENGLISH ELECTRIC COMPANY, LIMITED

EXPANSION POLICY

Sir George H. Nelson (the chairman), presiding at the twenty-eighth annual general meeting held, on the 27th ultimo, said that through the purchase of the share capital of Marconi's Wireless Telegraph Company, Limited, the E.E. Co.'s activity and facilities had been considerably extended by embracing that branch of the electrical industry known as the micro current field. With regard to the present economic state of the country, no one could read the recent Government White Paper without feeling the immense responsibility imposed on the Government, industry and the community. It established the facts that we were dangerously impoverished and faced with a lower standard of living, unless by enterprise and hard work, efficiently directed, we could create a new wealth and fresh resources. Important Works' extensions had been commenced, but despite special efforts by the company to obtain labour, the disappointing result was that the last twelve months had produced 300 men only, whereas several thousands were needed to increase the output of heavy machinery. The engineering industry had introduced the 44-hours week in the faith and promise that the work people would produce as much in that time as in a 47½-hours week. In the light of the present shortage of labour, the proposal to work a double day in two 37½-hours shifts was deplored. What was needed, for the next 2 years at least, was a full 44-hours for each shift with no absenteeism, with as many additional hours as could be reasonably arranged.

The Report was adopted and the final dividend of 6 per cent. (making 10 per cent. for the year) declared on the Ordinary stock.

BOVRIL, LIMITED

SATISFACTORY RESULTS

The fiftieth annual general meeting of Bovril Limited, was held, in London, on the 24th instant. The following is an extract of the statement by Lord Luke (chairman) circulated with the report and accounts:—

I propose this year to present the chairman's statement in a rather different manner, which I hope will be acceptable and of some assistance to shareholders.

The accounts before you are generally satisfactory. Net profit is £573,919 (£641,007), taxation absorbs £350,000 (£448,750), leaving a balance of £223,919 (£192,257).

Your directors recommend the same final dividend on the deferred stock of 7½ per cent., making 10 per cent. for the year 1946, and a bonus of 2½ per cent.

Bovril sales have kept pace with production and have not been affected by the unfortunate but necessary raising of prices, which was caused by the continually rising cost of production and in particular the cost of raw materials.

We have been more fortunate than some concerns in that our war and peace-time production has been the same—apart from the extra work we did for Government Departments.

Therefore, our transition has been easy and we are making the most of our time and energy to keep pace with demand.

We hope that costs have reached the top of their spiral, for it ought not to have escaped any thoughtful person's notice that in present circumstances this can only lead to further inflation.

Bovril, in spite of the recent price increase, is still a good and cheap alternative to beef, quite apart from its health-giving qualities. Public opinion has testified to this by its continued demand.

MARCONI'S WIRELESS TELEGRAPH COMPANY, LIMITED

MANY IMPROVEMENTS

The forty-ninth ordinary general meeting of Marconi's Wireless Telegraph Company, Limited, was held, on the 27th ultimo, in London.

Sir George H. Nelson, F.C.G.I., M.I.Mech.E., M.I.E.E., the chairman, in the course of his speech said: This is the first opportunity I have had of addressing you as chairman of the company. In August, 1946, the English Electric Company purchased from Cable and Wireless (Holding), Limited, their share holding in your company, and the board was reconstituted so as to ensure the maximum of co-operation and mutual support between this company and the other members of the English Electric Group.

It is satisfactory to report that 60 per cent. in value of our orders during the year has been for export. In the Marine field we have marketed a completely new range of transmitters and are already supplying these sets in large numbers to the Marconi International Marine Company and foreign customers for the re-equipment of merchant ships. Our marine radar, which will give a performance fully in keeping with the high standard expected of the name "Marconi," has undergone most successful trials and will shortly be coming into production. Our company continues to play a prominent part in the application of radio to aviation.

In the broadcasting field many detailed improvements have been made in our standard equipments, and we have recently been entrusted by the B.B.C. with their order for the first high-power Frequency Modulated Broadcast Transmitter to be established in this country.

The report was adopted.

MARCONI INTERNATIONAL MARINE COMMUNICATION COMPANY, LIMITED

VALUABLE NEW EQUIPMENT

The forty-seventh ordinary general meeting of this company, was held on the 27th ultimo, in London.

Sir George H. Nelson, F.C.G.I., M.I.Mech.E., M.I.E.E., the chairman, in the course of his speech, said: With the enormous war-time advances at the disposal of our technical staff a completely new range of Marine Radio Communication and Navigational Aids equipment have been designed, and these equipments are now being fitted as quickly as possible to fulfil the very large number of contracts we have received during the past year.

The Direction Finder is a particularly valuable Navigational Aid to seafarers, for not only does it enable the Navigating Officer himself to plot his position wherever he may be sailing but it also enables him to locate the position of any vessel in difficulty which is able to send out a distress signal.

For some time past we have had our latest experimental Marine Radar Equipment on one of the regular cross-Channel steamers, and by the courtesy and kindness of the owners we have been able to carry out extensive and far-reaching tests. The apparatus is now giving first-class results. It is simple in character, easy to handle, and gives the Master or Navigating Officer of the vessel a true picture of any objects upon the sea and the approaching coast line.

Our sea-going staff has returned to peace-time conditions, and is providing a Communications service for ships' personnel and passengers which is second to none with the modern and super-efficient apparatus with which so many vessels have been fitted by your company.

The report was adopted.

METROPOLITAN ELECTRIC SUPPLY COMPANY, LIMITED

NATIONALISATION A RISK

The sixtieth ordinary general meeting of this company was held, on the 1st instant, in London.

Major H. Richardson, M.C., T.D., J.P., M.I.E.E., chairman and managing director, said that the year under review was the first full year's trading since the cessation of hostilities and he thought it would be agreed that the results were satisfactory. The total units supplied to their customers and to those of their subsidiary companies amounted to 590 millions, to which must be added a further 230 millions supplied to other undertakings, an increase of 86 millions. The substantial progress made in the London areas had enabled them to give some alleviation of the unavoidable increases in charges made during the war.

The balance on revenue account had increased by £159,770 compared with 1945 and amounted to £828,682. The directors recommended a final dividend of 6 per cent. on the ordinary stock, making 9 per cent., less tax, for the year.

With regard to the Government's intentions, in view of the great problems which beset them and the solution of which were so vital to the economic recovery of the country, it was indeed difficult to understand why any Government should at such a time risk experimenting on an industry which was part of the very foundation of the industrial life of the nation, an industry which had amply demonstrated its efficiency and reliability.

He was convinced that the proposed form of national management could only result in the elimination of reasonably healthy competition, initiative and incentive.

The report was adopted.

BRITISH ROPES, LIMITED

INCREASED DIVIDEND

The annual general meeting of British Ropes, Limited, was held, on the 2nd instant, in London.

Mr Herbert Smith (chairman and managing director), in the course of his speech, said: The reconstruction of plant and machinery is being pressed forward with great diligence, but the progress we would wish has not been made; the universal shortage of materials, the vexatious controls which damp down enthusiastic work, appear to increase rather than to diminish. Large scale schemes for future development are in hand, especially in regard to the quality of our products, which schemes are being held back owing to the difficulty of obtaining the means of production.

The year's trading could have been better if more materials had been available. Labour shortage and difficulties have been continuous, but increased mechanical efficiency has maintained output, and, moreover, the company's three main products are essential requirements for the maintenance of industry.

Your directors have pursued a consistent policy during the years that have elapsed since the drastic reconstruction of the company in 1934, the main purpose being to strengthen and consolidate the financial structure of your company. The small increase in the trading profit before providing for income tax to £494,025, as compared with £461,506 for the previous year, is mainly accounted for by the increase for the year in the E.P.T. standard profit.

The directors recommend the payment of a final dividend of 15 per cent., less tax, on the issued ordinary stock, making with the interim dividend a total distribution for the year of 20 per cent., less tax, compared with a total dividend last year of 17½ per cent., less tax.

The report was adopted.

GOVERNMENT RETURNS

The full returns for the year's figures are given in this week's issue of "Records and Statistics."

For the nine days ended Mar. 31, 1947, total ordinary revenue was £121,047,335 against ordinary expenditure of £230,997,564, and issues to sinking funds £37,557. Thus, including sinking fund allocations of £17,040,754, the deficit accrued since April 1st is £586,163,351 against £2,206,826,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1946-47	Receipts into the Exchequer (£ thousands)			
		April 1 to Mar. 31 1946	April 1 to Mar. 31 1947	8 days ended Mar. 31 1946	9 days ended Mar. 31 1947
ORDINARY REVENUE					
Income Tax	111,100,000	136,134,600	115,623,335	39,823	39,118
Sur-tax	80,000	69,059	75,742	2,340	3,600
Estate, etc., Duties	140,000	120,301	148,044	3,145	3,170
Stamps	29,000	25,099	38,338	200	1,529
N.D.C.	325,000	35,485	32,107	704	560
E.P.T.	430,877	325,391	5,330	5,230	
Other Inland Rev.	1,000	712	724	31	55
Total Inland Rev.	168,600,000	204,288,900	177,657,900	51,573	53,262
Customs	595,000	595,842	620,741	15,221	19,148
Excise	592,000	540,800	563,500	17,300	10,900
Total Customs & Excise	1,187,000	1,136,642	1,184,241	32,521	30,048
Motor Duties	45,000	43,172	49,456	346	333
Surplus War Stores	150,000	...	155,996	...	4,462
Surplus Receipts from Trading	50,000	...	59,000	...	19,000
Post Office (Net Receipts)	5,300	5,180	9,940	460	830
Wireless Licences	1,000	960	920	30	50
Crown Lands	15,000	11,047	26,780	285	...
Receipts from Sundry loans	22,000	70,561	78,312	2,789	13,062
Other Receipts	...	...	...	...	...
Total Ord. Rev.	316,130,000	328,445,000	334,122,300	88,003	121,047
SELF-BALANCING					
Post Office	123,300	115,500	131,000	1,950	2,500
Income Tax on E.P.T. Refunds	...	1,253	150,522	951	748
Total	328,460,000	340,120,300	362,274,500	90,904	124,295

Expenditure	Estimate, 1946-47	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Mar. 31 1946	April 1 to Mar. 31 1947	8 days ended Mar. 31 1946	9 days ended Mar. 31 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	490,000	455,446	498,819	4,080	3,602
Payments to N. Ireland	20,000	12,267	20,342	1,477	2,321
Nat. Land Fund	50,000	...	50,000	...	...
Other Cons. Fund Services	8,000	8,015	8,712	280	1,632
Total	568,000	475,728	577,874	5,838	7,555
Supply Services	35,340,403	49,990,552	33,324,712	208,778	223,443
Total	41,020,403	50,466,280	39,103,586	214,616	230,998

SELF-BALANCING	Estimate, 1946-47	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Mar. 31 1946	April 1 to Mar. 31 1947	8 days ended Mar. 31 1946	9 days ended Mar. 31 1947
P.O. & Broadcasting	123,300	115,500	131,000	1,950	2,500
Income Tax on E.P.T. Refunds	...	1,253	150,522	951	748
Total	123,300	116,753	131,950	2,901	3,248

After decreasing Exchequer balances by £716,382 to £2,356,462, the other operations for the week increased the gross National Debt by £69,813,322 to £25,656 million.

NET RECEIPTS (£ thousands)					
P.O. and Telegraph	444	741	161	0	102
War Risks Insurance Act, 1939, Sec. 16(3)	444	741	161	0	102
Building Materials & Housing Act, 1945, Sec. 4(1)	46	751	164	0	103
Civil Contingencies Fund, Sec. 3(1)	46	751	164	0	103
Coal Industry Nationalisation Act, 1946, Sec. 28(2)	46	751	164	0	104
Total	444	741	161	0	102

* Spot cash.

Statistical Summary

NET ISSUES (£ thousands)	
E.P.T. refunds	915
Overseas Trade Guarantees Act, 1939, Sec. 4(1)	41
Local Author. Loans Act, 1945, Sec. 3(1)	5,700
New Towns Act, 1946, Sec. 12(3)	15
War Damage & War Damage Commission	1,500
Finance Act, 1946, Sec. 26(7) Post-War Credits	221
Finance Act, 1935, Sec. 30(1) 3 per cent. Local Loans Stock	350
Total	8,742

CHANGES IN DEBT (£ thousands)	
NET RECEIPTS	NET REPAYMENTS
Treasury bills	3% Defence Bonds
Nat. Savings Certs.	2% Conv. Loan
2½% Defence Bds.	3% Terminable Annuities
2½% Treasury Stk.	Other Debt
Tax Reserve Certs.	Internal
Ways & Means Advances	External
Treasury Deposits	
73,187	3,373

* Including £974,000 paid off on maturity.

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
Mar. 31	1720.0	2703.4	490.4	14.25	1569.0	6487.0
Dec. 14	2100.0	2377.8	388.6	2.75	1729.0	6688.1
" 21	2120.0	2496.0	375.8	17.3	1688.5	6697.5
" 28	2140.0	2455.6	448.0	...	1676.5	6720.1
1947						
Jan. 11	2150.0	2467.1	411.4	...	1686.5	6715.0
" 18	2150.0	2457.2	412.2	...	1681.0	6700.4
" 25	2145.0	2461.6	395.1	...	1657.5	6659.2
Feb. 1	2145.0	2435.2	427.2	...	1633.5	6640.8
" 8	2145.0	2418.2	439.7	...	1600.0	6602.9
" 15	2155.0	2441.3	469.7	9.0	1540.0	6615.1
" 22	2175.0	2506.5	446.5	...	1508.0	6626.1
Mar. 1	2185.0	2565.5	530.3	15.0	1473.5	6759.3
" 8	2185.0	2600.7	583.7	...	1443.5	6812.9
" 15	2185.0	2628.5	582.2	...	1435.0	6830.7
" 22	2185.0	2690.9	582.6	2.25	1434.0	6894.7
" 31	2185.0	2699.7	613.5	...	1456.5	6954.6

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	% Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
Mar. 29	150.0	265.5	150.0	10 2-13	36
Dec. 27	170.0	285.8	170.0	10 0-27	47
1947					
Jan. 3	170.0	273.7	170.0	10 0-69	54
" 10	170.0	287.6	170.0	10 0-16	47
" 17	170.0	273.4	165.0	10 0-41	51
" 24	160.0	277.2	160.0	10 1-43	24
" 31	160.0	303.0	160.0	10 1-14	37
Feb. 7	170.0	290.6	170.0	10 1-52	46
" 14	170.0	263.6	170.0	10 2-17	58
" 21	170.0	277.9	170.0	10 1-79	41
" 28	170.0	246.3	170.0	10 2-16	63
Mar. 7	170.0	273.9	170.0	10 1-15	43
" 14	170.0	288.2	170.0	10 1-29	45
" 21	170.0	296.9	170.0	10 2-51	42

On Mar. 28th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Saturday were accepted as to about 42 per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. £170 million (maximum) of Treasury Bills are being offered for April 3rd. For the week ended April 5th the Banks will be asked for Treasury deposits to a maximum of £180,000,000.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Market prices were as follows:—

	SILVER			GOLD	
	London* per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola	
1947					
Mar. 28	d. 444	c. 741	Rs. 161	a. 0	102
" 29	444	741	161	0	103
" 31	46	751	164	0	103
Apr. 1	46	751	164	0	104

* Spot cash.

REVENUE AND EXPENDITURE

1946-47

(See Business Note on page 509)

REVENUE

(£ million)

	Actual Receipts, 1945-46	Budget Estimate, 1946-47	Actual Receipts, 1946-47
Income Tax	1,361.3	1,111.0	1,156.2
Surtax	69.1	80.0	75.7
Death Duties	120.3	140.0	148.0
Stamps	25.1	29.0	38.3
Profits Tax	35.5	325.0	30.0
E. P. T.	430.9		325.4
Other Inland Revenue	0.7	1.0	0.7
Total of Inland Revenue ..	2,042.9	1,686.0	1,776.6
Customs	569.8	595.0	620.7
Excise	540.8	592.0	563.5
Total	1,110.6	1,187.0	1,184.2
Motor Vehicle Duties	43.2	45.0	49.5
Sale of Surplus War Stores		150.0	156.0
Surplus Iron Trading		60.0	69.0
Wireless Licences	5.2	5.3	9.9
Crown Lands	1.0	1.0	0.9
Sundry Loans	11.0	15.0	26.8
Miscellaneous Receipts	70.6	22.0	78.3
Total Ordinary Revenue	3,224.5	3,161.3	3,341.2

shattered such hopes. So far, Mr Marshall had been an unknown quantity; his brief was known, but not his method of advocacy. It suddenly became clear that the American line was to be the tough line—that the Americans would publicly raise their grievances about Soviet policy in the Middle East, Eastern Europe, even the Far East, and conduct a public campaign to rally Congress behind a thrustful foreign policy. Since then Mr Truman has rubbed salt in the wounds by reaffirming Jefferson's oath:

I have sworn eternal hostility against every form of tyranny over the mind of man, which is tantamount to a declaration of ideological warfare.

Whatever the eventual outcome, there would be no immediate Soviet retreat. So, during the critical phases of the Moscow meetings, Soviet statesmen remained silent.

In this situation Mr Bevin could do little more in Moscow than sit and watch. The manner and timing of the Truman declaration were decided without consultation with London; any British mediation or counsel could only complicate the arguments in Congress about the loans to Greece and Turkey, which Mr Bevin wants as much as Mr Marshall. The debate on Germany, in which Britain has a more vital interest than the United States, became unreal.

Is it then fair to say that Mr Bevin has failed in any important respect? Clearly it is not. Before he left for Moscow he pledged himself in the House of Commons to accept nothing that would increase the burden on the British taxpayer arising out of the occupation of Germany. Having given that pledge he could not yield an inch to the Soviet claims for ten billion dollars in reparations from the German production that is being stimulated to provide exports. For it is not just a question of saving or spending money; it is a question whether the interest of a particular nation or the

general welfare of Europe comes first. Mr Marshall stated the principle clearly in his speech on the Polish frontier question:

The final action should be in the interest of Europe as a whole. Let us start to apply the conception that European matters that are of general concern should be dealt with in the general interest. We at this table have a duty to try and rebuild a Europe better than it replaces.

If Soviet Ministers were not so inept in some of their arguments one might hope that Mr Molotov would reply that the reconstruction of the Soviet economy is an interest of Europe as a whole. If he could say such a thing and demonstrate that his policy in eastern Europe aims at something more than the creation of a strong, self-sufficient Soviet-dominated bloc then the arguments now being used against the Truman doctrine by Mr Wallace and others would begin to carry weight. But on present information there is no sign that this is the Soviet policy.

Mr Bevin's support of the tough line is therefore to be applauded—but with a vital qualification, which cannot be repeated too often: the object of the tough line must be to attain general agreement, in the first place between the United States and the Soviet Union, in the second place between Britain and the Soviet Union. If it cannot be found in Germany it must be sought elsewhere, either in the political or the economic sphere. In both spheres the initiative lies almost entirely with the Americans. So long as the Truman doctrine can be regarded as the starting point for an eventual understanding between the Russians and the Americans, it should have British support. But if it is to lead to a kind of indefinite phoney war with dollars and words, then Mr Bevin, with the British people deeply divided, will have to find a way to security and prosperity within the Empire and Western Europe.

The Road to Paris

ECHOES of the Truman doctrine have been rumbling across France in the last ten days, from Bruneval on the Channel to Strasbourg on the Rhine. The French Right has taken up its challenge to Communism and General de Gaulle has come out of retirement to stump the country. He has started on a journey which will take him via Marseilles, Bordeaux and Rouen to Paris. By the time he reaches the capital—probably on June 18—his opponents should be in full cry, too; and there may well come out of France a confused noise of challenges and counter-challenges which will do nothing to improve and much to damage international and national relations between Right and Left.

The General is in Fighting French form: that is to say his mood is intensely nationalist, impatient, uncompromising and emotional. He made last Sunday in Strasbourg a speech that would have gone down equally well in Metz; a speech which must have stirred in many hearers memories of the ardent and romantic traditionalism with which Frenchmen have written and spoken about the border provinces of Alsace and Lorraine. He asked for a coalition (*rassemblement*) of the French people and a government which could rebuild a State "capable of leading France with impartiality, authority and continuity." He denounced the paralysis of the machinery of government and laid the blame on the "disturbing and exceptional ambitions, tactics and methods" of the Communists. These, he argued, had forced other parties to similar behaviour, and the suspicion rife between them had made it necessary to divide the reins of government. With its new constitution, which he had already denounced last year, the Fourth Republic was in danger of dictatorship by a party. He implied, but did not say, that personal leadership could alone guide France firmly towards

a future of prosperity, strength and independence, and give the Republic "efficiency, harmony and liberty."

The question is, of course, how all this is to be brought about. Will the General form a new party? If he does, it might well have no representatives in the Assembly until 1951. If he does not, how is he to campaign and work against the Constitution "within the framework of the laws," as he promised? Will he try to rally all deputies from the Centre to the Right behind him? If he does, down comes M. Ramadier's government and the policy of co-operation with and appeasement of the Communists, hitherto pursued by the Popular Republicans and the Socialists, collapses. And if that happens, what is to prevent M. Thorez and his colleagues from wielding their dreaded weapon of the general strike and non-cooperation by the workers? At that point the shadow of civil war must appear. Is General de Gaulle ready even for that? If so, he should think of the probable consequences for Europe: the inevitable partisanship of America for the Right and the divided sympathies all over Europe, greatest of all in Britain. He should think, too, of the inevitable collapse of those hopes of co-operation between employers and workers on which the Monnet Plan of reconstruction is founded, bringing with it an end to all chances of beating Germany in the race for industrial recovery.

It is not unfair to ask whether the General in his present mood has thought of these things; for when his temper is roused he puts blinkers to his eyes and refuses to see the wider consequences of his actions. Some of those listening to him at Strasbourg last Sunday must have recalled how he refused to sacrifice the city in January, 1945, so that the greatest possible Allied strength could be thrown against Hitler's offen-

sive in the Ardennes. As it turned out, he was right; but his attitude was not dictated by a military judgment that the Germans would fail in the Ardennes, but by a determination that they should not succeed in Alsace. He might have been wrong. Foresight in the General cannot be taken for granted. He sometimes recalls that other soldier, President of the French Republic seventy years ago, who in May, 1877, refused to resign when the Deputies voted in favour of parliamentary government, and about whom the text-books say: "McMahon was a fine, tall, soldierly man, universally esteemed as generous and honourable; as a politician he was patriotic and well-intentioned, but with no real statecraft."

The next speeches on the road to Paris should throw light on General de Gaulle's tactics. They are unlikely to reveal much more of his programme. What he outlined at Strasbourg on Sunday was a list of aspirations, not an inventory of measures: reform of the constitution which only nine million electors accepted last year; stabilisation of the currency and a reduction of State expenditure—which means a cutting down of "State activities"; increases in production, man-power and coal exports; a return to *laissez faire* in economic life and a new relationship between capital and labour. What he actually said on these last two great themes is worth quotation, for it illustrates vividly the embarrassment which is felt by men of the Right all over Europe when they try to put into words the doctrine with which they hope to challenge Socialism and Communism. He offered as an economic policy

the encouragement and rewarding of the spirit of enterprise, initiative and emulation, and in principle the restoration of a freedom in each branch of economic activity, as soon as a possible balance can be found between supply and demand,

and as a social policy

the dignified and fruitful association of those who put in the common, in the same enterprise, their labour, their technical skill, or their wealth, and who should participate openly and like honest shareholders in the profits and the risks.

There could hardly be a more impeccable statement of sound Catholic doctrine; but it has no relation whatsoever to a France still inflamed by the memories of Vichy and Pétainism, in which Marxism has an intellectual as well as an emotional appeal, and in which Communist-dominated trade unions form an estate all to themselves. It is a policy which might be carried out by a benevolent despot, operating through an enlightened élite; but there are too many Frenchmen who will not take General de Gaulle's benevolence for granted and who regard the French élite as contaminated by the era of Pétain.

Such a statement of policy must provoke the suspicion among their enemies that the Catholic and progressive-conservative MRP (*Mouvement Républicain Populaire*) are behind General de Gaulle in his new campaign. In fact it is unlikely that they are; they have violently disagreed with him in the past and there is little future for them if they show any reactionary tendencies. It is far more likely that his backers lie further still to the Right, and time will doubtless show who they are. His foreign policy alone would divide the MRP from him, at any rate on the basis laid down in the Strasbourg speech, and symbolised by the telegrams sent to President Truman and General Eisenhower. The General asked for French leadership in "so remaking Europe that, besides the two great world Powers of Russia and the United States, there may be an element of balance." He would support any international security organisation, but on condition that France remained faithful to her western traditions. Which means in fact that he would aim, through personal leadership as head of State, at freeing French policy from its present dependence on the French Communist Party, and at forming a western European political and economic association which might keep a balance of power between the United States and the Soviet Union, bound to neither and hostile to neither. That is a not unattractive idea,

which will warm many British hearts otherwise unfriendly to General de Gaulle. Similar things have been said in very high quarters, not only by Mr Churchill. Did not Mr Attlee, for example, say that "Europe must federate or perish"? But the Gaullistes state things rather too crudely and simply; and they have not the excuse which Mr Churchill offers for his indiscretions, that he is an elder statesman. The General and his advisers are younger statesmen—that is half the trouble.

It has, of course, to be remembered that General de Gaulle has been orating, and will probably continue to orate. Orations in France habitually go far beyond the protocol, so that audiences may delight in broad principles and go home with clear propositions and strong emotions to argue about. He is doubtless chiefly concerned to create a mood, to start Frenchmen thinking along new lines, to test the temper of the people. And to do this it is legitimate to recall to the French their periodical strivings to attain unity and order under strong men, the great tradition of authority and central control which runs through their history. For many of the questions now vexing France are old questions, issues of 1789 and 1792, of 1848 and 1870. But there is this difference, that one powerful party—the Communist Party—is believed by its opponents to have ceased thinking as Frenchmen. That is the suspicion which General de Gaulle's speeches are calculated to strengthen, and which has already been heard more clearly in France since President Truman said what he thought of Communism and its activity in liberty-loving countries. Many are afraid to voice the thought because to do so is to bring themselves into strange company, with the Quislings, the Pétains and the Francos. But General de Gaulle is respectable and his flagrant simplifications will probably relieve tensions in many French minds and lead to a clearer-cut division between Left and Right.

From such a process the worst sufferers will be the Socialists, the followers of M. Ramadier and M. Blum, who are keeping the Fourth Republic a going concern and who presumably are the men whom a British Labour Government like to see in charge of French affairs. The Ramadier Government have just survived a crisis by conniving at extraordinary behaviour by their Communist partners in the coalition. They will only survive further crises if they continue to appease the Communists; and they can only do that on the assumption that M. Thorez and his followers want France to become strong, prosperous and contented. That assumption was—and will remain—practically tenable so long as the Communists continue their long-term, moderate policy of cooperation in politics and industry, designed to lead eventually to a peaceful and respectable accession to power. But they will certainly not continue that policy if challenged in the way that General de Gaulle threatens to challenge them.

Clearly the Gaullistes have timed their campaign badly. The Ramadier Government has not had a fair trial; credit has not been given for the remarkable recovery that France has already made; time has not been given for the Monnet plan and financial reforms to be brought into action—or to have decisively failed. True, there has been paralysis of some functions of government; but the causes of this are known and the cure must take time and patience and skill. General de Gaulle seems to fancy himself in the part of the osteopath, who promises a violent, painful but quick manipulation.

It is possible, of course, that on a long view he is right, as he was in January, 1945. But it is no more certain now that he is right than it was then. And if he were right now, it would be, as it was then, by accident. Sooner or later it may be necessary to test to what extent M. Thorez's followers are Frenchmen first and Communists afterwards. The test would be watched with the most intense interest all over Europe. But now is not the time, and General de Gaulle must not be surprised if the Left gains, rather than loses, in the storm that may follow this thunder from the Right.

Food Policy and Subsidies

THE only way by which any substantial reductions in taxation in the forthcoming Budget can be reconciled with a policy in accordance with the economic needs of the country is by reductions in the total of expenditure below the aggregate of the Estimates already published. And the only place in the Estimates where a large reduction could be contemplated is in the food subsidies. The Ministry of Food's trading deficit for the year just ended was originally put at £232 million; it has turned out to be £281 million. The estimate for the coming year is £313 million; what the final figure will be is anyone's guess, but only a confirmed optimist will expect it to be below and not above the estimate. Thus, within a year, the anticipated rate of deficit has increased by £80 million. But these figures do not represent a complete guide to the cost to the taxpayer of supplying the nation's demand for food. The Ministry of Food makes certain direct payments to wholesalers, and the Ministry of Agriculture pays over £15 million a year in acreage payments, which are a direct subsidy to current production. Defined so as to exclude only long-term schemes of agricultural improvement (and it is doubtful if these should, in fact, be excluded), the total cost of food subsidies for the financial year just ended was estimated at £364 million and it would not be far wrong to assume that the cost is now running at an annual rate of £400 million. This is an enormous item of expenditure, whose complete abolition would be the equivalent of a reduction in the standard rate of income-tax of over 3s. in the £.

This is the budgetary argument for reconsidering the food subsidies. But the question can and should also be considered within the framework of food policy. The general arguments for subsidising the cost of food are pungent and familiar. Food is the first necessity of life and a major constituent of the cost of living. It is unthinkable that, so long as there is a serious food shortage combined with the existence of a large reservoir of unexpended purchasing power, food prices should be permitted to skyrocket to the levels they would reach on a free market. Therefore, some measure of control and assistance is unavoidable. The question is how great this should be and how long it should last; and on this issue, considerations of political expediency and of social policy are combining to insist that the retail price of food should permanently be kept at a very low level. On the political side, it is argued that any appreciable increase in food prices would set off a chain of wage demands that would make the net effect on the problem of inflation an adverse one. On the social side, it is urged that the great advance in the nutritional standards of the poor that wartime policy has brought about should be consolidated; and that the provision of cheap food for all should be regarded as a vital social service.

The advocates of a cheap food policy have a powerful case. There can be no doubting the essential rightness and desirability of the social goals which they propound. Indeed, it is possible, in a visionary mood, to go further and envisage a time when the full provision by the state to its citizens of the essential minimum of certain basic foodstuffs will seem no more remarkable than the free provision of the essential minimum of education does today—though, as is shown by the extracts from *The Economist* of 1847 which have recently been appearing, it seemed to be a very shocking idea a hundred years ago. But one of the Labour Party's greatest weaknesses is an insistence on introducing the right idea at the wrong time. All social advances depend upon there being a sufficient national income to provide them. It is too much to expect Britain's distorted, war-shattered, debt-encumbered economy to bear the

strain of implementing every scheme of social amelioration the minute that anyone thinks of it.

The Government's food policy raises two issues—an immediate one, applicable to this year's Budget, and a long-term one. There is an immediate case for pruning the food subsidies fairly drastically in order to bring the flow of income into closer accord with the flow of consumer's goods. The cost of basic foodstuffs has risen far less than has the average level of wages or earnings. Retail food prices entering into the Cost of Living Index have risen by only 22 per cent since 1939. Admittedly, the reason for this is that prices have been based on the index and not the index on prices; but the enormous burden that this has entailed for the taxpayer indicates the absurdity of such artificial contriving to keep down the cost of the principal rationed foods. The discrepancy between the controlled price and the economic price is altogether too great. Even the food consumer bears a considerable burden in the shape of the enormous inflation in the prices of commodities outside the controlled sphere, such as certain fruits and vegetables. As reconversion proceeds, the two markets—the "controlled" and the "uncontrolled"—should move together; instead they are moving further apart.

To take £100 or £150 million off the cost of food subsidies this year would leave very few people worse off, in respect of the power of their incomes to purchase food, than they were in 1939. Most of them would still be better off, and the few who would be prejudiced—pensioners and the like—could be relieved at a very much lower cost than the saving on the subsidies. To argue that any beneficial result would be at once negated by a rising spiral of wage increases is to assume that the co-operation between Government, industry, and the unions, for which a clarion call went out in the Economic White Paper, is foredoomed to failure on the simplest and easiest of tests. The nation's surplus of money will never be digested unless the unions can be persuaded to swallow some part of it.

The contention that the provision of food should be permanently subsidised as a vital social service runs up against one powerful practical objection. This is that, so far as Britain is concerned, the demand for food looks like outdistancing the possibility of ever meeting it in full. All the Government's internal measures—its steps to maintain full employment, its all-in scheme of social security, its introduction of family allowances, its welfare schemes and its publicising of nutritional values—all of them have the effect of creating a large unsatisfied demand for food; yet Britain's precarious trading status makes it harder than at any time in this nation's history to afford imports of food on an adequate scale. The moral can be drawn from the survey of the possibilities of British agriculture in saving foreign exchange, undertaken by the Coalition Government in 1944-45 but only recently published (Cmd. 7072. 2d.), which points out that the rising demand for food may be expected to absorb virtually the whole of the increased output which it is practicable to require of British agriculture and which has still to take place. Once rationing is removed, Britain's outlay on food imports looks like being even larger than it was before the war. So far from the expansion of domestic agriculture being able to make a contribution towards the solution of the balance-of-payments problem, it looks like being inadequate—given a combination of full employment with food subsidies—to meet the increase in the demand for food.

There is thus a real risk that it will be impossible for food

policy to make both ends meet and that rationing will be permanent. If this comes about, it will be a very great calamity. Not only is food rationing inherently distasteful to a nation that has never known it in time of peace and extremely injurious to popular morale, but it moulds demand into an artificial pattern, obliterating the subtler preferences of consumers, and it absorbs into administrative controls a noticeable proportion of the nation's manpower that can ill be spared. The moral is obvious. If rationing is ever to be brought to an end, the Government should not go out of its way further to stimulate a demand for food, which it will be difficult to satisfy in any event, through cheapening it at the taxpayers' expense. Let it rest content, for the time being, with the other large social reforms that it is promoting to the advantage of every food consumer in the lower income groups. It is taking the horse to the water and advising him where to drink; to insist on actually pouring the water down his throat as well is to court disaster by emptying the trough.

*

There is equally little to be said for the permanent maintenance of Government price control over the principal range of foodstuffs. The control of retail prices entails Government supervision over the procurement of all controlled foods and over the channels of their marketing and distribution. This responsibility was assumed by the Ministry of Food at the outset of the war, and on balance it has been carried out extremely conscientiously and fairly, and with care to ensure that the principle of equality of sacrifice is applied—however inappropriately—as rigidly among wholesalers and importers as it has to be among consumers. The result is widespread stagnation among private enterprise without any compensating tightening of efficiency. The Ministry's control has seriously weakened the normal incentives springing from competition; but, partly because of its composition out of leading elements in the trades affected, the Ministry has shown neither the inclination nor the courage to rationalise distribution and eliminate the firms that would become redundant. Ministerial control has been a passable device during wartime, when it was necessary to have a minimum of fuss both in dealings with the distributive trade and in the supplying of consumers' needs. But it will not do much longer. The time has come for the Government to go either forward or back; and since no one has any real faith in the state's capacity to operate food distribution itself (nor has the Government a mandate for doing so), the best course is to restore free competition and a free market as quickly as possible.

One of the evils of Government price-fixing is that it obscures both the natural outlets of consumers' demand and the real costs of production. There has been some pointless argument about how far the present food subsidies represent assistance to consumers and how far to producers. The answer is that

it is impossible to tell. The Government fixes both the price that the farmer receives and the price that the consumer pays, and it bears any resulting deficit on both home-produced and imported food. By juggling with prices, and by adjusting the volume of imports, the Government can make any branch of British food production appear as profitable—or, for that matter, as unprofitable—as it pleases. It can turn black into red or red into black; for there is no economic criterion available to reveal what is the real cost of producing any particular food in this country or what its production is costing the taxpayer.

This system is unavoidable so long as rationing is in force, but it is too pernicious in its effects to be worth keeping permanently. A Government department is a poor, inflexible instrument for supplying the normal demands of food consumers with either skill or economy; and it is far better to give British agriculture enough direct aid to compete successfully in the domestic market than to disguise its real position by the complete manipulation of imports and prices.

This year it is impracticable to do more than prune the food subsidies. But this pruning ought to be regarded as no more than a highly necessary preliminary to the eventual abolition of the whole system of Ministerial purchase, price control, and rationing. This policy does not in the least mean a return to pre-war conditions of widespread malnutrition. The Ministry of Food would remain in being to publicise nutritional values and to operate its existing welfare schemes, which should be retained and perhaps extended; in addition, public money might well continue to be available for cheapening one or two foods of high nutritional value, such as milk, though there again it would be wasteful to subsidise the whole supply when the special nutritional needs refer to only part. But the greatest guarantee of a permanent improvement in diet lies in the acceptance of the principle that every citizen should at all times receive an adequate minimum income. The soundest way to raise nutrition is to end poverty once and for all.

Poverty will never be ended by cheeseparing restrictions and controls, which waste the manpower of the nation, the time and temper of the consumer, and the income of the taxpayer. The real long-term issue over food policy is whether and when rationing will end; for with the end of rationing will go the only acceptable justification for Ministerial control of food supplies and food prices. But it is now beginning to be whispered that rationing may never be ended and that the Ministry of Food can never relax its hold. This will never do. Even austerity-ridden Ministers should realise that a time will come when the maintenance of that strict egalitarianism on which they have set their hearts cannot justify the inconveniences and the inefficiencies—the former of which are palpable, the latter of which are not a whit the better for being so easily disguised—that spring from too detailed and distorting an interference by the state with the food supply of the people.

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The Tobacco Standard

(By a Correspondent)

IT is certainly too early to attempt any complete evaluation of the changes introduced into European economic affairs by the system of exchange that may for convenience be termed the tobacco standard, but at least it is a suitable occasion at which to comment on its existence and on its implications. The £50 million that Britain pays each year to the United States for tobacco, and the £60 million that Britain has lost in occupied Europe through failure to understand the working of the system in its initial stages are expensive tuition fees—viciously expensive if the lessons are not learnt.

The economic historian of the future will probably regard the period between the two wars as a time when mankind groped hesitantly for a new international currency. The precious metals had failed. For gold, the ritual remained. At the cost of considerable effort in money and labour, gold was laboriously extracted from the rocks of South Africa, refined, shipped to the United States of America and there re-interred, this time in circumstances that demand an additional economic wastage in the shape of armed guards. In the case of silver, hardly even a pretence was observed. The so-called silver coinage in large areas of the world ceased to contain any valuable content of silver, or of any other metal. It was conveniently simple for a state regime to extract the silver formerly used in its coinage and issue in lieu, at a considerable profit to itself, metal discs without intrinsic value. The last gold coin of practical use in Britain was the half-sovereign, and those who can remember it will agree that its size was about the smallest that could be tolerated in a coinage in general use. By the end of the 1914 war, coins of gold of the denominations in most general use could no longer be made, even if there had been enough metal available. Diamonds had some advantages as a currency for large-scale or illicit operations, but there again no coinage could be built up on a substance where the pound sterling would be represented by a stone the size of the head of a pin. At one time, postage stamps were favoured and the historian may devote an interesting footnote on the place of philately in the international monetary system. But the fact remained that for twenty-five years mankind was compelled to rely on valueless tokens.

This was clearly unsatisfactory, if not to the theorists then to the man in the street. The theorists were unable to devise a token coinage, of paper or any other substance, that would have an international acceptance. The man in the street, who needed such a currency far more than the theorists, was unable to find one. The interrelation between this fact and the economic disturbances of that era has yet to be explored in full but it is clear, from the eagerness with which the Tobacco Standard was later adopted, that the two are not disconnected. Confidence in a currency is not only a matter of exchange rates on an official bourse. The malaise induced in an individual by the possession of paper as his sole token of wealth can result in far-reaching reactions. But, fascinating as the field is, exploration must wait.

The early history of the cigarette currency is obscure and will only be extracted from contemporary records by considerable research in both occupied Europe and in Britain. The cigarette was beginning to establish itself in this new role not later than 1941. From then onwards its development in each area is similar but not identical. In Britain it never, even at the height of the American occupation, went so far as to replace the existing metal or paper coinages. In occupied Europe it

did. Starting from modest beginnings in Germany and the occupied countries, it reached its full flower during 1944 as Europe was liberated. As the armies with seemingly unlimited supplies of cigarettes available behind them replaced those with more meagre resources, so did the acceptance of the currency spread. In terms of goods it probably reached its peak value in the second quarter of 1945, although that date was not constant all over Europe. During the first days of the liberation of Holland, for example, a single cigarette there was equivalent to an English pound, while simultaneously its value in France was perhaps no more than sixpence. Such unfortunate variations are inevitable where the introduction of a new currency is left largely to chance.

What are the peculiarities of the tobacco standard? Perhaps the most outstanding is its self-liquidating quality. In the period before the wars there were many attempts made to attach to the token currencies of the day some device which would make them self-liquidating. The ostensible reason for that was the view then held by many that production and distribution needed some stimulus additional to that provided by the economic machinery of the day. This was accompanied by the belief that the national currency could be made to play some part in this process. There were, for example, plans for the creation of dollars (the plans were largely confined to the dollar countries) which lost a proportion of their face value after each month in the same ownership. (Not unnaturally such plans were never put into operation.) It was almost by accident that the cigarette was found to have this useful quality. How often did not the cry go up, in 1945, that what Europe needs is an indestructible cigarette—a reverse, and perhaps a perverse, tribute to the practical utility of the cigarette as currency. The whole secret of the cigarette was that it could in fact be smoked.

It had, of course, other advantages. It was reasonably small in size and conveniently packed. It was generally available in such supply that the single unit had a value not too different from that of the standard national metal currency. It did not perish if properly stored. It was light in weight. It could not easily be forged or counterfeited and by the happy chance of history its dimensions were very largely internationally standardised. In short, the practical genius of mankind as a trading being saw it as a heaven-sent currency medium and used it accordingly.

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Undoubtedly one of the most interesting sections in any history of the cigarette will be that examining the amazing inability of the authorities to appreciate what was happening before their very eyes. To future generations it will be inconceivable that no Government made even the most tentative plan to fit this new currency into its proper place in the economic life. It was not as though they had ignored its existence. In many countries its manufacture had been made into a profitable state monopoly. In others, Britain, for example, it had been utilised as a valuable instrument of taxation. Yet not one Government made any attempt to regularise its use as currency. On the contrary, many went out of their way to free it from all control whatsoever. Some governments did limit the number of fresh cigarettes that any one individual could acquire each month. Others went to the other extreme and made it easy for an individual to buy as many as he wished

and as cheaply as possible. (There is a school of thought that considers this policy in fact to have been deliberately designed to assist the citizens of that country, and so the country itself, to establish general economic control, or at least to acquire considerable economic benefits, in occupied Europe, but no evidence has, as yet, been adduced to support this theory.)

Yet a good deal could have been done to turn this new development to desirable economic ends. It would have been perfectly possible to convert cigarettes into the only currency available to the occupying armies and to prohibit their sale fresh throughout the whole of the territories of the defeated powers. By this means the supply of currency could have been regulated in the areas where regulation was a crying need. Fresh cigarettes returned into stock could have been withdrawn from circulation (the person returning them drawing an equivalent credit on national currency in his country of origin) and the market in commodities as a result kept under some control. Further, since some cigarettes would have inevitably been smoked, the demand for fresh stocks would have left the manufacturers no real cause for complaint. However, nothing of the kind was done. Ignorance, lack of imagination or the obstinate regard for outworn traditions (as, for example, the tradition, strong, if comparatively recent, that soldiers must always be paid in cash) involved the states supplying the cigar-

NOTES OF THE WEEK

From Eighteen to Twelve

On Monday, March 31st, the Minister of Labour defended the period of eighteen months' full-time service imposed by the National Service Bill, explaining that it was necessary, first, so that the period of training would be adequate, and, secondly, so that the conscripts, when trained, could supplement the regular forces in fulfilling the country's commitments. On April 1st this explanation was endorsed by the Minister of Defence. On April 3rd, however, the Government tabled an amendment to the National Service Bill reducing the maximum period of full-time conscription from eighteen months to twelve. Obviously, the reason for this major reversal of policy was the adverse vote of many Labour back-benchers on the second reading. But it places the Government in a very unfavourable light. On one day they are convinced by the arguments of the Chiefs of Staff that such-and-such a number of men are needed for the armed forces; on the next day they give way to political pressure. They have attempted to carry it off by claiming that the Services agreed to the shorter period, after a fresh examination of its effects, based on the arguments raised in the debate. But this will convince nobody. The arguments were those that have been put forward many times; it was the fact that they were supported by a large adverse Labour vote that prompted the urgent appeal to the Chiefs of Staff. The incident, in fact, is characteristic of the history of demobilisation ever since the war ended. The Service Departments have been fighting a losing battle over man-power with public opinion, and the Government has been an uneasy neutral, crossing first from one side to the other and then back again.

But if the Government has made a political blunder by announcing this amendment after the debate instead of before it, the Conservatives' reaction, as illustrated by Mr Churchill's pronouncement from his country house at the week-end, is equally inept politically. To accuse the Government of needless vacillation and of scuttling is one thing. But to threaten to withdraw Conservative support from the Bill is likely merely to help the Government out of the very awkward position it has got itself into and to rally all the Labour rebels, many of whom might otherwise be unmoved by the reduction in the period of conscription, to the Government's support. Surely, too, Mr Churchill does not think that advocacy of eighteen months' conscription will add to the popularity of Conservatism in the country?

But the political blunders of the leaders of both parties are their own concern. Let them stew in their own juice. The essential thing is that the period of full-time service has been reduced. This makes conscription, still a distasteful necessity, very much more tolerable both socially and economically.

ettes in very considerable losses. Only our future historian will be able to tell how quickly, if at all, these lessons were learnt, or what effective steps were ultimately taken to counter-act the dangers of such an unregulated currency.

But, however much it may distress our vanity to-day, there is one comment that the future generations of economists and sociologists will inevitably make. It is in the change of concepts illustrated by the discard of gold as an international medium and by the adoption of tobacco in its place. Gold, after all, had its heroic qualities. In more primitive days, the man who possessed it did not hide it all away. He used it. It graced his woman, it decorated his table and his home. By wearing it himself he added dignity to his carriage and, given as an act of charity or piety, it brought beauty and light into his places of worship. A fortune was not represented by pieces of paper lacking even artistic merit. It shone for all to see. What can one say of the cigarette? It is the symbol of idleness and forgetfulness. Where gold stimulates, a cigarette soothes. Where silver gives back to the sun some of its splendour, tobacco sets up a cloud between mankind and the sky.

The contrast is all too pointed. The Elizabethans set out to find the treasures of the New World. The one discovery of theirs to last longest is a weed. If our future historian wishes to moralise, as well he may, what a theme awaits his pen.

The Next Sitings

Parliament's brief recess ends next week, when members will reassemble to hear the Chancellor's Budget statement. If the Government is still determined not to prolong the session after the end of July, financial business—that is, the Budget debate, the Finance Bill proceedings, and the allotted supply days—should account for roughly half of the remaining parliamentary time. Yet there is still a considerable amount of legislation to be completed. Of the ten major measures of the session, only one—the Exchange Control Bill—has received the Royal Assent. The Agriculture Bill, the Electricity Bill and the Industrial Organisation Bill are still in standing committee. The Cotton (Centralised Buying) Bill, the Statistics of Trade Bill, the Town and Country Planning Bill and the Transport Bill have to go through the report stage and receive a third reading. The Companies Bill, which was initiated in the House of Lords, has not yet had its second reading in the Commons. The National Service Bill has been committed to a Committee of the whole House, and the Government can hardly rush through its remaining stages. There are also one or two comparatively minor measures, such as the Fire Service Bill, the Scottish Health Service Bill, and the Crown Proceedings Bill, which are still far from being completed.

If it were not that the Government had so frequently and so passionately affirmed their intention to complete their legislative programme, it would be tempting to say that the task before both Houses in the next three and a-half months is impossible. It is certainly impossible for them to fulfil it adequately. The effect of the guillotine on the two most important Bills of the session—Transport and Town and Country Planning—has been that the purpose of the committee stage, to enable the text to be considered clause by clause and even word by word if need be, has been largely flouted. Thus, a special responsibility will rest on the House of Lords in respect of these two measures. But if the House of Lords does its duty properly, it will almost certainly want to make some important amendments to them. Consideration of these amendments will then have to be squeezed into the House of Commons' time-table.

On top of the financial business and the remaining legislative programme, the House of Commons will have to be able to devote some time at least to matters of general public importance. The Moscow Conference, the international trade discussions at Geneva and the hardy perennials, such as fuel supplies and Palestine, are all matters that are likely to come up for debate between now and August. The Government has also given notice that it will introduce a motion for the reform of parliamentary procedure. It is presumably asking too much that this should be designed to prevent a recurrence of the "hurried scampering"—Mr W. S. Morrison's phrase for the committee stage of the Town and Country Planning Bill—that has characterised this session.

Coal Output and Miners' Hours

Some remarks made by Mr Shinwell in the debate on the fuel situation just before Easter deserve to be lifted into prominence:

We have to face certain adverse factors in relation to coal output, and it is no use trying to conceal them. One of them is that we are not certain whether the five-day week . . . which is to come into operation at the beginning of May, will have an adverse effect on production. . . . If we were to base our calculations exclusively on the statistical information available, then the outlook is far from favourable as to its effect on production. I put it to the right honourable Gentleman, if he were in my place, responsible for the administration of the mining industry, and in particular—I emphasise this—for creating a favourable atmosphere in that industry, would he, in face of the quite proper demands made by the National Union of Mineworkers, having regard to the arduous nature of their occupation, have denied them this privilege in such circumstances? Moreover, if we sought to deny the miners this long-awaited and long-demanded reform, it might have an adverse effect on production on a six-day basis.

In short, what the Minister was saying was "I know the five-day week will cost me output. But what could I do? Arthur Horner told me if I did not agree, it would cost me still more output."

It has always been said that one of the greatest weaknesses of nationalisation would turn out to be that issues would no longer be settled according to the merits of the case, the situation of the industry or the needs of the country, but by political pressure exerted on Ministers. It should go on the record that only three months after the start of the National Coal Board, the Minister of Fuel and Power was already confessing himself the victim of precisely such blackmailing tactics. The fact that his concession to the miners means a still further increase in the price of coal was apparently considered to be so unimportant that it was not even mentioned. Are political decisions, paid for by the consumer, to be the normal operating method of nationalised industries?

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Back to the Atom

The working committee of Uno's Atomic Energy Commission, ordered by the Security Council to forget about Mr Gromyko's staggering blow delivered early in March to the prospect of international supervision and controls, is back at work behind closed doors. The task that it has been set is to produce, between now and the General Assembly, a blue print for a system of controls from mine to plant bench. It is said that, in committee, the Russian representative is discussing this matter as readily as the rest, subject, of course, to giving priority to the destruction of existing bombs. How is this fact to be reconciled with Mr Gromyko's earlier declaration on interference with sovereignty?

The explanation that suggests itself also fits his speech made this week in reply to Mr Warren Austin in the Security Council on the subject of aid to Greece and Turkey. He has instructions to take, wherever possible, a line that will appear eminently reasonable to the many American opponents of President Truman's plan for aid to Greece. He is therefore ready to rediscuss atomic controls. It is difficult to interpret his complaisance in any other way. For why should one of the most secretive people in the world have changed, overnight, their attitude to the admission of Paul Prys?

This week's happenings in the Uno committee on conventional armaments—as opposed to unconventional, or mass destruction, weapons—merely serve to underline the fact that the major deadlock on atomic weapons continues unaltered. There the Russians and the French, alone of the Big Five, have voted in favour of a Colombian resolution that places the onus for disarmament proposals upon the Big Five, without reference to the atomic deadlock. Briefly, the deadlock can be likened to that between two fighting cocks who are both anxious to retire from the profession but who cannot agree on how to do so because one has on metal spurs and the other has not. Says the first: "I'll remove my spurs when we have settled how to provide that no one shall have spurs." Says the second: "To settle in that way is to settle under duress. You take off your spurs, and then we can talk." It is difficult to imagine that Mr Gromyko will talk seriously in any other conditions. And, at the present meetings, they do not exist. It is a depressing thought that they may not do so until everyone has got an atom bomb.

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The Eastern Frontier

On Wednesday, Mr Marshall at length grasped the nettle of the Polish-German frontier; but unfortunately neither he nor Mr Bevin grasped it very firmly. Admittedly, it is a very prickly

nettle. Soviet troops conquered Eastern Germany, and the Soviets want to give the whole area up to the Oder-Neisse line to Poland; Poland has had to cede a large area in the east to Russia and was promised compensation at Yalta and Potsdam; any attempt to question the frontier "provisionally" fixed at Potsdam will be met with uncompromising negatives from Moscow and by a frenzy of passion from Warsaw; and with every month that passes the expulsion of Germany and the settlement of Poles makes the Oder-Neisse line more of a *fait accompli*.

For all that, Mr Marshall and Mr Bevin are undoubtedly right to try to submit the question, even at this late hour, to the tests of justice and of long-range European statesmanship. The pity is that they did it so half-heartedly, suggesting no more than the retrocession of a few agricultural areas to Germany. By the test of justice, of ethnography, of the self-determination of peoples, there was nothing wrong—except perhaps in minor detail, here and there—with the German-Polish frontier of 1939. The fact that Poland has lost territory in the east—territory not indisputably Polish, but probably more Polish than Russian—has, in a context of justice, nothing whatever to do with the matter. The theory of "compensation"—that he who is robbed by his stronger neighbour can put matters right by robbing someone still weaker than himself—is familiar in politics, but not in morality or jurisprudence.

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The test of statesmanship gives the same answer. It cannot be for Europe's good that the Germans should be compressed within frontiers where they cannot support themselves or that they should be given a grievance of a size without parallel in European history. Are the Poles quite incapable of learning any lesson from their own history? More than any other people they should know that the dismemberment of defeated nations is not a settlement but an unsettlement. Cannot they see that, in their unlucky position between two countries far stronger than themselves, their only hope of safety is to occupy no lands but those that are indisputably their own? Do not they see that their new "Western Lands" are destined to be, one day, the price of a new German-Russian alliance—a price that Russia can easily pay and for which any German Government will always be prepared to give anything? After all they have been through, do they really see their future in terms of being a semi-great Power for a few years and partitioned the rest of the time?

The Russian and Polish reaction to Mr Marshall's and Mr Bevin's moderation has already shown that they have gained nothing by it. Their re-opening of the question will not alter the Oder-Neisse frontier, over which Russian troops stand guard. Why, then, be diplomatic about it? Why not speak the whole truth?

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Opening Rounds at Geneva

The "horse trading" at Geneva has begun. Delegates of seventeen nations are getting down to the bargaining which will determine just how much the United States has to offer in return for their help in getting international trade on to a multi-lateral and non-discriminatory basis. The sessions will be arduous, secret and prolonged; the Geneva hotels are booked up for three months ahead. Out of them may come decisions and bargains decisive for British and Dominion trade, since the British Government—whatever other governments may say and do—is pledged three times over to support in principle the American attempt to codify new rules of international trade. And other governments are tempted by the offer of more dollars to lend their support, too.

This Geneva conference was arranged at the meeting of the preparatory committee of the International Trade Conference in London last autumn. Since then disturbing things have happened. In order to get Republican support for his idea of making economic as well as diplomatic policy bilateral, President Truman agreed that tariff arrangements with other countries should contain an escape clause, by which a tariff reduction can be cancelled if it harms an American producer. In other words, the Americans are still not sure that they want to import more, although they are quite sure they want to export more. Moreover, several countries have got into even worse difficulties with their balances of payments than they were in last autumn. Sweden, for example, has been severely rebuked by the State Department for curtailing its imports to meet a shortage of dollars. And then there are governments in eastern Europe, anxious for their share in increased world trade, but puzzled about how to play the American game so long as their

recovery programmes depend on bilateral barter arrangements with neighbours and special commitments to the Soviet Union, which has shown no interest at all in the ITO project.

The test of all policies and measures proposed at Geneva will be whether they will in fact increase trade. Not all the American proposals can survive this test, particularly if applied to British trade. But it may be that the American delegates will see the advantage of making special concessions for transitional periods to countries that have urgent reconstruction policies demanding special and restrictive methods of planning. Among those countries is Britain, and Sir Stafford Cripps should take the lead in explaining the facts of economic life in contemporary Europe to his American colleagues.

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Planning and Public Relations

Sir Stafford Cripps threw some more light on the functions and powers of the chief planner at a press conference last week. From his explanation it is clear that the new arrangements fill a serious gap in the present machinery at the centre of the administration, but they do not provide that administration with any powerful new force. The engine may run more smoothly, but the horse-power remains the same.

The Government have made the new planner a civil servant, not a politician, and the initiative or lack of it remains in the hands of the existing Ministers. Unless the rumour of impending Government changes results in a re-orientation of policy far more drastic than any reasonable forecasts would justify, Sir Edwin Plowden will have to work within the old triangle bounded on the one side by the TUC's objections to interference, on the second by the preoccupation of the socialist wing of the Government with politically dictated legislation, and on the third by the instinctive unwillingness of Government departments to hand over any of their authority to an "outsider." Only on the third side has the new planner any hope of extending his territory.

One new point of interest was made by Sir Stafford. It appears that a small but highly powered information section is to be set up side by side with the new planning organisation—to keep the public in touch with the general economic situation. The position of the new organisation is not at all clear, for there already exists an Adviser on Public Relations at Number 10 Downing Street, the Central Office of Information under the direct jurisdiction of the Lord President and public relations officers in most departments. There is something very wrong with the public relations of the Government at present—owing chiefly to their lack of sensitiveness to public opinion, which is not limited to economic affairs, as witness their handling of conscription. But if they succeeded in bringing the economic situation home to the people this would be nine-tenths of the battle. Can the unions be converted from the bottom upwards, since the reverse process has been such a dismal failure?

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Agriculture's Disaster

The Government has announced the steps that it will take to assuage the disasters that the weather has inflicted on agriculture. It will double the voluntary contributions to the Agricultural Disaster Fund, set up by the National Farmers' Union. This will ease, although it cannot be expected to obviate, the financial losses of individual farmers. It will also adapt the hill sheep subsidy scheme in such a way as to make funds available for the many hill sheep farmers who have lost a large part of their flocks; since the Minister estimates that a third of hill sheep have been lost, the subsidy is likely to require early enlargement. Finally, special acreage payments are to be made to farmers sowing land this spring which will be related to the anticipated reduction of yield that will result from the damaged condition of the soil and the lateness of sowing. This is an ingenious way of stimulating production in the face of adverse conditions. It is badly needed, since it is estimated that some 270,000 acres of corn, mostly wheat, have already been destroyed by frost and floods, and this year's wheat acreage will in any event be far below its original target. The Government's promises of aid have been prompt, various and ingenious. They will not, however, enable the farmers' losses to be recompensed in full, but it is not reasonable to expect this. Indeed it is something new for the Government to have accepted the principle that exceptional seasonal losses carry a claim to any public assistance. It is now worth asking whether the payment of

guaranteed prices to farmers should not be related in some way to the total annual quantities produced, which vary very widely from year to year. In a poor year the price could be raised and in a bumper year lowered. At the moment it might be unwise to make any arrangement which would not put the full premium on maximum output, but in normal times it is not satisfactory that the farmer's income should fluctuate too widely with seasonal conditions.

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Planning Bill Debates

The standing committee stage of the Town and Country Planning Bill was completed last week after twenty-five sittings. The bad effect of the guillotine was seen in recent sittings, not only in the large number of clauses and several schedules that had to be passed without being considered, but in the number of important discussions that were terminated abruptly and inconclusively.

There was a very important debate on Exchequer grants to local authorities. To the many critics who accused the Government of ungenerosity, Mr Silkin could reply with some force that (unlike the provisions of the 1944 Act) the grants were payable for the full loan period of sixty years and that they were extended for the first time to "blighted" areas and to land acquired for planning purposes. Taken in conjunction with the lifting of the whole burden of compensation for planning off the backs of local authorities, the Government's policy amounts to the first real attempt to rebuild the whole central areas of the principal cities. Just because this aim is so ambitious, it is open to question whether the means proposed will suffice. The maximum grants specified in the Bill are generous, but the minimum grants are very much lower, amounting, for instance, in the case of "blighted" areas to 30 per cent for the first period, tapering off to 20 per cent and finally 10 per cent. Grants for "blitzed" areas start in all cases at 90 per cent for the first five or eight years, and thereafter fall off to minimum grants of 30 per cent and finally 20 per cent.

It is reasonable to vary the grants according to the financial status and obligations of each local authority, but the schedule of grants that has been tentatively circulated leaves many cities, which by no stretch of the imagination could be described as "rich," with grants much closer to the minimum than to the maximum. This is partly the result of anomalies which arise from using its rateable value as an index of an authority's financial strength; in common equity, some better basis must be found. But apart from this fact, it is doubtful whether the grants will be enough to remove the financial caution which is restraining many local authorities from bold development schemes. It is anything but wise to urge the Treasury to increase its financial obligations at the present time. There is much to be said, however, for increasing the Exchequer grants while keeping down the scale of the local redevelopment plans to which they contribute. Sad as it may be, the old adage that Rome was not built in a day much needs to be remembered in post-war Britain.

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The Committee had its liveliest debate on the clause which transfers the planning powers of the City of London to the London County Council. The City exists for its daytime influx of some million workers, and it is naturally fighting ferociously to retain

The Economist Budget Supplement

Statistical material relating to the National Finances and the Budget, which replaces the Budget Supplement published by *The Economist* for many years, will be issued as part of the *Records and Statistics* Supplement on April 26th.

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its most important function. Mr Silkin argued that the close economic interdependence between the small square mile of the City and the enormous London that has engulfed it rendered the Government's proposal essential. It is true that many vital decisions—on transport and the amount of office accommodation to be provided, for instance—depend on considerations well outside the City's purview and which the LCC, *faute de mieux*, is best qualified to judge. On rational planning lines, Mr Silkin is right; but there is cause to regret the passing of an authority which had the City's special historical needs and anomalies well in mind. Thus truncated of its powers, has the City much of an administrative future left to it?

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What Next for DPs?

It is perhaps as well that Major-General Lowell Rooks, of Unrra, was this week misreported as saying that, unless a miracle occurred, the DPs might, on the expiry of Unrra in June, have to be repatriated willy nilly, and regardless of the rods that some Governments have in pickle for them. What General Rooks in fact said was that Unrra had only eighty days of life before it, and that, unless the International Refugee Organisation were to come into being in that period, it might "have to turn these unfortunate people back into the hands of the Governments of the countries in which they find themselves, whether civil or military." But might not this course turn out, at second remove, to amount to forcible repatriation? How are the Governments in question to finance the upkeep and resettlement of unwanted thousands?

What are the alternatives to forcible repatriation? Only two possibilities emerge. The first is that the International Refugee Organisation should be born between now and June 30th. But the prospect is remote. The *sine qua non* of its creation is that 15 nations should guarantee 75 per cent of its budget. So far, 12 Governments, representing 70 per cent only of the total quota of contributions, have signed its constitution, and no other signatures seem to be impending.

The alternative possibility is that national Governments, either conscience-stricken or else alive to the ultimate advantages of increasing the working population, will come forward with offers of room for resettlement. This is happening, but only in dribbles.

The key to the conundrum lies in the application to it of a sense of proportion. This most nations are not applying. They view it as if each were threatened with inundation by floods of foreigners. This is not so. There are now only 750,000 DPs. The trickle of firm offers for 1947 already made amounts to a total of 150,000, of which about half come from Western Europe and half from Latin America and Canada. The right proportions in which to view the problem have been sketched by Mr Earl Harrison, lately United States Commissioner for Migration and now campaigning as chairman of a new American "Citizens' Committee on Displaced Persons." He points out how quickly the total would be absorbed were States to fill their existing immigration quotas. In the United States alone only 15 per cent of the quota was used throughout the war years; "in other words, the United States was prepared to receive 914,762 people who could have entered legally and did not do so." For the British taxpayer the cheapest course is to admit the small quota that would fall to Britain's share. The second cheapest course is to hope for the creation of IRO. The cruellest and most expensive is to let the problem and the expense devolve upon the British military governments in Germany and Austria.

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Missing Prisoners

In his recent Note to the Soviet Union on the withdrawal of American forces from China, Mr Marshall mentioned that, whereas the Americans had repatriated to Japan the Japanese whose surrender was taken in China south of the Great Wall, he still had no information about an estimated 700,000 Japanese captured by Russian forces in Manchuria and not repatriated. This item of news may be compared with the recent Soviet declaration at the Foreign Ministers' Conference that the number of German prisoners now held by the Soviet Union was less than 900,000; also with the appeal made by the German Social Democrat leader, Dr Schumacher, to German families to send particulars of all missing relatives, military or civilian, in order to build up a register of missing persons; and with the Italian Government's official statement that of the Italian soldiers taken prisoner in the campaign in Russia over 80 per cent had perished there.

The Allies in general bear the responsibility for holding great numbers of enemy prisoners for a period after the end of hostilities far exceeding, in the spirit if not in the letter, the period allowed by the Geneva Convention, and for using them for forced labour for the benefit of the victors. International law formerly assumed that a war would be ended by an armistice and an early peace treaty, which between them would provide for a rapid repatriation of prisoners on both sides. The Allies have avoided this restriction by substituting unconditional surrender for an armistice and postponing indefinitely for Germany and Japan the conclusion of a state of war; they have also endorsed the principle that reparations may be taken in the form of labour. Nevertheless, the Western democracies have felt certain qualms about the exploitation of prisoner labour, which have caused them to adopt repatriation schemes of various degrees of celerity; and they also regard themselves as bound by the Geneva Convention in their treatment of the prisoners they hold.

The question of the retention of prisoners of war has in fact two aspects: the duration of their imprisonment and its conditions. A man held in captivity, doing virtually unpaid work and separated from his family for several years suffers thereby in any case, yet his life may be physically a healthy one and his chances of dying may be no greater in a prison camp than they would be in his own country. It is the mortality figures of imprisonment which are of crucial importance; in so far as what may be reckoned as a normal death rate is increased by avoidable starvation, disease and ill-treatment, a "crime against humanity" is being committed. The Soviet Union unfortunately has never accepted the Geneva Convention and allows no protection to its prisoners from the International Red Cross. It is widely believed in Germany and Japan that the majority of those who were captured by the Russian forces will never return home and the Italian evidence seems to justify these fears.

* * *

Franco Meets His Match

It is a strange turn of the wheel which brings General Franco into collision with the divine right of kings. He has found that he can disregard opponents who attack him in the name of democracy and the rights of man, but now he meets in the Pretender Don Juan an opponent who claims the "sacred, imprescriptible right of sovereignty" which "by the will of God" lies in his person. Don Juan describes the Cortes which is to approve the new succession law as a "Government-appointed assembly" and denounces the General's regime as arbitrary and its claims as precarious. Uno could not put it better.

All this was said last Monday by Don Juan in a message to the Spanish people issued from Lisbon. The note of authority and the appeal to tradition may be just what is needed to rally men of diverse views to a movement to substitute constitutional monarchy for the present dictatorship. Franco's plan to continue his own personal rule and leave the choice of a successor to a Regency Council, dominated by Church and Army influences, obviously offers no solution to Spain's difficulties. Nor does the policy of the quarrelsome and much discredited republican government in exile. Within the country itself there can be no real discussion, public or private, of alternatives, and Don Juan's offer to become a law-abiding sovereign offers a way out.

The bridges between the Dictator and the Pretender are now burnt and it is difficult to see where Franco will find an alternative successor. His embarrassment will be evident and may convince some Spaniards that his position is far weaker than they believed. If there is to be a restoration the first move will have to be made in Spain; not only has Franco to be got rid of, but the way has to be prepared for the Pretender. There will have to be preliminary political negotiation and party discussion of a kind which is impossible under the present régime. And it is too much to expect anything like a referendum or free elections. Memories of the civil war are still poignant and exacerbating; until they are deadened, the kind of democracy which the Uno Assembly seems to want for Spain will not work.

* * *

Burma in Transition

The Burmese elections took place on April 10th. With 210 seats to be filled, Aung San's Anti-Fascist People's Independence League (the AFPIL) had nearly 90 uncontested, and nobody doubted its overwhelming victory. The "White Flag" Communists were expected to win a few seats. The "Red Flag" Communists and the ultra-nationalist factions led by U Saw, Ba Maw and Thakin Ba Sein all boycotted the elections and

threatened to attack the polling booths. First reports indicated that, whether because of intimidation, indifference or the certainty of the outcome, polling was very light, though there was little actual violence, at any rate in the towns. British and Indian troops helped to keep order.

It is taken for granted that the AFPIL will win a heavy majority and will form the first government of independent Burma. This preponderance of one party is due to the concentration of Burmese political feeling for many years on the single issue of national independence; the AFPIL corresponds in this way to the Congress Party in India, the Kuomintang in China, the Viet Minh in Indo-China and Quezon's Nationalist Party of former days in the Philippines. Such parties tend to rally to themselves under a single leadership the popular forces responsive to the agitation for independence; provided the nationality is sufficiently homogeneous and is not split on ethnic or religious communal lines as in India, the nationalist movement retains its cohesion until the main question of independence or "rights recovery" is settled and then begins to break up—unless held together dictatorially—into a normal parliamentary party system on social and economic issues. Another feature of this type of political evolution is that the nationalist movement in its oppositional or revolutionary days combines its nationalist propaganda with a radical social programme, arising partly from the genuine enthusiasms of some of the leaders and partly from the need to gain mass support, but once in power becomes more conservative in social outlook, leaving the cause of the Left to Communist and near-Communist parties, which start as auxiliaries of nationalism, but soon go into opposition. These tendencies are already manifest in Burma, where the AFPIL has indulged in much radical talk—the young Burmese intellectuals have not sat at the feet of Professor Laski for nothing—but is unlikely to be much more advanced in its actual social policies than the Kuomintang in China, which once used similar language. The Communists, however, have already begun to make plenty of trouble for them, and the war has left Burma full of hidden arms. Order has never really been re-established since the war and the AFPIL will face a difficult task in taking over its inheritance, even in the plains. In the mountains, where the people do not yet fully understand the meaning of Anti-Fascism, there has recently been a revival of the ancient pastime of head-hunting.

* * *

Reparations from Japan

The United States Government has directed General MacArthur to make immediately available as reparations 30 per cent of all Japanese industrial equipment listed for removal. China is to get 15 per cent, the Philippines 5 per cent, and Britain and the Netherlands 5 per cent each for their Far Eastern territories. The United States has thus by-passed the Far Eastern Commission, which according to a spokesman of the State Department "can review the directive, but not reverse it." The decision is defended on the ground that the four nations concerned are in extreme need of industrial equipment for war-ravaged areas, and that prolonged delay in taking reparations from Japan is not only causing hardship to these countries but also causing deterioration of the assets available.

The American proposal was opposed on the Far Eastern Commission by the Soviet Union, France, Australia and India, and Britain was reported to be "not pleased" with it. It is a matter for regret that the action has been unilateral and not a result of a general inter-Allied agreement. The deadlock over reparations from Japan has differed from that over German reparations because the respective relations of the Allied Powers to the two wars have been different. In Europe nobody has ever questioned the basic thesis that the Soviet Union and the East European Allies have the largest claim to reparations from Germany. But in the Far East it is the Western Powers, China and the Philippines who have the valid reparation claims on behalf of war-devastated territories. Soviet territory was never invaded by Japan, and the Soviet-Japanese war only lasted a few days. Yet the cream of Japanese reparations assets, the industrial plant installed by Japan in Chinese Manchuria, was scooped up and removed to the Soviet Union as "war booty."

The Americans have always held that these assets should have been included in the reparations pool, and fundamental disagreement on this issue has prevented any common Allied approach to the Japanese reparations question; there have also been disagreements on claims by other Allies. Hitherto removals from Japan itself, which is entirely under American occupational control, have been held up in the hope of inter-Allied agreement, but now the Americans have decided to distribute at their own discretion to the principal claimants.

Quite apart from disputes between the Allies over their shares there have been misgivings about large-scale removals from Japan itself on account of the precarious economic situation of that country, which appears to be getting worse rather than better. General MacArthur, who is ordered to carry out the removals, recently urged that nothing more should be taken from Japan for reparations or a starving Japan would become a burden on the American taxpayer. But from the point of view of the Administration in Washington this may be less alarming than the alternative. By a remarkable paradox the United States cannot give economic aid to Allied nations without going to Congress and raising a political storm in every case, but expenditure in ex-enemy countries under American occupation, which is just an item in the military budget, does not expose the executive so much to the kicks of the Congressional mule.

* * *

Free Speech in the Civil Service

The continued growth in the size of the Civil Service, shown in the latest quarterly returns for January 1, 1947, gives an added point to the argument which is going on between the Treasury and the Staff Side about the freedom of civil servants to take part in political activities. The matter has been under discussion for some time, so that there was a considerable flurry of excitement when Mr Hall, Financial Secretary to the Treasury, stated in reply to a parliamentary question on March 27th:—

"I should regard as improper any public criticism by a civil servant of policy for which a Minister, whether of his own or some other department, is responsible."

As there is almost no important sphere of the nation's life for which a Minister of the Crown is not at least partially responsible, the area of free comment, on Mr Hall's definition, is reduced to an insignificant size. Such a restriction on the individual liberty of nearly three-quarters of a million civil servants would be quite unjustified, and would be most unhealthy for the country. Civil servants are already quite remote enough from the ordinary stream of the nation's life to need every reasonable encouragement to wade into it whenever they can.

It is on the definition of what is reasonable that the difficulty arises. While most people would agree that a postman should have almost unlimited freedom of speech and the permanent head of a department none, there is a broad belt between the two which defies specific definition. The civil service trade unions are pressing for release and reinstatement for service in Parliament, time off with pay for service in local government and complete freedom of expression of political opinion for all grades, subject to disciplinary action for indiscreet conduct. These demands go too far in the very definite form in which they have been put forward, but it is certainly better to err on the side of more, not less, liberty, and to leave departments a free hand to say when an individual has gone too far. Senior officials certainly ought not to be allowed an unrestricted two-way traffic between the Palace of Westminster and Whitehall, but the single journey outwards might be made easier; and part-time release might well be permitted to the executive and clerical grades, outside particular departments, for service in local government.

*

The full figures (Cmd 7086) for the increase in numbers over October, 1946, are given in the *Records and Statistics Supplement*. They show a rise of 8,000 to a total of 722,000, with the biggest increases in the Post Office and Inland Revenue, but with smaller increases in almost every department except the service and supply departments and the Ministry of Food. Socialism and the apparatus of regulation continue to keep step.

* * *

The Law Lords on Desertion

The House of Lords recently delivered a judgment in a divorce suit that is of wide social interest. The point at issue was simple. The parties were married in May, 1941, and until the November

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of that year lived normally as man and wife. In the November the wife refused the husband marital intercourse. The husband was then on active service. Her refusal persisted but they continued to occupy the same flat on his periods of leave, until May, 1943, when they separated. The husband petitioned for divorce on the ground of desertion on the part of his wife, her desertion being simply her refusal of marital intercourse. The petition was finally dismissed by the House of Lords.

The major interest in the case lies in the survey of the relevant state of English law by the Lord Chancellor in his judgment. Desertion is nowhere defined by statute and the Courts have at all times been reluctant to make their own definition, and so voluntarily to impose limits on their future freedom. It is, therefore, a question of fact in each case. In the Court of Appeal, Lord Justice Scott, in a dissenting judgment, would have granted the husband the divorce he claimed on the ground that a Christian marriage necessarily implied that both parties had accepted the obligation that their union was intended, among other things, for the procreation of children. The Lord Chancellor was not prepared to base the legal consequences of marriage, and of acts relating to marriage on the marriage service in the Book of Common Prayer. The law, he stated, is concerned with marriages that are made in registry offices, that are made between peoples of all religions and of no religion. The legal consequences of each must be the same, and must be derived from the statutes governing divorce, not from the rubrics governing Christian marriage. And the Acts regulating matrimonial disputes do not support the claim that a wife's refusal of marital intercourse, once a marriage had been consummated, was the desertion that the Statutes intended should be the foundation of a successful claim for divorce. It is clear that if the rights and duties of the married are to be changed, it will need an Act of Parliament to do it.

* * *

Civil and Military Research

The publication of the Estimates for the year 1947-48 reveals some very interesting comparisons between the level of Government expenditure on civil and military research. When the country is at peace and drastically reducing its armed forces it

is startling to find that government expenditure on military research is about six times the expenditure on research for peaceful purposes.

On March 19th Mr A. V. Alexander announced that during the coming year £60 million would be spent by the Admiralty and the Ministry of Supply in scientific research and development. Other government grants for purposes of research may be summarised as follows:—

ESTIMATES FOR 1947-48 FOR GOVERNMENT GRANTS FOR RESEARCH

Agricultural Research Council	402,000
Agricultural Research financed direct by Departments of Agriculture*	1,289,000
Fishery research	222,000
Medical Research Council	698,000
Department for Scientific and Industrial Research	3,118,000
Colonial Research	1,000,000
Social Survey	50,000
Universities—total recurrent grant	12,000,000
	18,779,000

* Includes capital grants and grants in aid of annual expenditure to Colleges and Institutes.

As part of the expenditure allocated to the Department of Scientific and Industrial Research is for military purposes, and the grants to the universities and agricultural colleges and institutes includes large sums for ordinary maintenance and teaching costs and the usual apparatus of student life, it is probably nearer the truth to reckon that ten out of the nineteen million pounds is used for research proper. This figure for civilian research contrasts strikingly with the sixty million pounds for military research.

The expenditure of private industry on applied scientific research is not included in these figures. The total must be considerable, but it is not known. And at a time when the future of the country is bound up as much in its economic as its military future more positive steps to assist research in fields more related to industrial developments is badly needed from the Exchequer.

Letters to the Editor

Census of Production

SIR,—If Mr Stuart entertains the belief that "the statistical material already rendered to the Government is enough for them to obtain a fairly complete picture of the national economy," I recommend to him that he read Chapter vi of *Employment Policy* (Cmd. 6527), where the Government's requirements are set out, and compare this with what is available. Or, if he is too harassed to do that, he might find frequent references to lack of information in *The Economist*. I for one cannot see how an intelligent discussion of, for instance, inflation can take place, and the official estimates of the money national income made use of, without knowing at least the volume of production. Neither do I think that our need for information will be less in 1950 than to-day.

I also hope, Sir, that your readers will not be taken in by "the practical man's" plea that filling in Census of Production forms is a Herculean task. I cannot find a single item mentioned in the *Report of the Census of Production Committee* (Cmd. 6687, 1945) which should not be already in the files of the accountant of any efficiently run firm; and it would be of great educational value for other firms to keep similar records (see para. 4, Cmd. 6687). I have myself initiated such records in a factory during the war with no great difficulty.—Yours faithfully,

Houghton Street, Aldwych, London, W.C. 2 T. BARNA

Budget Target 1947

SIR,—Are you really sensible when you say in your issue dated March 29th that the Chancellor should seek additional revenue from death duties? England became great by honest thrift. The high rates of income and surtax have destroyed honesty; the high rate of death duties has destroyed thrift. People used to be thrifty mainly for two reasons; either to provide for themselves a reserve on which they could live in bad times, or in old age, or to give their children a good start in life. The desire of parents to give their children a good start arises from the Christian

outlook on life based upon the unity of the family. Now, alas! all is changed, and increasing numbers are adopting the pagan conception that someone else can look after them or their children.

Both the Chancellor and other members of the Government have said that, as individuals, we must save, and in our businesses we must plough back profits. Why should we save or plough back profits if the results of our efforts are confiscated when we die? Moreover, new developments in business require several years to reach fruition. How can the Chancellor expect us to plough back profits in risky enterprise when an untimely death may mean that a large sum of money suddenly has to be raised out of the business, thereby causing disaster to the business and financial embarrassment to the family?

Sir Stafford Cripps has appointed a number of working parties because he believes that British industry is out of date. I wonder whether anyone has ever bothered to discover to what extent this unfortunate state of affairs is due to death duties. One need only travel through the English countryside in order to perceive the lamentable state of the land and farm buildings which has resulted from confiscation of capital. The same applies to industry, particularly the small industries which provide employment for the vast majority of our people.

In this country nearly all of us are capitalists. If England is going to regain its former greatness, we must all strive to become bigger capitalists. We shall only do so if there is a simultaneous reduction in death duties as well as in other forms of direct taxation.—Yours faithfully,

10 Southwick Place, London, W. 2

WILLIAM FOSTER

Income Tax and the Budget

SIR,—Is it any good pointing out that the chief troubles about Income Tax and PAYE spring from the absurdly high points of total exemption? One need not go so far as J. S. Mill, who thought £50 high enough for a man with a family, or as Harold Cox, who thought that everyone with an income ought to pay some tax on it. But the mere fact that Income and Surtax rising to 19s. 6d. in the £, only bring in £1,232 million, out of a national

income estimated at well over £8,000 million, shows that a large amount of income escapes tax altogether.

Therefore I suggest that the point of total exemption for single persons should be reduced to £80 a year. This would bring in many millions of voters who ought to bear some direct responsibility for the policy which their votes have endorsed. At the same time, I would reduce the rate on the first £200 of "taxable income" to 2s.

One desirable reform is the inclusion of "board and lodging" in the assessment of income. The Treasury finds no difficulty in valuing this item when it wants to prove that a soldier's remuneration is a great deal more than his pay.—Yours faithfully,

2 St. Peter's Terrace, Cambridge

J. E. ALLEN

Let us Face the Future

SIR,—I was rather startled by your editorial article of January 25, 1947. Startled by what was left unsaid.

The editorial notes the current labour shortage in Great Britain, as set forth in the Government's White Paper. It adds: "Moreover, so long as £7,000 million of incomes (after tax) face only £6,000 million of consumer goods and services the threat of inflation remains." Then it proposes a four-point programme to increase production. The four points are: (1) "Enlarge the total labour force" (2) "Revise the whole system of direct taxation"; (3) "Formulation of a consistent wages policy"; (4) "Overhaul the whole apparatus of economic control."

Although the editorial covers almost two printed pages it does not even touch upon raising productivity by increased mechanisation. In 1931, eight years before the war, *Automobile Engineer* expressed the view that "high production machines that are being developed in America cannot be economically used in this country . . . because existing British plants can already produce more rapidly than the products can be disposed of." (Quoted by R. Palme Dutt, *Fascism and Social Revolution* (1934), p. 1.)

The war brought to America astonished reports by returning personnel about the lack of modern machinery in England. From the opposite standpoint many *Punch* cartoons seemed to express surprise at the extent of mechanisation in the American Army.

The fact that buying power now exceeds available goods in a 7-6 ratio shows that the present situation is the direct opposite from that when existing machines could "produce more rapidly than the products can be disposed of." The same considerations which induced limitation of mechanisation then, seem to call for more high production machinery at this time. It is no answer that there may be obstacles: in your editorial this recourse was ignored, not rejected. According to accounts in American newspapers, the Government has begun such a programme in the coal mines, but expects it to take twenty years.—Yours faithfully,

GEORGE G. OLSHAUSEN

797, Bay Street, San Francisco, California

Deflation

SIR,—The attention which has been paid by *The Economist* and other financial papers to the increase in the volume of bank deposits has, I fear, led some people to conceive of this vast quantity of money as liable at any moment to be spent on goods, so constituting an alarming inflationary threat. Surely whatever excess of bank deposits may exist over the volume that would exist in the absence of the Chancellor's cheap money policy is held instead of low interest bearing securities, and is no more likely to be spent than such holdings of securities.

The case against the cheap money policy should be directed solely to the low interest rates to secure which this creation of bank credit was necessary. Those who object to the Chancellor's cheap money policy do so on presumably two grounds: (a) that investment is over-stimulated by excessively low interest rates; (b) that in the process of driving rates down security prices are forced up, and capital gains result which may add to effective demand for goods.

As regards (a), surely the control of capital issues has replaced the interest rate mechanism as a means of keeping down the rate of investment? There is no need to deflate credit if you wish to reduce investment activity; and if you don't wish to reduce investment activity, how can dearer money help you?

As regards (b), this period of rising security prices should now be over, since it seems unlikely the Chancellor intends to force

interest rates down lower still. (Nevertheless, to maintain them where they are, which is probably below the equilibrium rate that would secure no more than full employment, he may well have to continue creating money to be held by those who won't lend at 2½ per cent.)

A considerable part of the national debt matures over the next few years. I cannot believe that *The Economist*, which is continually calling for a balanced budget and also if possible lower taxation, really wishes the debt charge to be allowed to grow heavier. The cheap money policy is a plain budgetary necessity.

In your leading article of March 15th you say the Government "cannot adopt a realistic financial policy, partly because that would involve abandoning Mr Dalton's policy of over-cheap money, and partly because they could not face the odium of deliberately setting out to reduce the money incomes of the wage-earners." I hope deflation is not *The Economist's* idea of a realistic financial policy. It is the most irresponsible and unrealistic policy imaginable.—Yours faithfully,

F. J. ATKINSON

107 Underhill Road, S.E. 22

Experts and Inflation

SIR,—None of the workmen who produce goods for export can buy what they produce, as your correspondent, Mr G. W. Wilson says in his letter of March 29th, but surely they can, and do, buy the goods imported which are the counterpart of those exports.—Yours faithfully,

CHAS. H. BATES

34 Flanders Mansions, Bedford Park, W.4

Design in Industry

SIR,—Your correspondent, Mr. H. A. Fieldhouse, would not meet with universal agreement in his suggestion that American technical design is invariably of neater appearance and layout than corresponding British products. Other experience, especially in aircraft engineering, would point to the contrary where British design, on a sounder fundamental basis, provides a more closely integrated design solution than the "Christmas Tree" effect caused by after-thoughts arising from empirical solutions.

To understand "neatness," or even beauty in design is essential.

From *The Economist* of 1847

April 10, 1847

... What is our present position, and what are our future prospects? . . . we find ourselves committed to a public expenditure in Ireland of eight million during the remainder of the present year, which must chiefly be expended in importing foreign provisions. . . . Then, independent of this large sum, a large amount will be required to import food to make up the consumption of other parts of the United Kingdom. . . . Then, again, with respect to all the leading articles of raw material, cotton, wool, hemp, flax, tallow, and most articles of colonial and foreign produce, the stocks are much below their usual amount. . . .

But against these increased importations, what probability is there of any material increase of exports? Of foreign and colonial produce, our stocks do not admit of it. Of manufactured goods, the high price of the raw materials will operate materially against such an increase. . . . On the whole . . . taking a careful survey of all our markets, the most favourable view that we can take of our export trade, is that the additional demand for some, may compensate for the falling-off to others; and that the entire amount of our exports will, in 1847, be equal to those of 1846; we say this is the most favourable view we can take of the matter. . . .

We regret that it is not in our power to give a more cheering prospect for the immediate future; but it is a state of matters which . . . we have urged upon our readers as certain to happen, sooner or later, from the railway undertakings; and it will now be most easily met, and its effects most mitigated, by clearly understanding the extent of the difficulty. . . .

We have great confidence in the enormous energy which this country can display in such periods of difficulty as we are inevitably approaching; in the increased facilities and economies which such necessities introduce into production, and of the individual privations which our countrymen will suffer, and the efforts they will make in order to retrieve a misfortune; and it is to these, and these alone, that we now look for a mitigation of pending calamities and a restoration to a condition of prosperity.

This is not truly achieved by camouflaging the Christmas Tree under the tinsel of a so-called "streamlined" case, complete with chromium plated fittings, often with no real purpose, though there is no objection to enclosure as such, provided it is part of the fundamental design and not "decoration." A design is only satisfying to the discerning eye when it approaches functional perfection.

It is true that American equipment was invariably better finished externally by plating, enamelling and other methods, which is a measure rather of the extent to which resources were stretched in the respective countries. Finishing processes not essential to functional performance were not countenanced in this country. No one would deny that in this country we must pay more attention to industrial design which is again often another matter. It is, however, rather unfair to the motor industry to complain that motor car manufacturers have not, generally speaking, changed since before the war. I do not know the motor trade personally, but would imagine they would doubtless like to. Unlike their American contemporaries, the war started for them in 1939, and they have been at it ever since.—Yours faithfully,

D. A. HIGGS, A.M.I.Mech.E., A.F.R.Ae.S.,
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Conflicting Claims for Emigrants

SIR,—I was very much interested in the note published in your paper of January 25th. I read there that the Dominions, especially Canada, Australia and South Africa, have a very acute lack of manpower, and that the United Kingdom cannot answer this

urgent claim by sending people abroad. May I draw your attention to the fact that there are in Germany a considerable number of persons, skilled workers of all professions—artisans, farmers, engineers and scientists—who would be quite willing to go abroad and to start a new life. Some countries have already started to profit by these offers, and the first to come forward will have the selection of the best workers. These people, working in different parts of the world, without any close contact with one another, will not be a political danger. Moreover, experience in the United States proves that German emigrants may very quickly become good citizens of their new country, and that in the second generation they differ little from the old inhabitants.

Settling some millions of Germans in the vast areas of Canada, Australia, etc., would automatically solve a number of serious problems. Instead of sending vast amounts of food to Germany it would mean a saving of cargo tonnage and at the same time would give the different countries the manpower they need. Considering the present living conditions in Germany, these settlers would not mind the hardships and difficulties that emigration brings with it—for example, housing shortages, etc. Perhaps it would be best to send carpenters and masons first, so that they could build new houses both for the old inhabitants and the new settlers.

Radio Melbourne is said to have broadcast a report saying that the immigration of scientists from Germany would be the best way of paying reparations. This could certainly be the case for skilled artisans also if special schools were established in Germany, e.g., Canadian or Australian Institutes, which could make young Germans of both sexes acquainted with the conditions of life in their possible new homes and teach the language.—Yours faithfully,

HELMAR STRANCH

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Books and Publications

Empire Trade

"Imperial Preference." By Ronald S. Russell. Empire Economic Union. 168 pages. 5s.

WITH the meeting of the International Trade Organisation at Geneva this week, where undoubtedly imperial preference will be one of the major topics of discussion, the publication of this book has been most opportune. It is intended to be a factual study and indeed contains many statistics and much useful information. According to Mr L. S. Amery, in his foreword, the book provides material which justifies the claim that Britain has sought to overcome her immediate post-war difficulties by abjuring the right to co-operate in any exclusive sense with the members of the Commonwealth.

No factual study, however, can give a completely objective survey, least of all on such a complicated problem as imperial preference. The correlation of facts and figures is seldom simple, and Mr Russell would have done better had he attempted an objective analysis. To show that the proportion of Empire trade either with the United Kingdom or within the Empire itself has risen between 1930 and 1938, has little significance in itself; nor do facts and figures on their own necessarily prove the case for or against imperial preference. The fundamental questions are whether the Empire can supply Britain with the goods she wants, and whether England can supply manufactures in return. The year of the greatest expansion of Empire trade, as far as the United Kingdom was concerned, was 1931 to 1932—before the Ottawa Agreement, and was mainly due to the creation of the sterling bloc. Even in 1938, Empire sources supplied only 40 per cent of the total of United Kingdom's imports and took 50 per cent of her exports. In the same year trade within the Empire accounted for only one third of the total of trade conducted by the Empire, which shows the foolishness of any assumption that the Empire could be a self-contained economic unit.

But these arguments do not necessarily vitiate the case for imperial preference. Although the economic reasons are not overwhelming, the political ones may be. This, however, cannot be proved or even stated by facts and figures of trade. If the case for imperial preference is to be made convincing it must be argued on much broader grounds, and this is precisely what Mr Russell's book fails to do. Moreover, the bald statement of facts can be very misleading to a reader who does not fully understand their implications. The unilateral application of imperial

preference by the Dominions at the end of the nineteenth and the beginning of the twentieth centuries was not done out of altruism. The Empire countries needed British manufactures as much as England required foreign raw materials. But Great Britain was still more important to the Dominions as a buyer of their produce than as a seller of manufactured goods, and Canada was the first to realise that by granting unilateral preference to British goods, she increased her share of the British market for her own exports.

Perhaps the most useful part of the book starts at chapter 6 where it deals with commodities. But here, too, it is too brief for the more serious reader and too factual and unpalatable for the casual one. The author set himself an impossible task; his efforts would have been better rewarded had he written either an easily digested explanation for the general reader, or better still, an objective and critical analysis of the whole question of imperial preference for those who are more seriously interested. As it is, this book should be considered as a factual *aide-memoire* for the student of Empire policy.

Indo-British Treaty

"The Basis of an Indo-British Treaty." By K. M. Panikkar. Indian Council of World Affairs. Oxford University Press. 52 pages. 2s. 6d.

MR PANIKKAR, already well known to those interested in Eastern affairs by his book, *The Future of South-East Asia*, is an exceptional figure among contemporary Indian writers. Although a Hindu, he is quite tolerant of the idea of Pakistan; as a native of Travancore in the extreme south of India, he has an interest in overseas and naval questions very unusual in the sub-continent; and as a competent historian with a broad and realistic view of international relations, he has an awareness of problems of external defence to which most Indian nationalists seem to be quite blind. These exceptional qualities render it impossible to regard Mr Panikkar as representative of Indian opinion; he is nevertheless a prophet not entirely without political influence—he is Prime Minister of the State of Bikanir and his ideas may in the future become practical politics.

Briefly, his theory is that India's future prosperity and safety are bound up with the peace and security of the Indian Ocean and the countries on its shores, for which a permanent alliance with

Britain after India's attainment of full independence offers the best guarantee. He conceives the future special relation of Britain and India not as British protection of India, but as a complementary association of equals which will be in Britain's interest as much as India's. Both Britain and India, he argues, must seek to maintain a Eurasian balance of power, which is now threatened by "the organisation of the heart of the Eurasian continent in an unprecedented unity and strength, covering the area from the Pacific to the Adriatic and Baltic and from the Arctic Ocean to the Himalayas." The countries of the "Rimland" extending from Britain to Indonesia—the traditional sphere of British naval ascendancy and imperial policy—can only survive in independence by defensive association, for which Britain is the key for the western or Atlantic, and India for the eastern or Indian Ocean, sector. "The Indian Ocean region extending from Aden to Java," writes Mr Panikkar, "is strategically one, and is dominated by the geographical position of India." He believes that the alliance would not only assure Britain's maritime life-lines but also "create a great industrial and trade revival in Britain," for it will require an intensive industrialisation of India, if only as a basis for defence, and "the old-fashioned idea that it is an undeveloped agricultural country that provides the best market for an industrial nation has been completely disproved by the experience of the last half century."

Industry in Latin America

"Industrialisation of Latin America." Edited by Lloyd J. Hughlett. McGraw-Hill. 508 pages. 5s.

THE war-time activities of various United States financial and technical agencies stimulated the industrialisation of Latin America and the interest of North American businessmen in the region. The present position of their main trading rivals—Britain and Germany—and the possession by the Republics of some \$4 million balances give a great advantage to the United States. It is thus not surprising that in recent years a number of books on trading conditions and prospects in Latin America have been issued by American publishers. While there is no need for these books to be highly specialist or theoretical, there is no doubt that the majority are naïve, pretentious and over-optimistic. This book, by contrast, provides a critical and well-informed general study of the industrialisation of Latin America.

The book's approach is severely practical. Even the introductory chapter, in which the editor sets out the problem of industrialising South America against its economic background, is factual rather than theoretical. The seeker after El Dorado will be rather discouraged by the list of handicaps to industrial development—the extremely low purchasing power of the people, the vast distances and inadequate transport facilities, illiteracy and the legacy of "colonial" economics. But the shrewd entrepreneur will be grateful for this indication of his difficulties—and his opportunities. Seventeen industries are then dealt with in detail, each being treated to a short general introduction, a factual survey of the main enterprises, arranged country by country, and, finally, but not invariably, a few pages of general conclusions. This treatment results in a book that is more suitable for reference than for reading, and there is fortunately an adequate index. The text is illustrated by many maps, diagrams and tables, some of which are rather old and quoted without their source, and by over 120 photographs, which are not on the whole very well selected, or well reproduced.

The book contains a wealth of useful information, but the emphasis on fact tends to produce some rather tedious lists of names of firms given apparently for their own sake rather than to illustrate any particular point, while other facts having a greater bearing on industrial enterprise are given too slight a treatment. Unless it is assumed that the practical businessman will read some of the more speculative books which treat of these topics, they could well have been included—possibly at the expense of Mr Braden's dutiful but platitudinous last chapter.

Socialist History

"Years of Crisis." An Outline of International History, 1919-45. Kenneth Ingram. Allen and Unwin. 21s.

ALTHOUGH the sub-title of this book describes it as covering the years from 1919 to 1945, less than 200 of the 475 pages of text deal with the twenty years between the two wars. Mr Ingram has really attempted to combine an outline narrative of the war

with a fairly long historical introduction. The narrative is clearly and sensibly written; the main facts are sorted out and arranged with considerable skill, but the general level of treatment is superficial. Few authorities are quoted, and those chosen tend to be of light weight.

The chapters on the pre-war years are open to most serious criticism. Here also indeed Mr Ingram is lucid and business-like when he is dealing with facts and dates. Unfortunately he tries to interpret as well as to describe, yet he makes this attempt without realising that the first duty of an historian is not to praise or condemn but to understand. Mr Ingram's method of interpretation is of a "left-wing" kind which has become as familiar to this generation as were representations of the Last Judgment to our medieval forefathers. There are the Righteous and the Damned; the Socialists and the Conservatives. The Righteous, and in particular the Righteous Russians, are never wrong. Those Damned can never get things square. Even if they behave properly, they do so for sinister reasons. Thus in 1940 the English Conservatives, or financier-industrialists, went on fighting because they were faced with "the threat to British imperial-commercial interests."

How does Mr Ingram know all this? What careful sifting of thousands of individual cases has convinced him that while English Socialists fought for democratic liberty, English Conservatives fought for property and stocks and shares? And if Mr Ingram has not spent month after month in careful examination of the evidence bearing upon the point, by what right does he insult the propertied classes? Obviously Mr Ingram did not intend those insults. The fact that they are implicit in his rash and unnecessary generalisations shows the danger of writing history under the impression that everyone who is not a Socialist is, or must become, a Fascist.

Shorter Notices

"Economic Research and the Keynesian Thinking of Our Times." By Arthur F. Burns. 26th Annual Report of the National Bureau of Economic Research Inc., New York.

IN this short but valuable essay the author examines the assumptions of Keynesian Theory, and finds them, for all their logical coherence, as imperfectly based in real facts as were those of Ricardo, with whom he draws a suggestive parallel. He outlines the factual and statistical researches which should provide a test for these assumptions and a guide to cycle policy, fortifying his text by several tables which indicate that the Keynesian picture is oversimplified. Aggregates of savings, investment, employment and spending are illusory and should be broken down into industry; the shape and permanence or otherwise of the "consumption junction" should be studied. The giving of realistic content to economic ideas, always desirable, becomes urgently necessary where those ideas are likely to provide the basis of Government policy.

"Argentina." By Norman Mackenzie. Gollancz, 1947. 6s.

IN February, 1946, the United States Government issued a *Blue Book* on Argentina. This, though in some respects a partial document, was, in its main indictment, impossible to refute. Mr Mackenzie leans heavily upon it. Though he does not acknowledge the fact, the *Blue Book* has provided him with the core of his own book. He has prefaced its indictment, however, with an introductory chapter, based almost entirely, and also without acknowledgment, on the works of Isabel, Rennie and Felix Weil, and in forty pages or so at the end he brings it up to date. The introduction is not altogether happy. It contains a number of dubious generalisations and a gross misrepresentation of the Roca-Runciman Agreement. But the succeeding chapters are worthy of attention. It is not necessary to believe, with Mr Mackenzie, that President Perón is a "Nazi agent" or to accept all Mr Mackenzie's other opinions. But his main attack on the Argentine régime, like that of the *Blue Book*, which the United States Government now finds it more convenient to forget, stands. It is the indictment of a near-Fascist régime which has thrived by the familiar technique of exploiting one section of society against another.

"The University of Birmingham." E. W. Vincent and P. Hinton. Cornish Bros. 238 pages. 25s.

THIS is a handsome and attractive production, very different from the usual modest volumes which describe the history of British Universities. It deals with the development of Birmingham University from 1900 to 1945, but unfortunately stops short of the plans for post-war development. It is generously illustrated, and strictly accurate, but there is a certain unacademic simplicity about the treatment which derives from the author's background. This is no history written by dons, but by Birmingham citizens who have a great pride in their young university, and few qualms about the fundamental purposes for which a university exists.

AMERICAN SURVEY

Coal Hazards and Politics

(From Our US Editorial Staff)

ON March 25th, in Centralia, Illinois, 111 miners lost their lives. They died slowly, from the gas, after writing farewell notes to their families in the dark, on leaves torn from a time-book. Per million man-hours worked, theirs is the most hazardous American occupation: in 1946, a year of no major disaster, 974 men lost their lives, and only lumbering exceeds mining in the frequency of accidents.

Centralia was an accident, but it is now becoming both a political and an economic act. It had the timing essential to tragedy: it came two weeks before Easter, and shortly before John Mitchell Day (April 11th), when miners normally celebrate the man who righted ancient wrongs by building them a strong union. It also came in the week before March 31st, the date at which a walk-out had been threatened by Mr Lewis last December, and withdrawn by him only on March 19th in conformity with the Supreme Court decision. On April 1st, moreover, the Solid Fuels Administration, which had authority to allocate coal supplies, ceased to exist with the expiry of the Second War Powers Act.

The establishment of a health and welfare fund, to be administered by the union, was a major factor in the unsuccessful contract negotiations between Mr Lewis and the operators a year ago, following which the government took over the mines. Now Mr Lewis becomes the champion of safety. The six day "mourning period," which he decreed to start on the hour that the strike would have started, is to continue, mine by mine, until all mines are safe. Mr Lewis has a letter from Dr Sayers, Director of the Federal Bureau of Mines, saying that only two of the country's mines are entirely in compliance with the Federal Mine Safety Code which became effective on July 29, 1946. Since "mourning periods" are recognised as legitimate in the miners' basic agreement, the Bureau of Labour Statistics will not record the present stoppage as a labour-management dispute, and the unemployment compensation thereby made payable will reduce the loss of income of the miners, whose wages now average \$70 a week.

But Mr Krug, Secretary of the Interior, administrator of the government-operated mines, and strategist of the Government policy pursued with regard to Mr Lewis last winter, is also out for safety. He has made an order to shut 518 mines and to reinspect the 2,531 others, with those shut not to be reopened until the union mine safety committees say they are safe. And to avoid another argument, Dr Sayers, whom Mr Lewis has made it clear he trusts, has been persuaded to stay on for the present as head of the Bureau of Mines.

Mr Lewis's effort to pin the entire responsibility on to Mr Krug, in asking for a Congressional joint resolution requesting the President to oust him, falters on the point of these mine safety committees. Under the diffused exercise of responsibility that accompanies states rights, the states traditionally have been responsible for safety under their various safety laws, their own inspection procedure, and their own power to deal with violations. The Federal Bureau of Mines has had authority only to make recommendations to the operator of a mine; his compliance was entirely discretionally. But the safety code adopted

last July for the period of government operation required copies of inspectors' reports to be filed also with the district and national offices of the union. So the non-compliance of the operator of the Centralia mine, noted in November, and again in March, was known both to the government and to the United Mine Workers' officials. Mr Lewis's alibi is that the recent court procedure cowed his people into inaction.

Mr Krug's order, issued after the disaster, by-passes entirely the governments of the nineteen states in which mines are closed. Mr Lewis was in the midst of theatrical testimony before the House Labour Welfare Sub-committee when the order came out: he was asking for a law giving to Federal inspectors the power they do not now have to close mines found to be in violation. (Mr Krug's special powers as administrator will run out at the latest on June 30th, when the mines go back to the private operators.) The retrospective interest in mine safety which is thus being shown on the national level is doubled on the state level in Illinois where the disaster occurred. Mr Green, the Republican Governor of the State, has announced the resignation of Robert Medill, head of the State Department of Mines, "for the good of the service."

The economic impact of the initial "mourning period" was estimated by the National Coal Association, on the basis of production during previous Easter weeks when the miners worked, at a minimum of 8,000,000 tons of bituminous coal. The output of the 518 mines that were ordered to be closed by Mr Krug is estimated at about 600,000 tons a day, or some 26 per cent of the country's daily output. Some of the violations of the code at these mines can be remedied in a brief period; others would require drastic changes. Particularly with the Solid Fuels Administration out of business, the economic impact of continued non-operation may be considerable.

Its political impact also will be substantial. Mr Lewis, in trying to pin the blame on a Democratic Cabinet member, in instructing men to go back only to mines that are safe, and in asking Congress to direct the Treasury to refund the \$750,000 fine levied on the UMW for contempt of court, so that it may be used as an endowment for the families of the victims, has somewhat the air of an undertaker laying a mat of artificial green grass over the raw earth beside a grave. Mr Lewis, who at the moment is a good Republican, has doubtless noted the Gallup poll which gives Mr Truman a rating of 60 now, and gave him a rating of 32 at the time of the last election. Few doubt that the upward rise began with Mr Truman's handling of the coal situation. Mr Lewis would not inconceivably like to get some of his own back.

On the Republican side, the intricate balance among many leaders may also be affected. Nobody knows for certain that Governor Dewey is Mr Lewis's favourite for the Republican Presidential nomination; but his behaviour in testifying before the House Labour Committee did not indicate a desire to make things easy for Senator Taft. Mr Taft is also weakened by the double blow to the Republican state machine in Illinois, who are his natural allies. Having just lost the Chicago mayoralty election, they are now accused of corruption and inefficiency. They are doing what they can to cover up. It was the Illinois Republican, Senator Brooks, who moved the resolution in the Senate to set up a committee of investigation. But the evidence may be difficult for the Republicans. The State inspector of mines in the Centralia district has already alleged that the State inspectors—all political appointees of course—were required by the party machine to raise a campaign fund of \$25,000 from mine operators "satisfied with the inspection service." This is expected to be part of the evidence that will have to be handled by this Committee.

Henry Ford

THERE is a tremendous fascination in the record of the economic empire-builders—at least for the non-Marxist student of American history. Gould, Rockefeller, Carnegie, J. P. Morgan, "The Commodore," the Harrimans, the McCormicks, and the Guggenheims—the list is no more than a random selection from the list of adventurers, inventors and organisers who dominated the industrial scene in the United States during the last thirty years of the nineteenth century. They knew the power bestowed by the outsize business organisation, with its centralised control and administration, its links with the financiers, and its grip on every instrument of production, from the individual labourer to the local, or the Federal, politician. When they began, the United States was scarcely more than a land of farmers and handicraft industries, with many of its communities almost isolated, and almost self-sufficient. Often, they operated with reckless prodigality in terms of national resources; they made the legal profession and the politicians their docile instruments of power. Frequently, they were not averse from violence, and they had, in general, little vision beyond the confines of their power. But, by the turn of the century, they had laid the foundations of the industrial wealth and machine power of the United States. They had unified a continent, and in the eyes of Andrew Carnegie, democracy was both "triumphant and complete."

Against this background, through the closing years of the nineteenth century, Henry Ford began the career that was to place within his hands an accumulation of personal wealth and industrial power unequalled by any other individual within, or beyond, the continental boundaries of the United States. But there would be something less than justice for Henry Ford in a record that sought to assess his life and work solely in terms of personal wealth and power. By any comparison, there are as many divergences as there are similarities in the romance of the Ford Empire and the record established by the earlier pioneers whose ruthless energies subdued the material resources of North America.

Henry Ford, it is clear, was not averse from wealth or power. He believed, indeed, with so many of his predecessors and contemporaries, that power accrues from the possession of individual talent. And he could be ruthless enough when circumstances warranted such a course. The record of the La Follette Committee on Civil Liberties showed clearly enough that violence on the part of industry was by no means the prerogative solely of the nineteenth century. There are, even today, whole areas of the United States in which the Bill of Rights enjoys no more than a nominal authority. The Ford Motor Company did not shrink from the most ruthless methods to assert the sanctity of property.

For Mr Ford, however, the assumption of extra-legal authority in defence of property was no more than an incident in the record of enterprise. He could not believe that industry—unmolested by the agitation of subversive elements—might fail to provide the answer for every material problem of human life. But he did not seek violence because he might thereby advance his personal possessions, or assuage any thirst for personal power and privilege. He was never embroiled in the frenzy of speculation that brought so many of his industrial colleagues to disaster, and he no doubt despised the efforts of the lesser fry who, after the turn of depression in the nineteenth-thirties, writhed beneath the probe of the Senate Committee investigating the Wall Street preliminaries to the collapse.

The secret of the satisfaction that Mr Ford derived from life, and of the respect in which he was held by the American community, lay in his entire pre-occupation with productive effort. He did not claim the credit for the first automobile, but he never tired of asserting his role as the founder of the modern industry. He did not claim credit as inventor of the machine-belt and the assembly line, but he never forgot that the Ford works first showed their mighty potentialities.

Altogether, Henry Ford believed, as resolutely as did Maynard Keynes, that "consumption is the sole object and end of all economic activity." And he was at one with every economist in his passionate assertion that in the lowest possible cost of production, and the maximum possible division of labour, could be found the key to wealth for the consumer.

In these qualities, and in his equally passionate conviction that the horizons of opportunity were still unbounded, Mr Ford was at one with popular opinion in the United States. At recurrent intervals, the American worker, the farmer, the professional and intellectual classes have challenged the power of Big Business. The Jacksonian legends and Bryanism are still powerful forces, and Wilson's New Freedom, no less than Roosevelt's New Deal, will sooner or later emerge from present neglect. But, aside from rare moments, the challenge has never assumed a collectivist tinge. A very brief incursion by Mr Reuther in 1945 took the ranks of organised labour beyond the preoccupation with hours and wages which forms their normal boundary. But the effort was not sustained, and it will probably not be repeated unless the industrial scene becomes very much darker than in 1947.

This general respect for Mr Ford's qualities, however, could not for one moment avert the hostility of the unions more directly concerned with the vast Ford plant. Ford's Jolly Roger flew boldly against the Blue Eagle of the Roosevelt Administration in the days of the National Recovery Act, and not until the entry of the United States as an active belligerent in World War II did Mr Ford—whose grip on the Ford Empire seemed as secure as ever—make a final peace deal with the United Automobile Workers, and thus with the labour legislation of the Roosevelt era.

The struggles with labour, more especially from 1933 onwards, indeed, are not the least remarkable evidence of the naive and egotistic beliefs by which Henry Ford lost so much of the credit that accrued from his productive and mechanical genius. They are too well known to need any full recapitulation in these columns. They sprang from the simple view that machine technology could simultaneously produce an always-rising living standard, and sustain the essential simplicity of life as Mr Ford recalled it on the home farm in Michigan. The verdict that history was "bunk" did not save him from a belief in the essential validity of the Protocols of Zion, and the resentment which sprang from "bureaucratic interference" with the virtue of the producer (he held no less fervently than did Calvin Coolidge that business is the business of the US Government) embraced the entire works of the New Deal.

Perhaps the most striking feature in assessing Henry Ford's life, however, is the realisation that over the last decade or so, the era of personal dominance in the big American corporation has given place steadily and relentlessly to the co-operative efforts of the machine managers. With Mr Ford at the peak of his life, and with his personal hold unchallenged, the Ford works dominated the American motor world. In 1929, Ford held pride of place in the "Big Three" which still dominate the industry. By 1932 that place had been taken by General Motors, and less than a decade later the Chrysler company took second place and has held it, the Ford share of the "Big Three's" output falling in the last pre-war year to no more than twenty per cent.

In the annals of American achievement the name of Ford must always command a very special place. He resisted to the utmost every effort to keep industry away from the mass consumer. He took the largest personal part in building an industry which, though assailed by the anti-monopolists and the Federal Trade Commission, has a remarkable record for productive efficiency. He left an industry which normally leads all others, in terms of value added by manufacture, materials consumed, and value of goods produced. It would be going very far to say that technology cannot again produce such an era of industrial expansion. But it is probably true to say that Mr Ford will

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

know no later rival in terms of personal power and dominance. The inventive capacity and flair for organisation that built the Ford Motor Empire today find their channels for expression in the research departments and the production divisions of corporations that have grown beyond the capacity of entirely personal supervision. We are in the age of Mr Burnham's managerial revolution, and it is not wholly without significance that when so astute an observer as Mr Peter Drucker turned to survey the social functions of the representative American corporation, he should go, not to Ford, but to General Motors, whose ascendancy was based, not on the personal leadership of its founder William Durant, but on the group efforts of many of Ford's earlier lieutenants.

We shall not, therefore, in all probability, look upon his like again. But the loneliness of his eminence only increases his stature. Ford made an age. He created modern industry. He found automobiles expensive because there were so few of them, and so few of them because they were so expensive. He made his hundreds of millions by one simple act of faith—that if he produced cars in sufficient numbers for them to be cheap, people would buy them. In economic terms, he discovered the elasticity of demand for the products of industry. In retrospect it sounds simple, just as simple as the original invention of the wheel, which exists nowhere in nature. But it was hardly less fundamental, and though the workers of Detroit and of many cities in many lands, who are tied to the assembly line, may sometimes curse his name, nevertheless, when they knock off work after their short hours and are carried by public or private transport to homes whose high standard of living rests entirely on the mass production of manufactures, they owe a tribute of respect, as he passes to his grave, to the man who made it all possible.

American Notes

The Telephone Strike

The telephone strike, and the transparency of the mourning band worn by Mr John L. Lewis, are badly timed for their effect upon labour legislation. After brooding for nearly two months upon the problem of labour law, the Senate and House Committees are by all accounts, ready to lay a very small egg. These two bills are due to be reported out in the next fortnight. At this crucial moment the telephone strikers have forcibly reminded Congress of its impotence in the face of a national utility strike, and Mr Lewis's mourning period is a rude reminder that even the Supreme Court may be flouted by indirection.

Mr Hartley, the chairman of the House Labour Committee, has rushed into the breach with a bill authorising the government to employ the injunction to halt strikes in transport, utilities and communications. This bill, although it was approved by 16 to 3 in the House Committee, is unlikely to secure Senate assent. But a more formidable figure, Senator Taft, has let it be known that the bill he has submitted to the Senate Labour Committee contains a "national emergency" section which would give the government special powers in critical strikes. Legislators will observe with interest that the telephone strike stops short of the borders of Indiana and Virginia where there are state laws, with teeth, prohibiting utility stoppages. A similar law in New Jersey, without direct penalties for strikers, has now been reinforced by a new measure authorising fines and imprisonment for strikers in the telephone service.

The telephone strike is mainly for a wage increase of \$12 weekly to operators now earning an average of \$43. Hopes have not materialised of peaceful settlements on the pattern of the rubber industry when the workers accepted an increase of 11½ cents an hour. One of the obstacles is the insistence of the telephone companies that wage rates should not be determined nationally, but by the districts in which rates are fixed. This issue may revive interest in a legal prohibition on industry-wide bargaining which, according to reports, had been shelved. Another point on which opinion may harden is that of the closed shop. A complete ban has been opposed in the past, not only by labour's friends, but by some employers who find it a source of order in their industries. Now Congress may be tempted to go further, perhaps in the direction of encouraging state bans, of which there are already seven, with bills pending in many Southern and Western States.

The labour picture would not be complete without some

reference to the blind cuts in the appropriations for the Department of Labour made in the interests of economy. If not rescinded, these will not only cripple the protective and conciliatory functions of the Department, but may eliminate much of its statistical work valuable both to labour and industry.

* * *

US and UN

The Eaton bill providing \$400 million for aid to Greece and Turkey has been approved unanimously by the Senate Foreign Relations Committee. As introduced on to the floor of the Senate, the bill contains only three significant changes: the Lodge amendment providing that American funds may not be used to discharge prior obligation of the Greeks and Turks—an oblique reference to earlier British loans; the Connally-Vandenberg preamble, expressing the belief that the bill is in harmony with the aims of the United Nations; and a more momentous amendment proposed by Senator Vandenberg which provides that the President may withdraw aid to the two countries upon their own application or if the Security Council finds (with respect to which finding the United States waives the exercise of the veto) or the General Assembly finds, that action taken or assistance furnished by the United Nations makes the continuance of such assistance unnecessary or undesirable. The Senator who now proposes a United Nations veto on American action—however remote—is hard to identify with the man of the same name who, at San Francisco, had to be persuaded that the American veto on the United Nations would adequately safeguard American sovereignty.

The amendment unquestionably makes the whole programme more palatable to Congress. It dispels the misgivings of the sincere defenders of the United Nations, while it cuts the ground from under those who are less concerned with strengthening Uno than with thwarting the Truman Doctrine. It also deprives the Russians of any pretext of a precedent for future unilateral actions of their own.

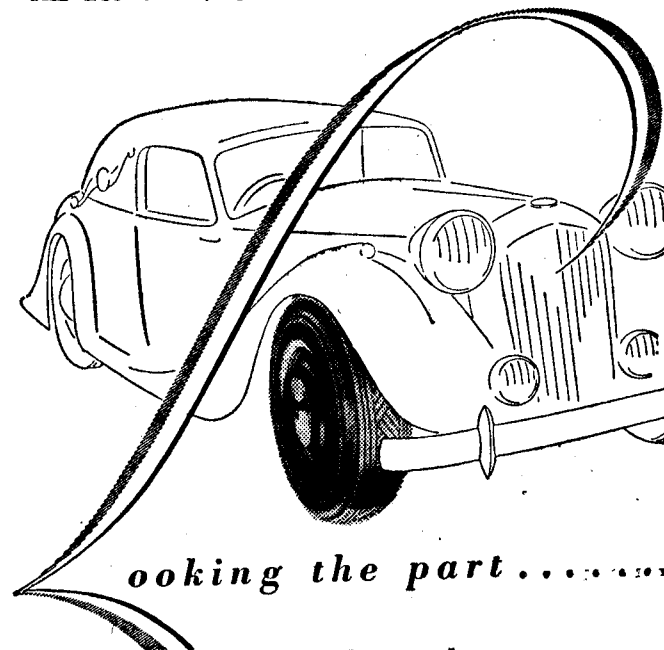
The amendment had, at its inception, neither the support of the Administration nor of Senator Connally; and there is some speculation in Washington whether this unilateralism on Senator Vandenberg's part is a symptom of a falling away in bi-partisan co-operation over foreign policy, which might be traced partly to the break-up of the Byrnes-Connally-Vandenberg team; partly to the Republican desire for an independent line; and partly to Mr Truman's unexpected recovery of popularity. Whatever the motives, Senator Vandenberg's initiative fills a glaring gap in the Administration's proposals. Once more the gentleman from Michigan has contrived to find a compromise to neutralise the opposition and on the Senate floor he is proving a pillar of strength. As time goes on, he looms larger and larger among the Republican Big Four.

In the Senate debate more may be heard of certain strings on Greek and Turkish aid which were cut away in committee. These include the creation of a Congressional committee to act as a watch-dog; proposals to earmark certain funds for specific purposes; and a proposal to require the setting up in Greece and Turkey of self-help schemes of taxation, price stabilisation, and export and import control. It will be a remarkable achievement if a Republican Congress allows a Democratic President the latitude now permitted by the bill.

* * *

Report of the Press Commission

Members of the Royal Commission on the Press may be interested in the report on a "Free and Responsible Press" just published in the United States. This private four-year study, financed by the Encyclopædia Britannica, Inc. (\$15,000) and Time, Inc. (\$200,000) was carried out by Dr Robert M. Hutchins, president of the University of Chicago, and twelve other eminent Americans, chiefly professors, with no special experience of the press. For the purpose of the investigation the "press" was taken to mean not only the newspapers, but magazines, book publishing, radio and the cinema. Much of the report is sufficiently generalised to apply to the communications of any industrialised and non-totalitarian society. Thus, the Commission argues that the freedom of the press is indeed in danger, but not because of any threat from the government or the iniquities of pressure groups, but because it does not fully discharge its responsibilities to the community of accurate, informed reporting, providing a forum for diverse views and using its educational opportunities to the full. These opportunities are made almost boundless by growing civic responsibilities, the failure of



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ABRIDGED REPORT

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with limited liability)
SIXTY-SIXTH ANNUAL REPORT OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 1946

TO THE SHAREHOLDERS:
The year 1946 provided welcome opportunities for the re-establishment by your Company of services which were suspended during the war, and for introducing further improvements in the field of transportation. The difficulties which the transition period presented were largely surmounted. The Dominion enjoyed general prosperity and the demand for rail transportation was well sustained.

Canadian freight rates, lower than those charged in any other country in the Commonwealth, in Europe or in America, have remained virtually unchanged for more than two decades. Throughout this long period freight revenues earned by your Company have averaged less than one cent per ton of freight hauled one mile. On the other hand, progressive increases have occurred in wage rates and material prices. As a result of such increases since 1939, the costs of operation in 1946 were \$57 million greater than they would have been had prices and wages remained at their 1939 levels. Because this situation imperils the ability of the railway industry to continue to provide modern and efficient transportation service, your Company in association with the other railways in Canada has filed with the appropriate regulatory bodies an application for authority to make a general increase of 30 per cent. in freight rates, with some exceptions.

INCOME ACCOUNT	
Gross Earnings ...	\$292,495,828
Working Expenses (including taxes) ...	271,652,778
Net Earnings ...	\$20,843,050
Other Income ...	22,779,794
Fixed Charges ...	\$43,622,844
Net Income ...	18,488,113
Dividends:	
Preference Stock	
2% paid August 1, 1946 ...	\$2,278,841
2% payable February 1, 1947 ...	2,278,841
Ordinary Stock	
2% paid October 1, 1946 ...	6,700,000
	11,257,682

PROFIT AND LOSS ACCOUNT	
Balance transferred to Profit and Loss Account ...	\$13,877,049
Profit and Loss Balance December 31, 1945 ...	\$262,772,828
Final dividend of 3 per cent. on the Ordinary Stock, declared from the earnings of the year 1945, paid March 30, 1946 ...	10,050,000
	\$252,722,828

Balance of Income Account for the year ended December 31, 1946 ...	\$13,877,049
Portion of steamship insurance recoveries representing compensation for increased cost of tonnage replacement ...	2,016,572
Net exchange credit in respect of expenditures for new steamships and steamship insurance recoveries ...	708,746
	\$16,602,367
Deduct:	
Miscellaneous—Net Debit ...	198,223
	16,404,144

Profit and Loss Balance December 31, 1946, as per Balance Sheet ... \$269,126,972
(The final dividend of 3 per cent. on the Ordinary Stock for the year 1946 which was declared subsequent to the end of the year and is payable March 31, 1947, amounting to \$10,050,000, is not deducted from the Profit and Loss balance shown above.)

RAILWAY OPERATIONS
Gross Earnings in 1946 decreased \$23,613,530 or 7.5% from 1945. The year's gross earnings have been exceeded only three times, in 1943, 1944 and 1945.
The ratio of working expenses to gross earnings was the highest on record, with expenses absorbing 93 cents of every dollar earned for railway service.
Net Earnings amounted to \$20,843,050, a decrease of \$15,211,284, or 42.2% from 1945. They represented only 7% of gross earnings compared with 11% in 1945, 14% in 1944 and an average of 16% in the decade prior to the war.

THE BANKER

Principal Contents for April

"CONTROLS—FISCAL AND PHYSICAL"

A model of the broad analytical approach expected from an independent authority, this article adheres tenaciously to realities; it seeks to find the policy demanded by the situation and, keeping its feet on the ground, points the dangers of flying to extremes of either directional or budgetary measures.

"TURNING POINT IN SILVER?"

Will the use of silver for coinage disappear entirely from the currency systems of the world? An examination of the changes in the position of the metal resulting from the Indian Government's ban on private importations, and from reductions in consumption by the arts and industries in the U.S.

"THE FUTURE STOCK EXCHANGE"

Harold Cowen discusses whether the advantages deriving from unification of control will render the granting of a Charter unnecessary.

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The Crown Colonist

FOR ALL CONCERNED IN THE TRADE AND DEVELOPMENT OF THE COLONIES, PROTECTORATES AND MANDATED TERRITORIES OF THE BRITISH EMPIRE

KENYA	N. RHODESIA	NORTH BORNEO	TANGANYIKA	CYPRUS
CEYLON	SOMALILAND	BRITISH GUIANA	SEYCHELLES	BERMUDA
BAHAMAS	PALESTINE	BECHUANALAND	NYASALAND	TRINIDAD
BARBADOS	MAURITIUS	BASUTOLAND	ST. HELENA	LEEWARD IS.
GIBRALTAR	SARAWAK	WEST PACIFIC IS.	ZANZIBAR	HONG KONG
GOLD COAST	JAMAICA	BRITISH HONDURAS	NIGERIA	A-E SUDAN
FALKLAND IS.	UGANDA	SWAZILAND	GAMBIA	WINNEDOW IS.
MALAYA	FIJI	SIERRA LEONE	MALTA	ADEN

APRIL NUMBER

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Britain's Great Colonial Asset
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other institutions like the schools, and a technological revolution still in its infancy; but the performance of the press does not equal either its power or its technical resources. If the standard is not raised, regulation may become inevitable. Freedom must be "accountable."

Accompanying a technological revolution, there has come the concentration of power characteristic of other industries. National newspaper chains have receded slightly from their peak of power, but local monopoly is growing. Only about one out of twelve cities with any daily paper now has more than one. On the air, the concentration of control enjoyed by the main networks is carried further by the advertisers who pay the bills. Fewer than 150 advertisers provide more than 95 per cent of the networks' income, and many of these channel their contracts through a handful of advertising firms. Food, drugs and tobacco decree what Americans may hear.

The report is critical of the newspapers' sensationalism (though editors will be chary of following the Commission's academic recommendations of giving prominence to such themes as "less intolerance, more schooling, fewer men tending machines"); of Hollywood's spineless accommodation to the pressures of its mass audience; of the big business mentality of the editorial page, and the pernicious effect of advertising on radio programmes; and it is pained by the self-restraint with which papers keep each other's errors and falsifications out of the news. The Commission would like to see a little more of dog eat dog.

But what of specifics for the malady? Dr Hutchins admits ruefully that the most surprising thing about the recommendations is that nothing more surprising could be recommended than a higher standard of professional conduct on the part of the press itself, and certain changes in the law of libel, taxation and anti-trust procedure. The power of the press has increased, is still increasing, and ought to be directed to higher ends—but the sovereign remedy eludes the physicians.

Pulp and Paper

The newsprint shortage in the United States has now reached quite alarming proportions. As reported earlier, the New York Daily Worker was faced quite recently with the complete collapse of its gospel mission, and was saved only by a timely piece of knight-errantry whereby the New York Times made a substantial newsprint loan—presumably on something like Lend-lease terms. In Washington, the Small Business Committee of the Senate was told that small publishers were paying up to \$250 a ton for job lots of newsprint, against a general level of about \$84. Senator Wherry, who ranks as chairman of this committee and is one of the most aggressive spokesmen for the majority party, so far forgot his earlier fight against controls as to threaten the industry with a new bundle of orders, and repentant publishers promised Congressmen that in future they would share out supplies on more equitable lines.

By British standards, however, the distress and despondency which mark the American publishing trade, look more than a little unreal. There is a shortage of immediate supplies, due very largely to the lack of rail freight cars, but the publishing trade scarcely looks as though it is threatened with extinction. In 1946 the overall circulation of newspapers reached an all-time record of nearly 51 million copies daily, with advertising lineage reaching new peaks. And for the second successive year there was an increase in the number of daily newspapers, although the growth of chain groups has brought the total down from 2,500 to 1,760 over thirty years.

In fact, the United States is using more paper than at any previous period:—

	NEWSPRINT AND WOODPULP	
	Imports	Domestic output
	(Million tons)	
1929	4.3	11.1
1932	3.3	8.0
1939	4.6	13.5
1943	3.9	17.0
1945	4.4	17.4
1946	5.3	19.0

Canadian supplies have more than outbalanced the loss of European suppliers, although it is true that the large publishing groups have greatly extended their hold on the newsprint mills, and have thus brought about rather disturbing conditions for some

smaller producers. In the process, the newsprint industry has emerged from a condition of chronic over-capacity to a period of sustained prosperity. It is now engaged in a programme of expansion which is calculated to raise annual domestic capacity by at least three million tons, and to a level which would almost certainly leave it vulnerable to sizeable losses in the event of any marked downturn in the level of industrial activity. For the time being, however, the shortage of essential equipment will probably keep the newsprint industry operating at near capacity.

* * *

The Teacher's Right to Strike

What is to be done when teacher breaks the rules? In Buffalo, a month ago, 2,400 city school teachers walked out, giving nearly 72,000 pupils an unexpected holiday. They won their point, although the city of Buffalo had declared it had no funds. In New York City there is talk of a protest strike against "inadequate" wage increases. Nowhere is there much doubt that on the average teachers' salaries are too low, in terms of current purchasing power, and in relation to the wages of factory workers, janitors and garbage collectors, to maintain the existing corps of teachers, let alone attract competent new recruits. But the teacher's right to remedy the situation by taking a leaf out of the book of organised labour is hotly contested. In New York City, Governor Dewey, over Democratic opposition, has struck back with the Condon-Wadkin Law, which prohibits strikes by public workers and provides very severe penalties for strikers who, if they are reinstated, may not return to work at a higher salary than they received before they struck, may not receive any wage increase for three years, and for five years are to be deprived of any security of tenure and must serve on probation.

The Supreme Court decision in the Lewis case is also being discussed in connection with the right to strike of nearly three million Government employees. In conservative circles it is hoped that the ruling empowers not only the Federal Government but states and municipalities to employ the injunction against their workers.

It is plainly undesirable that essential services like teaching, sanitation, transport and nursing should be subject to strikes. In the schools another effect would be to widen the difference which already exists between the ill-paid, over-worked rural teacher and the more highly organised city groups. But to prohibit strikes by public workers without removing the cause of strikes is to deprive the teachers and others of rights enjoyed by labour in general without providing any compensation. It is hardly calculated to make teaching, already the least dignified or well-paid of the professions, more attractive. Part of the drive behind the new law unquestionably arises from the fear of Communists and labour agitators seeping into the schools. This is a fear which may well prove even more compelling in less liberal states than New York.

Governor Dewey has also espoused a measure which would allow cities and other subdivisions to tap additional tax resources to meet the rising cost of local government. If the new funds are used for education, this will do more to stop teachers' strikes than any prohibition which reduces the teacher to a second-class citizen. But it provides no solution to the problem of poverty-stricken cities and counties in the south and west which have few resources to draw upon.

Shorter Notes

Another stage was reached in Mr Lillenthal's long and painful progress toward Senate confirmation as head of the Atomic Energy Commission when Senator Bricker's motion to recommit the nomination was defeated by 52 to 38. The purpose of the motion was to allow time for further investigation of Mr Lillenthal and his colleagues by the Federal Bureau of Investigation and scrutiny of the records of all employees hired by the Commission. The occasion widened the split between Senator Taft and Senator Vandenberg.

*

The "irresistible Republican tide" which the party professes to see suffered a minor check in Chicago last week when the Democratic candidate for Mayor, Mr Kennelly, was overwhelmingly returned. There is some dispute as to just how significant a straw in the wind this reversal of last November is. The only moral completely tenable seems to be that both parties will find an attractive candidate, with a solid record of business and civic achievement, more profitable than any party wheel-horse.

THE WORLD OVERSEAS

Reparations and the Russian People

(By a Correspondent)

WHAT does the Russian "man in the street" feel about the international situation, and quite especially about the tension between his country and the Western Powers? Does any public opinion exist in Russia? And, if so, does it exert any influence on the Government's foreign policy? Under the single party system that has existed in Russia for several decades now there are obviously no direct clues to what the popular mind is thinking; and such trends of thought as exist among the politically minded must remain latent and cannot crystallise into distinct viewpoints and formulae. It is, for instance, inconceivable that a Soviet Mr Wallace should appear in Moscow, denounce Mr Molotov's conduct of foreign policy and propose an alternative line. This much is obvious—but it is very little indeed. Yet, to assume for this reason that Russian public opinion does not weigh at all in the formulation of Russian foreign policy would be erroneous.

In his "Prelude to the Russian Campaign" M. G. Gafencu, a former Roumanian Ambassador in Moscow, has given an interesting account of how, between 1939 and 1941, popular discontent with the Russo-German pact of non-aggression showed itself in all sorts of subtle ways; and of how this made the foreign observer aware that the usual official claim that the Soviet people were united behind the Government's foreign policy was a mere pretence. There have been several other important instances in which it was not so difficult to see either that a cleavage between official policy and the popular mood was impending or that a particular line in the Government's policy had an exceptionally strong popular appeal.

The Moscow conference of the Foreign Ministers undoubtedly stands in the centre of the Russian public's interest, just as did the previous diplomatic gatherings; and it seems that it is not even overshadowed by the many economic difficulties that have been hindering Russia's reconstruction. Gone are the days when foreign affairs were reported by the national newspapers in short dispatches at the bottom of the last page, so that in the public's eyes they dwindled into insignificance compared with the latest record of a Stakhanovite in the Donetz Basin, or with the increase in the yield of milk of one collectivised cow in a farm of the Altai Province. In recent months, the conferences of Foreign Ministers and the debates of the Security Council have occupied perhaps 50 per cent—or even more—of the space in the national newspapers, which is considerably more than in the press of any western country. The law of diminishing news returns from a protracted diplomatic conference that has been overwhelming news editors all over the world has had no influence at all on the Russian press. The Press and Propaganda Departments of Party and Government have been determined to make the diplomatic battles loom before the eyes of the Russian people as large as possible; and in this they have undoubtedly succeeded.

Mood of Expectation

The public that has had its gaze fixed on the diplomatic scene has not yet overcome its own very acute post-war *malaise*. Victory had evoked great hopes, most of which have been dashed. The standard of living has not greatly improved since the war; and in many areas it has gravely deteriorated. The magnitude of the price that Russia has paid for victory has really impressed itself on the minds of rulers and ruled alike only since the first flush of victory passed. Amid the holocaust of war, national unity had been achieved to an extent unknown before. In making their prodigious sacrifices the mass of the Russian people had taken it for granted that they had now deserved the trust of their own Government as well as of their western Allies; that after victory the rigours of the régime would be so relaxed by the Government as to allow them some taste of freedom; and that they would be helped back to their feet by sympathetic and grateful allies. The *malaise* has been aggravated by the experiences of millions of Russians beyond their own

frontiers who have had their eyes opened to the higher standards of living and the greater freedom that even the vanquished peoples have been enjoying.

The expectations of greater freedom at home could not be altogether ignored by the Government, even though they have been firmly determined not to give in on any essential point. Thus, the Supreme Soviet at its recent session promised to promulgate something like a statute of *habeas corpus*; and to carry out a revision of the criminal code that would at least protect the Soviet citizen against lawless and arbitrary exercise of authority. Only time can show whether, or to what extent, this promise will be made good. The dilemma that confronts the rulers is not unfamiliar—can an autocracy of its own accord evolve towards some degree of liberalism? The answer that historical precedent offers is in some ways inconclusive. But at present the issue is more symptomatic than actual: it reflects the desire of the Government to free itself up to a point from blame for the oppressive conditions under which the Russian people has still to live. The oppression of economic misery is, after all, the worst of all. It has, of course, been made graver by last year's drought, the *force majeure* for which even the most sullen malcontent cannot blame the Government, and to which official propaganda has therefore been most ready to give the greatest possible publicity.

Molotov's Master Stroke

And now has come the other *force majeure*—the conspiracy of the western Powers against Russia's reconstruction. It is in this light that the Russian public is shown and sees the debates of the Foreign Ministers. From the Russian domestic angle, it has probably been a master stroke on Mr Molotov's part—a master stroke in which he was greatly assisted by the other Ministers—to be able to demonstrate to the Russian public that the real deadlock between the Allies has arisen over the issue of reparations. A serious controversy over, say, Germany's future constitution would leave the Russian public lukewarm, if not altogether cold. Trouble between Russia and the western Allies over federalism or centralism would most probably have provoked resentment inside Russia—resentment, that is, against the Soviet Government for spoiling the chances of agreement and co-operation with the West by obstinacy over irrelevant matters of constitutional doctrine. But Mr Molotov is sure to be sincerely applauded by every Russian whenever he comes to blows with Mr Bevin and Mr Marshall over the Russian claim for reparations. The concessions that he has made in the debate, his agreement to raise German steel output to 10-12 million tons a year and to extend the term for the payment of reparations to 20 years, have only strengthened his case. The arguments of the Western Ministers have, on the whole, been fairly and extensively reported in the Russian Press and Radio, but they can carry no conviction with the Russian public. The British and the American taxpayers whom Mr Bevin and Mr Marshall have brought to the front, and on whose behalf they have refuted the Russian demands, cut no attractive characters in Russian eyes. Compared with the astronomical figures of Russia's war losses, the burden that the British and American taxpayers have to carry in order to feed Germany appears to the Russians even lighter than that proverbial straw that might break the camel's back, especially the back of the American camel. And why—this is the unsophisticated Russian query—should the feeding of Germany be a higher priority than the feeding of Russia? Mr Molotov's disclosure of the secret Yalta protocol on reparations must have given an additional and powerful filip to popular Russian indignation—"is this how the Anglo-Saxon gentlemen honour their bonds, not merely words?"

It has often been said that Russian diplomacy has squandered the good will that Russia had accumulated in the western countries during the war. This is all too true. It is perhaps as well to realise that something similar is now happening the other

way round. Whatever the merits or demerits of the British and American attitude over reparations, Mr Bevin and Mr Marshall have now certainly been squandering the enormous moral credit that the western democracies had acquired with the Russian people in recent years, a moral credit that until quite recently was still greater than has ever been realised in the west, and certainly great enough to cause serious embarrassment to the Soviet Government and to outlast those ups and downs of post-war diplomacy. It might be said that in refusing so categorically reparations to the Russian people, the western statesmen have paid enormous moral reparations to their rulers. Unco-operative isolationism, which until recently was rather unpopular in Russia itself, is now almost certain to get powerful popular backing. In this mood, even such an outrageous and bizarre act of truly Oriental isolationism as the recent ban on marriages between Russian and foreign nationals, may be accepted by Russian opinion as a justifiable expression of the national bad temper against the outside world.

Czechoslovakia's Export Trade

[FROM OUR PRAGUE CORRESPONDENT]

THE second post-war Prague Fair has given Czechoslovak industry quite a lot to think about. The first shock was the comparatively small number of would-be buyers from "hard" currency countries. But when a large proportion of the foreign visitors went home again without placing orders, it was realised by many people that a drastic overhaul of prices and possibly of the whole system of foreign trade controls might be necessary. Czechoslovakia no less—perhaps indeed more—than Great Britain depends on exports for the foreign exchange with which to finance the importation of the raw material needed for industry. The Two-Year Plan, which contemplates raising the industrial output of the country to 10 per cent above the pre-war level with perhaps 30 per cent less workers, is doomed to failure if the export programme cannot be carried out—unless, of course, foreign countries are prepared to do business on credit. But Czechoslovakia is unfortunately finding—to use biblical language—that: Only to him that hath goods which will sell, shall credit be given. Exports in February, valued at Kcs 1,708 million, were less than in January when they were worth Kcs 1,938 million. This decrease, however, is officially said to be seasonal and due especially to the very hard frosts. Whereas the most important customers were Switzerland, Sweden and Belgium, the most important suppliers are the United States, Holland and Britain.

One of the reasons Czechoslovakia finds it difficult to sell just now is, of course, the poverty of those who would like to buy. But there is no doubt that in many industries Czechoslovak prices are well above world prices. In passing, it is worth adding that export prices are generally much lower than internal prices; for example, a new type of washing machine shown at the Fair, for which Kcs 12,500 was asked for export, was priced at Kcs 30,000 for delivery in Prague. Many classes of goods, however, notably in the textile group, are being produced only for export, and can only be obtained inside the country through the rather extensive black market.

Whereas internal prices of most goods were fixed by the Government in December, 1945, export prices are more or less uncontrolled, though in some cases there is a fixed minimum price. It is not clear on what basis these minimum prices are calculated, but it can be said that in so far as internal prices are concerned, some of the more efficient manufacturers are making huge profits while others in the same line of business are producing at a heavy loss. As wages are on a fixed scale, as well as prices, it is clear that the reasons for this must either be mis-management or out-of-date machinery, or both. In regard to external trade, both these reasons contribute to the high prices. So does the low output of the workers. But this is improving and is possibly not so marked in Czechoslovakia as in many other countries. In the coal-mines, for example, the output per head is now higher than pre-war. And it should be added that in a few cases the prices of goods shown at the Fair compared very favourably with those ruling in other countries. There was, for instance, a motor saw which was said to be less than half the price of its nearest foreign competitor.

In general, however, all prices—internal as well as external—are admittedly too high and during the past few months members of all parties of the National Front have been urging the Government to reduce them. After much delay and deliberation, a

new scale for most foodstuffs and a few other items such as petrol, agricultural machinery and workers' clothes, was actually published in March and came into operation on April 1st. According, however, to Dr Ripka, Minister for Foreign Trade, the reductions are "largely artificial." Apparently, they are to be financed by a special turnover tax instead of being the result of a real reduction in costs. In other words, they will come out of the pockets either of the taxpayer, the consumer, the producer or the middleman. It is likely in the circumstances to take some time to find out which pays which and with what and to whom, though one is tempted to assume that the consumer always pays in the end.

Juggling with Taxes

Whatever the answer to this somewhat hoary question, the expedient the Government has adopted cannot easily be used for any length of time to improve Czechoslovakia's chances of competing in foreign markets. The present disparity between internal and external prices would seem to indicate that the home consumer is already having to pay more so that the foreigner can be asked to pay less. When both home and foreign consumers are kicking against the pricks of the high prices, juggling with taxes may fool all the people some of the time, but is unlikely to provide a permanent solution of the problem of increasing, not merely the turnover tax, but the real trade turnover.

Prices, of course, are not the only hindrance to the development of Czechoslovakia's export trade. Another is the extremely involved method of State control, due no doubt partly to the complicated nature of Czechoslovakia's post-war trade treaties, but also to the fact that the Ministry of Trade naturally has a finger in the pie as well as the Ministries of Foreign Trade and Finance. The fact that the Minister of Foreign Trade belongs to a different political party from the other two Ministers is, perhaps, an added complication. So far as the nationalised industries are concerned there seems to be comparatively little bumbledom. But the private exporter is not always so lucky. According to the strict letter of the law, as expounded in the commercial colleges, he may have to have his signature to a contract with a foreign firm attested by a public notary and then go to the commercial department of the District Court to get a certificate that he is a fit and proper person to sign such a contract. It may also be necessary for him to have his certificates and the contract translated by an official translator into the language of the country to which the goods are to be exported and, if so, the District Court has to be asked for a further certificate that the official translator is a proper person to draft an international agreement. There are even said to be occasions when the Ministry of Justice must attest the right of the District Court to attest the *bona fides* of the translator. Add the stamps of the Ministry of Foreign Trade and of the Consulate of the importing country and it is not surprising that the fees have been known to total Kcs 2,000—£10 in English money.

No Place for the Middleman

Czechoslovak export trade also has to contend with the fact that the change-over from private to nationalised enterprise in the great exporting houses is not yet complete. The grouping of the various concerns is practically finished, but their sales organisations are still being rebuilt. In most cases, the nationalised enterprises seem to be in favour of establishing their own sales offices in all the countries with which they hope to do big business. Some of them have already done so. This is in line with the Government's policy on internal trade, which aims at cutting out the middleman as much as possible and developing a system of direct sales from factory to retailer. One of the reasons for frowning on the wholesaler is that the existing network of big wholesale firms is largely a legacy from the Protectorate and there is, therefore, a widespread desire to get rid of it. What the Government intends to put in its place is not yet clear, but seeing that three of the four parties are avowedly Socialist, it is unlikely that a major role will be given to private enterprise. A pointer can, perhaps, be seen in the plans the Minister of Food, Mr Majer, announced at the end of March for the food industry. Speaking to the appropriate committee of the National Assembly, Mr Majer said there would be three central societies to handle respectively grain, fruit and vegetables, animals and animal products. Each society, he said, would deal not only with internal distribution, but with import and export as well. The plan aroused considerable criticism from private members, speaking mainly on behalf of private enterprise, and it is too early to judge what its ultimate fate will be.

Sweden's Dalton

[FROM OUR STOCKHOLM CORRESPONDENT]

THE demand for levelling out the income and capital structure is as old as liberalism. And in Sweden, too, strivings in this direction have made themselves felt for many decades. Yet there is no doubt that inequalities of income and capital are much less pronounced in Sweden than, for instance, in Great Britain and the United States, and the tendency is definitely for these inequalities to be less and less evident. In Sweden a millionaire is a very rare phenomenon—less than 1,000 persons out of a total population of 6,600,000 own more than 1,000,000 kronor and the average of their capital is about 2,000,000 kronor. The number of small capital-owners and the average value of their property has become greater, to some extent due to saving through insurance. The wage policy of the trade unions has meant not only the transference of income from shareholders to labour, but also a levelling out of income inequalities within the workers' own ranks through a wage policy of "solidarity." This policy has aimed at raising the wage level primarily of those workers that belong to the lowest-paid groups. The main factor in this process, however, has been the continued expansion of the social security system which has been financed by progressive taxation.

It has been pointed out many times in Swedish economic discussion that the limit for taxing the higher income groups will soon be reached. An illustration of this is that total confiscation of all taxable incomes above 12,000 kronor would mean a net increase in Government revenue by only 175 million kronor, as compared with a total budget of about 4,000 million kronor. It has also been stressed that too high a taxation runs the risk of hampering economic progress by stifling incentive. Execution of the new taxation scheme presented by a committee which has been working under the chairmanship of the Minister of Finance is definitely pushing Swedish taxation nearer that limit, if not across it, as the Opposition claims.

The new taxation proposals have a threefold purpose. First, they aim at realising the long-promised reductions in wartime taxation. These abatements in the burden of taxation are, however, primarily reserved for the lower income groups; in fact the reductions do not extend beyond the 15,000 kronor-bracket as regards families or the 7,000 kronor-bracket as regards single persons. The second motive of the new taxation proposal is to lay down a plan to finance the big social reforms that are going to be carried through during the next five years. This means that the decrease in Government revenues that is caused by the removal of the general sales tax and the above-mentioned reductions in taxation of the lower income groups will have to be covered. This compensation is reached, partly by raising income taxes for the higher income groups, partly by an increased capital tax and the introduction of an estate duty, and partly by raising taxes on joint-stock companies from 32 to 40 per cent of taxable income.

Short Cuts to Equality

The third aim of the proposal is not openly stated in the memorandum, but is evident when studying the actual consequences of the suggested taxation rates. It is to reach rapidly a far more pronounced equality of income and capital than now exists. In public discussions this aspect has also been stressed by the Minister of Finance. As can be expected, it is the possessors of capital who are hit hardest in the new scheme. The Opposition has especially pointed out the unreasonable consequences of the proposals as regards those persons whose only means of support are the yield from owned capital. If the yield is calculated at 3½ per cent, the capital owner can, in fact, never retain more than 6,000 kronor after paying Government taxes. This maximum is reached when his capital amounts to 600,000 kronor and the yield accordingly is about 20,000 kronor. If the sum of the capital owned increases, the retained income after taxes decreases and finally gets negative. If the capital is 3,000,000 kronor, for example, and the yield about 100,000 kronor, Government taxes alone amount to 103,000 kronor, i.e., 3,000 kronor more than the actual income. The capital owner has to pay not only income tax on the yield, but also a special tax on his capital.

One of the main criticisms directed against the committee's memorandum is its total lack of interest in the economic and social consequences of the proposed changes in the present taxation structure. The only exception is the part defending the suggested rise in taxation of joint-stock companies. This does contain some reflections on the possibility of unfavourable effects

on economic progress of such a measure. The committee will not admit that increased taxation of enterprises will stifle investment initiative and refers to the fact that during wartime the level of investment in Sweden was exceptionally high in spite of heavy taxation. As has been stressed in public discussions, the committee here fails to see that special circumstances—the blockade and the subsequent shutting out of foreign competition, the increased armaments output, the need for substitute production, Government price policies, etc.—account for these wartime experiences.

Estates and Confiscation

The main point of the Opposition's attack has been the proposed estate tax, which is to be paid out of the undivided estate. The only aim of this tax is changing the distribution of property. Its importance from a fiscal point of view is insignificant as the Government receipts from this tax are estimated at only some 40 million kronor annually. In fact this tax will probably in the long run diminish Government revenue, as the bigger fortunes are thus reduced. The proposed estate tax is about 7,000 kronor on an estate of 100,000 kronor and increases progressively, so that it amounts to almost 50 per cent of a 10-million-kronor estate. On top of this come the ordinary death duties, which every heir pays according, firstly, to the amount inherited and, secondly, to his relationship with the deceased.

The question of the estate tax has been much debated, not least due to the statement by the three circuit courts of appeal, which important judicial bodies expressly declare the proposal incompatible with the Swedish constitution, as it implies confiscation of property for no other purpose than changing the distribution of property in society. The same conclusion has, by the way, been drawn also by the Social Democratic Governor of Stockholm.

From an economic point of view there is, however, no doubt that the estate tax is less dangerous to progressive forces than the proposed increases in the taxation of higher incomes and joint-stock companies. The last-mentioned measures will definitely hamper the establishment of new firms and the development of small business and thus work in favour of the big corporations already in existence. It is true that the estate tax will mean a change in the ownership of "family firms"—the heirs are allowed to pay the duty by transferring shares, mortgages, etc., to the state—but, on the other hand, it will not directly affect the dynamics of small business.

It is hard to say if any committee memorandum ever has met with more unanimous criticism. All the Government agencies asked have rejected the proposal in its present form. The Co-operatives, which are a very potent group in Sweden, representing 800,000, or more than 40 per cent of Swedish families, have strongly criticised the memorandum, as have also all the private organisations. The main exception and a very important one, however, is the Trade Union Organisation, which has given the proposal its general approval. This body, however, makes two important qualifications. First, the Trade Unions voice some doubts about the suggested increase in the corporation taxes. The second qualification is of a positive nature, the Trade Unions demanding a general capital levy. As the Social Democratic Party gets its main voting and financial strength from the trade unions, quite naturally their views will have great weight. Thus it was no unexpected development when the Minister of Finance recently put forward a Bill in the *Riksdag*, which only showed minor changes from the committee's proposals.

Outbidding The Communists

The Minister of Finance—the Social Democratic Party's spiritual leader—has additional reasons for trying to squeeze through the original proposal without heeding the criticism put forward. First, it is well known that his ideology calls for eliminating higher incomes and bigger private fortunes. The second reason is of a strategic nature, and may weigh even stronger. Mr Wigforss has seen the political strength of the Social Democratic Parties decline all over Europe, and the Communists gaining more and more in importance. His way of stopping this development in Sweden is to try to behave more radically than the Communists. The hurried forcing through of the great social reforms no doubt has this explanation. But the Social Democrats have in some way also to meet the Communist demand for a complete "economic democracy," that is, socialisation. Experience during the inter-war period and the war years has shown Wigforss that socialisation is a very slow process demanding thorough investigations and involving many technical difficulties. From this point of view a radical taxation scheme might seem the logical solution.

THE BUSINESS WORLD

Transport Bill Amended

ON Wednesday last week, Standing Committee B sat for the thirty-first time, to complete its labours on the Transport Bill. It was a characteristic session, in which twelve Schedules were added to the Bill, seven of them without any discussion whatsoever. For more than half of its sittings, the Committee has been working under the guillotine; in seventeen sessions, 116 clauses have been despatched, of which 37 have been automatically added, with Government amendments. The Government demanded speed in the transit of the Bill through Committee, and it has certainly got it. It may also claim that it has a better Bill, which would be true enough in part. But it also has a Bill of which entire stretches have been given no detailed discussion, where the words originally employed by the Parliamentary draftsmen, occasionally modified by the second thoughts of the Minister, seem at present destined to become law by the automatic operation of a Parliamentary majority.

How does the Bill emerge? In its essential features it is the same Bill. The structure of the Commission, its Executives, and the relations of the Minister towards both remain unaltered. The Commission still seems dangerously small for the performance of its duties; a large secretariat will certainly be required behind the scenes to assist the Commission to carry on all its business "as one undertaking"; and it will lack the practical and personal convenience of being able to break off into sub-committee for the handling of particular problems. The Commission, it seems, is fated to spend its time perpetually in august session—or else it will have to allot specific duties to each of the five members, which would introduce the questionable element of specialisation of function which the Executives themselves seem to carry unduly far. As for the Minister's power, it begins with the power of appointment to both bodies, which is clearly right so far as the Commission is concerned, but seems more questionable for the Executives. Mr Barnes has jealously guarded this power, though it threatens to weaken from the very outset the authority which the Commission can wield over the Executives. The Railway Executive alone will itself be an enormous repository of power, responsible for the four main line undertakings. The "Big Five" will have to feel very big indeed to control its policy and to secure its compliance, and the separate appointment of each body by even a Ministerial third party is not the surest way of securing what the soldiers call "the chain of command."

Such broad policy issues have indeed been discussed in Committee, but even the more spacious discussions of the early clauses of the Bill, which govern them, hardly suggested that either side had produced much conclusive thinking about them. This is a realm of experiment preceded by guesswork—a realm in which it may be possible to assert that a small Commission is preferable to a large one, without knowing with certainty what "the right size" is. Thus it is quite clear that five is better than fifty; but there are no bio-economic principles which can enable the Minister, or his advisers, to say in advance and with complete assurance, that five is better than seven or nine. A somewhat larger Commission would have had many practical advantages, without losing any of the merits of compactness. A Commission as small as five runs the risk of being overloaded with responsibility, or of becoming a tool of the Executives. If

a mistake has been made in the size of the Commission, the successful fusion of transport will be the more difficult.

There is, indeed, all too much open-mindedness about these questions of organisation and major policy. The Minister has not been completely unequivocal about the fusion of transport; regional transport schemes (which obviously provide the best ultimate assurance of co-ordination between all forms of transport) "cannot proceed on any uniform pattern"; there are to be "at the outset only a small number of Executives"—the rest can be left until they have work to do. In all this, it is possible to discern some underlying anxiety about the smoothness of the transition period, and in particular of the successful transfer of the railway undertakings on January 1st next. Such diffidence is wise, for the condition of railway transport by the end of this year may well be more critical than it is to-day, and the risk of inadequate transport may conceivably be added to the fact of inadequate coal and generating capacity. But it means that although the Bill is being enacted now, the policy has to wait.

In two respects, the Bill now provides for more equitable compensation. The Government guarantee of interest and principal on London Transport 3 per cent stock is to be recognised, though only *ex gratia*, for even now the Government will not admit any legal obligation. Secondly, the scrap-heap basis of compensation for railway wagons has been replaced by a schedule of purchase prices according to type and date of construction. But no improvement has been conceded for the railway stocks. The old ground has been re-trodden, but no common meeting place has emerged between the outright condemnation of the terms by the railway boards and the obvious satisfaction of the Government at the prospect of a "profit" of £17½ million a year from the deal. The "profit" is the clearest proof in itself that the compensation terms are in part expropriatory, for it is based on the postulate that the railways will in future be capable of earning £40 million a year—which is roughly speaking what they are entitled to receive under the wartime rental agreement. The £17½ million represents the extent to which the Government have departed from their own original principle of basing compensation on "net maintainable revenue."

To earn £40 million a year, however, will involve alterations in charges to meet the rising trend of operating costs. Indeed, an increase for 1947 is still apparently under consideration by the Minister, who has been waiting until the end of March to see whether it will be necessary, or whether the optimistic forecasts of traffics put forward at the charges enquiry last autumn are, after all, likely to be fulfilled. What is competent for the Minister now, or will be within the power of the Transport Commission and the Transport Tribunal, in the fixing of charges, would have been equally open to the railways had they reverted to their pre-war status, for the rental agreement specifically provided for a review of charges before independent operation was resumed. The compensation terms remain a denial of reasonable rights to future railway income, and the difference in the income that the railway stockholders will receive is far greater than can be justified, in spite of the Chancellor of the Exchequer's assertions to the contrary, by any superior element of security in the British Transport Commis-

sion's stock—at least as compared with the high-grade railway stocks which have always been fully covered by earnings, and were always likely to be so covered unless some future Government were to change the charges machinery for the British railways and plunge them into insolvency.

One of the outstanding gaps in the Second Reading discussion was the question of future transport charges. The Committee stage has brought this question no nearer solution; there is no charges policy in the Bill, nor has one been outlined. For the first two years of the Commission's life (or longer if the Minister so determines) there will be a breathing space in which charges schemes can be worked out by the Commission, on the advice of the Executives, and which will then be submitted to the Transport Tribunal for consideration, together with any directions which the Minister may wish to give. That is the machinery, but it gives no hint of policy. Government spokesmen have urged that, on this point at least, there should be a detailed enquiry before decisions are taken. "We are proposing," argued Mr Strauss, "the establishment of a charges system on some entirely new principles." What are these principles? Let Mr Strauss answer: "For the first time we shall have a central planning body charged with establishing a charges system within the general framework of making all their services pay; with establishing a charges system, not based on what the traffic will bear, or on a profit on a particular service, but on the principle of what will be the greatest benefit to the community as a whole, and the trading community in particular. . . . It is an exceedingly fascinating problem."

It is, indeed. The Commission's task will be to cover its total costs for all inland transport, and so to distribute its charges between the various forms of service and traffic that it will encourage users of different forms of transport to obtain the maximum advantage from each form for particular purposes. The distribution of traffic could be done theoretically by compulsion; or it could be achieved more harmoniously by differential rates in favour of the best form of transport for particular loads; or it might be possible to increase the load factor on the railways very greatly (with a marked reduction in unit costs) by using road transport primarily as a feeder service; or, most simple of all, there might be common freight scales and passenger fares for all transport, with rebated rates for optimum loads and hauls. These are some of the possible approaches to the problem of charges; they have their merits and demerits, but on none of them has the Government thought fit to express even a general opinion. It has offered no views on the relations which should subsist between the Com-

mission's fixed and variable operating costs, on the one hand, and the charges imposed on the public, on the other hand.

Part V of the Bill, which deals with charges, is the crux of the nationalisation issue, and it cannot be said that, after less than seven hours' discussion, the transport-using public will be much the wiser about the future character of the charging schemes for which the Bill provides. The guillotine has also ruled out the effective examination of the mileage limits under which "A" and "B" licence holders can operate their vehicles. The one major concession—surprising and altogether welcome—has been the freeing of "C" licensed vehicles, in deference, as Mr Barnes put it, to the "increasing anxiety among the vast number of merchants in the community." The concession is accompanied by threats—if the "C" licence holder abuses his "privilege," the Government will come down heavily upon him. But the consequence of the withdrawal of these restrictions on the freedom of the "C" licence holder must be entirely salutary for the Commission; it will be the best guarantee—or at least the best that the Government is prepared to concede—that the Commission will be spurred and prodded into enterprise, and not enabled to lapse into monopolistic sloth.

It is, then, a better Transport Bill that emerges from Standing Committee. But it is also a Bill on which a lot of work has still to be done, first on the Report stage, then in the House of Lords, and if it is finally passed, by the Commission and Executives and the Minister. It is a framework which may offer scope for effective co-ordination of transport, even though Government spokesmen are still chary of defining with any precision what they mean by co-ordination. In some ways, it has been re-styled for practical needs—for example, the comparatively simple expedient for continuing the railway stock registers and avoiding the wholesale confusion of an exchange of securities for a million accounts on Vesting Day might have been foreseen and arranged by any draftsman who had the slightest practical knowledge of the working of these matters, instead of having to be hurriedly devised long after the Bill had been introduced. Doubtless there are other matters in which the Bill would have benefited from a more immediate and a less remote approach to transport problems. It remains to be seen whether its concluding stages will yet afford an opportunity for more careful consideration of the Commission's organisation, its operations, and its charges, or whether an attempt will be made to enact the Bill with the same frantic and dangerous rush that has characterised the Committee stage.

India's Economic Transition

IT is perhaps inevitable that the problems of India's future should be discussed exclusively—or almost exclusively—in a political setting. But the neglect, if long continued, of the economic aspects of the impending constitutional changes may bring eventually a sorry retribution. Inevitably, they will add a heavy burden of new responsibilities to economic problems which are already oppressive. The war has so changed the shape of India's economy, and, even more important, has generated so marked an impetus to further change, that the process of post-war transition and reconstruction was bound to be particularly difficult even without the superimposed and as yet imponderable economic complications from political change.

It is obviously too soon, and might in any case be politically unwise, to try to discern the nature of these complications; but the problems inherent in the post-war transition itself merit closer attention than they have yet received. On the wider

issue, one guess alone seems permissible. Upon external economic policy, which is naturally the aspect that most closely concerns Britain, it seems that India's government of 1948 will certainly take care to demonstrate its complete autonomy in all matters, even to the extent of severing traditional (and entirely voluntary) links. But much that may be done will be for the sake of appearances only; India's interests, as responsible opinion is well aware, require that any changes in the pattern of commercial and financial relationships, at all events in the short run, shall be more apparent than real. Two straws recently show the direction of the wind. India's new Exchange Regulation Act, which closely resembles and serves broadly the same purpose as Mr Dalton's Exchange Control Act, puts sterling formally in the same position as any other "foreign" exchange: but executive orders under the Act will ensure in fact the virtual maintenance of the mechanics of the present system—subject to such modification as result from the eventual

settlement of the sterling balances and the "freeing" of sterling under the Anglo-American Loan agreement. Secondly, a Government Bill passed through the Legislative Assembly this week, in connection with India's adherence to Bretton Woods, withdraws the legal anchorage of the rupee to sterling, and, in conformity with the International Monetary Fund Agreement, anchors it instead to gold, with the Reserve Bank empowered to hold other currencies than sterling. This means that, if sterling's IMF parity were to be altered, there would be no automatic, and legally obligatory, similar movement of the rupee; but the legal change will not alter the strength of the natural links.

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What, now, of the problems of the post-war transition? Some of them have already passed from the plane of discussion to that of policy: problems of exchange rates, sterling balances and international trade have all become issues on which policy must be framed and decisions taken. They must be visualised against the wartime background. The principal legacies of war in India's economy are now fairly well known. First, a huge governmental expenditure, especially British government expenditure, generated a large rise in the national income in an economy starved of imported consumers' goods and lacking any highly organised tax system or fiscal discipline. The result was a substantial inflation, the extent of which may be gauged from the fact that between 1939 and 1945, as Table I shows,

TABLE I—WAR-TIME INFLATION: MONETARY INDICATORS

	Wholesale Prices	Note Circulation†	Bank Deposits: Scheduled Banks		Bank Clearings: \$ Monthly Average
	General Index	Lakhs of Rs.	No. of Reporting Banks	Lakhs of Rs.	Lakhs of Rs.
1938-39.....	100*	18,910	55	23,783	15,776
1939-40.....	125.6	23,855	59	24,568	18,511
1940-41.....	114.8	25,766	63	26,528	16,919
1941-42.....	137.0	41,006	59	31,896	21,460
1942-43.....	171.0	64,358	61	41,049	23,464
1943-44.....	236.5	88,249	75	59,941	35,679
1944-45.....	244.2	108,488	84	77,892	43,994
1945-46.....	244.9	121,877	91	91,405	51,004
Nov., 1945.....	243.6	117,637	91	93,758	48,261
Nov., 1946.....	296.1	120,098	96	108,289	54,103

* Last week of August, 1939=100.

† At end of period.

\$ Bombay, Calcutta, Cawnpore, Delhi, Karachi, Lahore, Madras.

wholesale prices rose by 150 per cent while the note issue showed almost a sixfold increase. Moreover, even since the end of the war, despite the rapid reduction in governmental outlays, inflationary conditions have persisted: prices, note issues, and bank clearings all tended to rise further during 1946. On the external side, one of the most striking results of the war was the translation of India from a debtor to a creditor country—a creditor with upwards of £1,200 million of sterling assets, despite the repatriation of some £300 million (almost the whole) of its external debt. Thirdly, large-scale war production and defence works greatly hastened the process of industrialisation. Table II gives some indication of the effects of this movement upon purely civil supplies and basic industrial materials. These three major developments condition future economic policy, which, to fill the void created by the cessation of war orders and to meet the aspirations which war-time activity generated, is largely based on an extensive programme of reconstruction and further industrialisation designed to effect far-reaching changes in the Indian economy.

The war-time inflation naturally gave rise to discussion of a possible devaluation of the rupee. Indian prices and incomes, it has been argued, are now out of line with those abroad and must be readjusted, but readjustment through deflation would involve hardship. On this view, which still finds much support in Congress circles, devaluation would be the only practicable means of achieving the realignment, because deflation would

cut into the profit margins of industry and agriculture. Given the desirability of fixing exchange rates now at a level justified by current economic conditions so that disturbing changes may not later become necessary, the case for devaluation has no doubt a certain force. But the argument minimises some factors of great importance in the present situation. First is the likelihood that devaluation might cause further inflation, mainly, but not wholly, for psychological reasons. As there already exists a massive inflationary potential, largely in the form of hoarded notes, it would be at least imprudent to take any action which might energise it. It can hardly be doubted that devaluation now would have this effect, stimulating the inflationary forces already in existence and transmitting to the Indian economy in an intensified form the rising trend of world prices. At a time of hunger for goods, the mere threat of an increase in rupee import prices might have sharp repercussions. Secondly, as so many other countries have lately discovered, the argument for devaluation is in any case somewhat academic. It disregards the facts of worldwide scarcity, by assuming that imports and exports will readily respond to alterations of exchange rates. Under present conditions, the course of trade is governed hardly at all by such changes: the volume of imports and exports is limited by supply factors while demand is so urgent as to be highly inelastic. Thus if India needs food imports (as it does) they must be procured—up to the limits of what can be spared by producing areas or allotted under allocation machinery—under Government arrangements or otherwise, more or less irrespective of price. If Indian textile factories require to be re-equipped (as they do), their re-equipment will be determined mainly by the pace at which Britain or America can produce the plant. Similarly, on the export side, it cannot be said that there is at present any restriction of overseas markets which calls for a reduction of export prices. To take only three examples, the demand for Indian products such as jute, tea and oilseeds is even now largely unsatisfied.

The question as an issue in practical politics appears to have been settled, at least for the present, by the decision to retain the former parity which has been duly notified to the IMF. In the light of this decision an attempt may be made to consider the probable future trend of the balance of payments. During the middle years of the war the favourable trade balance increased considerably, largely owing to restriction of imports, but since 1944 it has been much smaller. The extent to which

TABLE II—WAR-TIME GROWTH OF INDUSTRIAL PRODUCTION

	1938-39	1940-41	1941-42	1942-43	1943-44	1944-45
Cotton piecegoods—						
Million yards	4,268	4,269	4,493	4,109	4,870	4,728
Pig-iron.....'000 tons	1,578	1,961	2,015	1,804	1,688	1,300
Steel ingots....."	978	1,285	1,363	1,299	1,366	1,253
Finished steel....."	932	1,245	1,357	1,253	1,353	1,268
Cement....."	1,500	1,721	...	2,183	2,112	2,044
Heavy chemicals.....'000 cwts.	512	778	...	813	848	778
Petrol.....'000 gals.	20,000	24,116	...	28,617	29,257	30,611
Paper.....tons	60,000	88,000	...	91,000	88,000	100,000
Paints.....'000 cwts.	677	805	...	991	1,150	1,129
Rectified and dematured spirits						
'000 gals.	2,656	3,423	...	3,445	3,801	...
Electricity generated—						
million units	1939-40 2,189	2,453	2,828	2,855	3,126	3,426

Source: Reserve Bank of India Bulletin.

imports and exports have been controlled under war regulations and distorted by movements of war supplies makes the figures of little direct value for assessing future trends. Any quantitative estimate of trade during the next few years must necessarily be speculative, but the probable developments can be indicated

in general terms. On the one hand, while export prices may fall below present levels, it is not likely that the volume of exports will increase. If the domestic programme is even moderately successful, the export surplus will continue to be limited by the needs of a growing population for food, clothing and other articles, while industrialisation on the scale contemplated should not only raise the standard of living—that, of course, is its primary object—but will also absorb goods formerly exported. Another factor which may become important in this connection is the future of India's competitive position in some of the markets opened up during the war. On the other hand, when the supply position permits, a larger volume of imports is probable in order to meet demands for consumption goods and much heavier requirements than formerly of capital goods and raw materials. A recent unofficial but detailed estimate anticipates a large increase in all these classes of imports during the next few years and a substantial deficit in the balance of trade. If, in addition, imports of gold and silver were resumed on a large scale, the adverse trade balance would be even greater; but that consideration may dictate retention of the recently-imposed ban on such imports.

As against this, some assistance may come from the invisible items in the balance of payments. Though the nature of the eventual settlement of the sterling balances is still uncertain, it can reasonably be assumed that it will provide for some release of balances to meet India's needs for imports (not all of which the United Kingdom may be able to supply) and for the establishment of a residual balance on which interest will be payable during an extended period of amortisation. More doubt attaches to other possible terms such as funding Indian Government pensions charges payable overseas and the purchase of British investments in India. (As regards the latter, it may be noted that although the liquidation of the Argentine sterling balances by taking over the railways offers a natural parallel, there is in India no such conveniently homogeneous block of investments available for offsetting purposes, and in any case the Indian balances far exceed those held by Argentina.) An agreement might therefore permit a certain increase in imports and provide a modest annual invisible credit in interest and amortisation. On the whole, it appears likely that the total of invisible debit items still payable in the immediate future and for the next few years will exceed the invisible credits.

If these estimates are realised and there is a deficit on both the visible and invisible account, it will be necessary to draw on available overseas assets and perhaps also to have recourse to the International Monetary Fund. The Governor of the Reserve Bank possibly envisaged such developments when he referred last year to the desirability of aiming at an import

surplus as helping to liquidate sterling balances, and to the advantage of being able to obtain assistance from the International Monetary Fund "during periods of adjustment." And Mr Joshi, India's executive director on the IMF, has already given warning to his co-directors that India's quota of \$400 million may be inadequate for its requirements, and has reserved the right to ask for an increase. A good deal, in this context, will obviously depend on the nature of the sterling balances settlement.

Much will depend, too, on the shape of India's trade policy still to be precisely defined. Participation in the proposed International Trade Organisation is considered expedient since India, as a creditor nation with claims to liquidate, may benefit from multilateralism and an expansion of world trade. But there is less enthusiasm for proposals aiming at a reduction in tariffs. On this aspect of trade policy, the Indian view is that an undeveloped country with a programme of industrialisation cannot be ranked with fully industrialised nations, that tariff negotiations must take account of this fact, and that protective measures are necessary for industrial development and the prevention of dumping. The task of reconciling these views with the United States proposals will not be easy, especially as the Indian Government is not only committed to a policy of economic nationalism but derives much support from Indian industrialists likely to oppose tariff reductions. As the United States is keenly interested in the future of the Indian market, this may give rise to a certain conflict of interests, the outcome of which is hard to see.

No details of any comprehensive policy to meet the complexities of these many conflicting interests have yet been revealed, perhaps have not yet been decided. The difficulties involved are formidable, and it will need more than dexterity to solve them. But in one fundamental sense the long-run interests of Britain and India are complementary, and therein the way to solution may be found when the mists of politics clear sufficiently to enable India's future rulers to perceive it. It is demonstrably impossible for Britain to release any large proportion of the accumulated sterling for expenditure in dollars, and it is only in America that large supplies are now prospectively available. But India, even given political tranquility, will find that, for sheer administrative reasons, it is almost equally impossible for her to industrialise very rapidly. To finance the necessary capital imports, it must in any case rely upon accumulated reserves rather than upon hopes of a large current export surplus. Hence India's best course will be to try to keep the pace of industrialisation more or less in step with the pace at which Britain can produce a surplus of capital goods for export—which is, in turn, the pace at which the residual sterling balances might be released.

Business Notes

Before the Budget

It would be unfair, and perhaps unwise, to take too seriously the further reaction in gilt-edged prices and many industrial equity shares which has occurred this week. The combination of the Budget, the Easter holiday and the tail-end of the long account is sufficient to explain the manifest lack of support in most sections of the market. But this has meant, as in recent weeks, that a relatively small volume of stock pressed for sale has exerted a disproportionate effect on prices. Such a reaction was particularly evident in the gilt-edged market, where the slow convalescence of the last week or two has given way to the March malaise. Indeed, on Wednesday the prices of the undated securities fell by as much as $\frac{1}{2}$, and Treasury 2½s were again down to 95 and further falls of a quarter of a point occurred on the following day. The relatively limited capacity of the market is, however, now stretched to the point at which it has virtually no resilience—and its elasticity has been further impaired this week by the fact that some significant selling of the shorts took up most of the immediately available slack in the discount market.

The review of the cheap money policy which Mr Dalton has promised in his Budget speech will have to be convincing if it is to put an end to the persistent weakness of gilt-edged stocks. His proclaimed 2½ per cent basis for long-term issues is being preserved on 2½ per cent Savings Bonds, 1964-67, but not with any display of conviction. And Budget uncertainties, coupled with the doubts about industrial recovery and the parsimonious summer coal allocation continue to unsettle the industrial equity list. Tobacco and brewery shares have discounted the possibility of increased indirect taxation—in some cases possibly to excess, unless the Chancellor decides to impose such swingeing increases in taxation that demand will be curtailed; if his policy is relatively moderate—which seems more likely—it may well be that the consequences of increased taxation on beer and tobacco will be less serious, in terms of producers' profits, than the market is at present disposed to think.

Sir Stafford's Easter Offering

At his second press conference before Easter, Sir Stafford Cripps had three main topics—the functions of the Chief Planner; the coal target; and the review of the export programme to draw off manufactured goods which are urgently needed for industrial recovery at home. One swallow does not make a summer, and a recovery in the trend of coal employment and output is not conclusive evidence at this stage that the coal crisis is solving itself. The number in the industry had grown to 705,640 by March 22nd—an increase of 14,000 since the beginning of the year, of which nearly half are ex-miners returning from other industries. These figures include no Poles. As for juveniles, the recent rate of recruitment has been double that of a year ago, but the raising of the school-leaving age will reduce the intake for at least a year.

Sir Stafford was entitled to claim that the outlook on the coal front is continuing to improve. He should, therefore, be the reader to make a quick improvement in industry's summer coal budget on the lines discussed on page 508 of last week's issue of *The Economist*. Given a weekly output per man of 5.2 tons (the February figure) the present manpower would produce approximately 190 million tons of coal, so that a further increase in manpower and in productivity is required if the "indispensable minimum" of 200 million tons is to be reached this year. But these are the astronomical targets; industry's present concern is with its dole of coal under the revised austerity allocations. The Government, understandably crisis-minded still, are distributing an additional 100,000 tons of coal to industry each week up to the end of May. The plans for this new allocation have yet to be announced, and there is, as yet, no detailed knowledge at the factories about how much coal can be expected as a minimum guarantee under the summer budget.

Sir Stafford disclosed that the Government have reviewed "the whole situation in the field of generating plant" with the manufacturers. Standardisation, high priority for steel, and the smoother provision of components and supplies were presumably some of the questions under review. The export programme is being re-examined "to see if anything useful can be done

there to help the home situation"—a wide phrase which opens the door to Sir Stafford's wrong-headed critics and may react on the success of the export drive. Taking agricultural machinery, on which a six-weeks' stop of exports has been imposed, as an example, it is surely inevitable that machinery for seed-sowing—which is urgently needed at this moment—is unlikely to get to the British farmer in time. If it did, he would still require more labour to use it to the best advantage. As it is, British agriculture is already one of the most highly mechanised in the world, and the farmer will prefer to get through this belated seed-time by his own energy and resource, without waiting for machinery diverted from the export trade, which might be invaluable within a matter of days, but is more likely to be a matter of weeks in delivery. A similar examination of the locomotive and rolling stock position might also help, if it is carried out in good time before the winter transport crisis is upon the country. Here again, it would be dubious policy to divert any great proportion of output from the export trade so long as a single austerity locomotive or freight wagon remains unrepaired.

Coals from America

In 1938 total exports of coal, anthracite and coke from the United States amounted to 11.7 million tons, of which Europe took a mere 27,349 tons; last year total exports amounted to 43.9 million tons, despite coal and transport strikes, of which Europe absorbed nearly 17 million tons. These figures graphically illustrate the far-reaching changes which have occurred in the world coal situation as a result of the war. Indeed, they underestimate the recent rate of exports, which since last summer have averaged 2,000,000 tons a month, and last July, reached 2,400,000 tons. The United States has raised the sights on coal exports to Europe to 2,601,000 tons for each month of the second quarter of this year, and will attempt to ship 3,000,000 tons a month in the third quarter.

These figures have relevance to arguments that Britain should seek to obtain coal supplies from the United States. According to American sources, Britain has asked the European Coal Commission to increase the third quarter shipping allocation of United States coal to Europe to 3,000,000 tons per month so that part of the British requirements can be filled from the United States. According to Mr Shinwell, in last week's debate on the adjournment, there is little likelihood that this third quarter increase in American shipments will be secured, owing to shortage of wagons in the United States. If additional supplies are provided to Europe, their allocation will be a matter for the European Coal Organisation, made by mutual agreement between the coal-importing countries under American supervision. There is no prospect that Britain would be able to obtain direct supplies. In an elusive phrase, Mr Shinwell suggested that the Government "were not unmindful of the possibility of other arrangements being made if there were new developments," but he refused to enlarge on this cryptic statement.

Even assuming that an amount of 400,000 tons a month is made available to Britain through the ECO during the third quarter of this year—and at the moment this is far from certain—it would provide a useful addition to winter stocks, rather than a comfortable safety margin. One and a quarter million tons would have saved the situation in February, but the Cripps coal budget proposes that Britain should make next winter's coal supplies safe through its own exertions, coupled with a savage reduction in industrial supplies this summer. These supplies, particularly in the light of Mr Shinwell's admission that the Government does not know whether the five-day week, which begins next month, will have an adverse effect on production, are the urgent element in the coal problem. Plainly, it would be folly to gamble on the chance of any substantial import of coal from the United States this year. But equally it would be folly to prevent industry from restoring its full rate of output as soon as coal output permits, even if that does entail some element of risk for next winter.

The Canadian Dollar

Canada's re-imposition, as from the beginning of this week, of war-time controls on the use of US dollars, has naturally brought into sharper focus the recent rumours that last summer's appreciation of the Canadian dollar to parity with the US

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dollar may need to be reversed. It would be unwise at this stage to try to forecast whether a change will in fact be made, though there is little doubt that devaluation must be among the various possibilities which the Canadian authorities are now studying as a means of meeting the immediate exchange problem. Certainly, it is an intractable problem, which in important respects resembles that of Britain—namely, the problem created by buying in terms of hard currencies and selling mainly in soft. Canada's upward revaluation of her currency last summer was made rather in spite of, than because of, her exchange situation. It was primarily a means of protecting the successful war-time policy of internal price stabilisation from the menace of rapidly rising US prices, and was presumably based on the assumption that the large war-time accumulation of gold and US dollar reserves would comfortably suffice to meet the strain of heavy imports from America until exports once again began to produce an adequate revenue in hard currency. But informed opinion had all along feared that maintenance of a high level of domestic employment would impose a heavy strain upon the balance of payments. Evidently the stresses of the past twelve months have been at least as great as had been feared; and they have naturally been accentuated by the high level of American prices. In addition, the widespread belief that the appreciation of the exchange last summer was a rather rash move has produced a perceptible and growing speculative pressure. Though no recent figures are available, there is no doubt that US dollar reserves are now far below the \$1,508 million peak reached end-1945.

The new regulations, it seems, are designed rather to check the speculative movement and to prevent any seepage of Canadian capital than to impose any restraint upon current business or upon the normal movement of Canadians to and from the United States. In future, exchange permits must be sought even for travel remittances of less than US \$100 which formerly could be obtained without any application to the Control; the US dollars unexpended at the end of each trip must be resold to the Control. In view of the speculative pressures, it may be impossible for the Canadian authorities to determine their policy solely by reference to current economic factors. So long as the two dollars remain at parity, there may always be some who envisage a depreciation of the Canadian. But, this consideration apart, it is very questionable whether depreciation would provide any perceptible relief—just as it is questionable whether the appreciation of last summer has, speculation apart, intensified the strain. Obviously, depreciation at this stage would do little or nothing to stimulate Canadian exports; and, similarly, in conditions of scarcity and a high level of employment, it would be unreasonable to expect the inflow of American goods to be significantly diminished simply by making them 10 per cent dearer. Whether the Canadian dollar is devalued or not, the fundamental dilemma will remain. Canada obviously could not, even if she wished, quickly re-orientate her economy so as to concentrate her purchases in the areas where she sells. She must therefore face a continued strain so long as domestic employment is well maintained; and, like Britain, can only hope that her dollar resources will hold out until the hoped-for stream of US lendings to the soft currency areas makes export proceeds once more convertible into hard currency.

Anglo-Spanish Money Pact

The Anglo-Spanish Monetary Agreement which came into force last Tuesday adds a final link to the chain of monetary agreements which Britain forged with the countries of Western Europe in 1945-46. The Agreement follows closely the pattern of its predecessors, the only noteworthy differences being that it is to run for a period of two years (instead of the three- and five-year terms arranged previously), and that the basic reciprocal limit up to which each country is willing to hold the other's currency is fixed at £2,000,000. Though the Agreement is in the customary reciprocal form, it is in fact Spain which will be the creditor; and, as in the Swiss Agreement, it is provided that the basic limit to the accumulation of sterling will be increased by an additional sum "determined in the light of the estimated balance of payments between the sterling area and the Spanish monetary area." The total which may thus be accumulated will depend very largely upon the extent to which Britain is able to release supplies for export; but, in any case, the net balance will be subject to considerable seasonal variations. During the peak of the fruit moving season it may well amount to £10 to £12 million, even if British exports reach expectations, but the net balance on the full year's trading is likely to be substantially less than this. But, whether the balance is large or small, the Agree-

ment means that Britain's important supplies of potash, iron ore and pyrites, quite apart from oranges, bananas, tomatoes, dried fruit and fruit pulp, will be assured even if British exports should be depressed below current expectations.

The Agreement supersedes both the Anglo-Spanish Clearing Agreement of January, 1936, and the wartime Payments Agreement with Spain, both of which have fulfilled the purposes for which they were designed. The sterling which Spain accumulated during the war in payment for a continued export of iron ore, potash and pyrites, and also in consequence of certain British pre-emption purchases, enabled it to liquidate the £8,000,000 of commercial debts previously accumulated on the clearing and also to repay the loan advances of £4½ million made to Spain by the British Government in the early phase of the war. In consequence, no arrears of commercial debts are now outstanding and the Clearing will be wound up.

From the wider standpoint, the significant feature of this Agreement lies in its similarity with earlier agreements, for zero hour for making sterling freely "expendable" under the terms of the Anglo-American Loan Agreement is now only a little more than three months distant. Hence the arrangement with Spain confirms that the main structure of the monetary agreements with Western Europe will endure after July 15th. It will be necessary, however, to make supplementary agreements to provide for the "expendability" obligations. By "expendability" is meant the right of a holder of sterling accruing from a net balance of new current business to spend it for current purposes in any currency area in the world. "Expendability" is thus distinguished from "convertibility" in the sense implied in the Bretton Woods Agreement, whereby a holder of sterling resulting from current trade would have the right to require its conversion into gold or into his own currency. Supplementary agreements of this kind have already been made with Belgium, Holland and Portugal.

Have You Any Wool?

The Wool Study Group which met in London last week appears to have achieved less than had been hoped. The lack of definite proposals will perhaps even relieve the minds of some member countries, and in that respect the Conference will in all probability be considered a signal success. Representatives of some 25 countries, with observers from the United Nations and Food and Agriculture Organisations, conferred for four days and decided nothing. They estimated world production of wool for the current season at 2,905 million lbs. (greasy basis), compared with a total estimated consumption of 3,395 million lbs. This will mean a reduction in world stocks from 5,000 million on June 30, 1946, to about 4,500 million on June 30, 1947. This stock is still alarming in its size, for it represents about a year and a half's normal supply. But the total stock is less important than the composition of its qualities, and in fact it is believed that the larger part consists of poorer types. The decline is stated to have taken place in government held stocks, which at the beginning of the season accounted for 50 per cent of the total. At the end of the season it is estimated that they will be 2,000 million lbs., or 45 per cent. If these figures are correct, it would follow that commercial stocks will remain unchanged throughout the current period, having merely changed in their geographical location. On the face of it, this seems a little difficult to accept. Surely it did not require an international conference to formulate such estimates as these.

The Study Group has invited the participating Governments to consider further the question of special studies on the co-ordination of national wool policies. This massive but innocuous phrase must have pleased the *rapporteurs* considerably. But if problems such as these are in effect to be repeatedly shelved for further consideration, international co-ordination in wool will be no nearer than before, although the Study Group rightly appreciates that the disposal of the world's large stocks of wool presents a formidable problem.

A further complicating factor, however, is the recent Senate Agriculture Committee's approval of the Robertson Wool Bill, by which the Commodity Credit Corporation in the United States will be able to dispose of its wool stockpile of 432 million lbs. at prices in competition with imported wool instead of at parity. But the sales must be handled so as to avoid "disruption of the domestic market." The Bill further directs the CCC to support wool production in the United States in 1947 and 1948 at not less than 90 per cent of the comparable price in January of the year when it is produced, or at the CCC's 1946 support price, whichever is higher. The need for such a measure had, of course,

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been expected for some time, and it is disappointing to find that such measures were not considered by the Study Group, as they are indeed full of international implications.

Much was originally expected of the Study Groups in wool and other raw materials when they were set up last year. Last week's Wool Conference suggests that, faced with real issues of policy, they tend to develop frustrating inhibitions, even to the point of failing to produce information and facts, which is their primary purpose. Or is information on proposals and policies already agreed upon being withheld from public scrutiny?

British Aluminium Problems

An important section of Mr R. W. Cooper's speech at the recent meeting of British Aluminium was occupied by a discussion of the company's trading relations with the Government, which is the sole purchaser and seller of aluminium ingots. The position, said Mr Cooper, is obscure, and it causes the company grave concern. It has, of course, been widely recognised that British Aluminium is receiving a price for its output in excess of that paid by the British Government for Canadian aluminium, under the very large and favourable contract which was made last year. The difference in price is not due to any technical deficiency on the part of British Aluminium—indeed, the chairman claimed that the company's furnace technique is in advance of that in any other part of the world—but largely due to lower costs of power.

Mr Cooper revealed that last year the company had considerable difficulty in negotiating a satisfactory contract, but this year, apparently, the difficulty is even greater, and no contract has yet been completed. The provisional price which is at present paid to the company is below cost of production and "well below the price at which metal can be purchased in any part of the world to-day." Recently, the Government has made an offer which is slightly below the estimated cost of production for this year, but with a string attached by which the company will have to undertake heavy expenditure on a programme of modernisation and re-equipment. In a counter offer, the company has put forward an arrangement which would provide "an extremely low return on the ingot side of the business" and

would involve heavy capital expenditure on assets with an uncertain future.

Neither the exact price of the Canadian contract nor of last year's British Aluminium contract has been disclosed. But it is possible to get some impression of the range between the two figures. The Statistical Digest gives figures of home ingot production, imports, and consumption, and it is known that the price of virgin aluminium was recently increased from £72 15s. to £80 per ton (delivered) to average out the costs of metal purchased at home and abroad. During the second half of last year (that is, after the revaluation of the Canadian dollar) the average import price of aluminium was £66 per ton c.i.f. Imports during the seven months to January last totalled 88,700 tons; home production was 17,920 tons; and home consumption 84,300 tons. Since no stock figures are available, it is necessary to make arbitrary assumption about the cost of the supplies which were made available to consumers at £72 15s. per ton during the seven months. On the visible supplies accruing during that period, it can be calculated that the cost of British ingots was probably of the order of £100 per ton—a little more on the figures above, but possibly a little less if allowance is made for metal purchased at lower prices at earlier dates.

It is therefore important for British Aluminium and its shareholders that the fabricating branches of the concern are at present so well placed. In particular the new rolling mill at Falkirk has been steadily coming into fuller and more efficient operation. As was suggested in a Company Note on the British Aluminium accounts in the *Records and Statistics* supplement of March 29th, it is on this side of the business that favourable profits wholly depend.

Industry's Gilt-Edged Sales

So little information is available about the liquidity habits of the public that the evidence, slender though it is, afforded by the half-yearly analysis of the distribution of bank deposits always merits scrutiny. The latest figures, as at December 31st last, are indeed particularly suggestive. They reveal a violent reversal of the trend of the previous eighteen months, and virtually restore the pattern of the war-time period. Except in the early period of the war the greater part of the increase in "net"

bank deposits accumulated on non-personal accounts, and in the years 1942 to 1944 a quite consistent pattern was established, as the accompanying table shows. Personal deposits rose in each successive half-year, but business deposits declined moderately in the first half of each year and rose strongly in each second half, when they accounted for between 70 and 73 per cent of the aggregate growth. In 1945, however, the pattern was radically altered: "personal deposits" absorbed nearly three-quarters of the year's aggregate increase and business deposits only one-quarter. In the first half of last year the contrast with the war period was slightly less marked; even so, personal deposits absorbed more than half. But now, in the second half

Half-Years	DISTRIBUTION OF "NET" BANK DEPOSITS*	
	Personal Accounts	Non-Personal Accounts
1940; Second.....	7.6	92.4
1941; First.....	7.1	92.9
1941; Second.....	29.5	70.5
1942; First.....	38.4	61.6
1942; Second.....	29.5	70.5
1943; First.....	35.1	64.9
1943; Second.....	28.0	72.0
1944; First.....	37.1	62.9
1944; Second.....	27.4	72.6
1945; First.....	51.3	48.7
1945; Second.....	52.7	47.3
1946; First.....	24.7	75.3
1946; Second.....	24.7	75.3

* After deducting bank advances.

of 1946, personal deposits have dropped even below their war-time proportion and business deposits have absorbed more than three-quarters of the aggregate expansion.

The preponderance of business deposits in the war years obviously reflects the rapid rate of accumulation of liquid reserves in industry as stocks were liquidated, depreciation funds piled up and tax liabilities accrued. Then, in 1945, industry faced not only reconversion outlays as generally understood but also had to carry the burden of overheads as Government contracts were tapered off. As such transitional outlays must have continued throughout 1946, it might have been expected that the pattern of deposits movements would have been similar to that of 1945, for there is certainly no reason to suppose that industry's liquid reserves as a whole have been rising rapidly since the war—and they certainly cannot have been rising at their war-time rate. In the circumstances it seems reasonable to deduce that cash balances have been expanded at the expense of gilt-edged holdings, which suggests that the resistance to the cheaper money drive was by no means confined to the personal investor. In recent weeks, too, there has been a good deal of evidence to suggest that most of the selling of gilt-edged securities has come from industrial holdings. Certainly, the fuel shutdown produced a much smaller demand for bank advances than might have been expected—presumably because the necessary finance was provided by a reduction in investment portfolios.

Colonial Mining Policy

The Government memorandum on colonial mining policy which was reviewed in *The Economist* on November 23rd and December 21st, 1946, has brought a rejoinder from the British Overseas Mining Association to the Colonial Secretary. The Association finds much for praise in the Government memorandum, but, as was to be expected, it puts forward a counter view based on arguments in favour of private exploitation of colonial mining resources.

The Association controverts the statement in the Colonial Secretary's paper that development of minerals in colonial conditions frequently requires considerable Government expenditure by pointing to the extensive surveys and transport facilities provided by private enterprise. This is an argument about past fact; so far as future policy is concerned, it would be quite logical to argue that surveys and transport development should be matters for colonial governments, without any reflection on the part which private enterprise has played in these respects in the past. The Association proceeds to argue that the implication of the Colonial Secretary's memorandum that limited groups of private individuals enjoy too large a share of the proceeds of colonial mining is disproved by the average gross profit of 13 per cent (that is, 13 per cent of gross mining proceeds) on Nigerian, Gold Coast and Northern Rhodesian mining is no more than a reasonable reward for a risky investment in a wasting asset.

The Association appears to support the principle that indigenous populations should be fitted for the higher posts in colonial mining, it asserts that the principle is opposed by local white Trade Unions. But it goes on to say that "it is questionable whether it is wise to train the indigenous population to fit the higher posts in mining if no such posts will be available to them after the mineral in the territory is exhausted." This is surely to assume that the working life of a profitable mine must be short and to take a limited view of future mining prospects in the colonial territories. Are colonial mineral resources likely to experience sudden exhaustion? If not, it is difficult to discern logic in an argument that the training of native technicians might be a waste of time. Again, it may be possible to say in 1947 that "the aim of all mining enterprise which is carried on efficiently is to obtain the largest output of mineral at the minimum cost," but the consumer's experience of restriction schemes before the war would scarcely have borne out this claim. Further, the Association argues that the rights of the British South Africa Company could not be acquired against the will of the Company without committing a clear breach of faith. Yet at one point it criticises royalty payments as an undesirable form of taxation of mining enterprise. Does this argument apply, for example, to the Northern Rhodesian copper companies, which make substantial payments on account of royalties to the Chartered Company? Again, is it quite fair to assume, in the attempt to prove that a large proportion of the gross sale proceeds from minerals is retained in the colonies, that payments for stores and services made are largely retained in the Colonies? The Association agrees with much of the memorandum and has assured the Colonial Secretary of its whole-hearted co-operation with the Colonial Governments. No doubt there are features in the Colonial Secretary's memorandum, particularly in connection with the adventuring of public money and skill in such a risky enterprise as mining, that call for careful examination. On the other side, it must be said that the British Overseas Mining Association does not provide a final answer to some of the points in the memorandum, in particular those dealing with native labour.

Insurance in Argentina

In May last year the Argentine Government promulgated a decree under which a Reinsurance Institute was to be set up. To this Institute all insurance companies operating in Argentina, whether indigenous or foreign owned, were called upon to cede a share of their business. The decree (of which a summary was provided in *The Economist* of June 22nd and June 29th last year) also introduced a sharp increase in the discrimination between Argentine and foreign companies, particularly in taxation; this discrimination was carried to its final conclusion by restricting the transaction of marine insurance on Argentine risks to Argentine companies.

In the ensuing period, the original decree has been substituted by a second draft decree, issued last December, which contains substantially the same provisions and was submitted by the Government to the recent extraordinary session of Congress. But a development has recently occurred which seems to be of particular significance. It is now known that a petition has been submitted to the President of the Chamber of Deputies by a number of independent Argentine insurance companies; these companies, which are free from any form of control by foreign companies, have asked for a postponement of the consideration of the decree, so that they can have an opportunity of submitting to the Chamber of Deputies their reasons for asking for a modification of the proposals. The exact shape of the modifications which the Argentine companies have in mind has not been revealed, nor have they given even a general indication of the reasons which lead them to argue that modifications are necessary. Yet the fact that they have submitted a petition at all may be taken to indicate that the Argentine insurance companies have concluded that the Government's decree may not produce satisfactory results for Argentine companies—nor perhaps for Argentine assured. If this inference is correct, the further developments of the Argentine companies' step will deserve watching with close attention by British insurance offices.

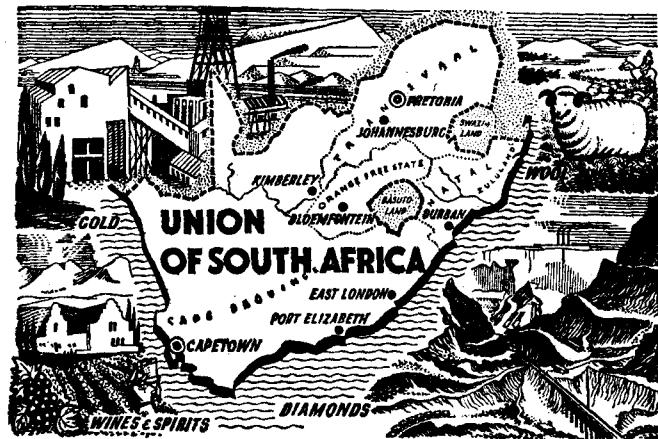
Facts for Budget Eve

It is a pity, however inevitable, that the information given in the annual reports of the Commissioners of Inland Revenue is always published so long in arrears. The latest data in the most recent report, issued a week or so ago, relate to the year



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The Union of South Africa produces large quantities of gold, wool and diamonds, and it is with these commodities that the prosperity of the country is generally associated. There are, however, many other valuable industries, although in some instances their relative importance in the economy of the Union underwent considerable change during the war years. The export of sugar, for example, declined sharply until 1942 when an upward trend developed. Coal exports also rose steeply, as did the export value of wines and spirits, while maize and fruit showed a marked decrease in comparison with the 1939 figures.

As conditions return to normal throughout the world, fresh demands may well cause changes in the relative importance of the industries of the Union. Full and up-to-date information, backed by an intimate knowledge of the country, is available to merchants and manufacturers interested in trade with the Union of South Africa.

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1945-46. But there is here such a wealth of fact for the statistician-minded, and for all who seek to probe the underlying arithmetic of the Chancellor's problems, that a few excerpts are appropriate for Budget eve. Especially intriguing, in view of recent discussion of the possibility of stimulating incentive by distinguishing more sharply between earned and unearned income, is a new table showing the distribution of earned income among surtax-payers in 1944-45. From this the striking fact emerges that nearly one-quarter of all such tax-payers—that is, persons with total taxable incomes exceeding £2,000—earned 90 per cent or more of their incomes; at the other extreme, a similar proportion (actually, 23.7 per cent, compared with 22.9 per cent) earned less than 10 per cent. Of surtax payers with incomes up to £3,000, almost two-thirds earn at least half their incomes, and even if the line is drawn at £10,000 the proportion of taxpayers earning half or more drops only to 57½ per cent. On the other hand, roughly one-third of all surtax paid appears to come from persons with incomes over £20,000, but the amount of income retained net by this group is so small that the scope for differential taxation of high unearned incomes would be insignificant from the revenue-producing standpoint.

In the field of income-tax, the most striking new fact is that in each of the first two years of PAYE roughly 43 per cent of the total yield of income-tax was collected by this means. The more detailed income-tax analyses are not yet available for any later year than 1942-43, but even by that year the yield from a penny in the standard rate had risen to the phenomenal figure of £9,230,000: in 1938-39 it was £5,013,000. By 1945-46—just before Mr Dalton's concessions greatly narrowed the field—the income-tax "region" had grown to 18½ million persons with incomes above the exemption limit, of whom 5 million escaped tax through allowances; the 13½ million actually chargeable with tax contrasted with 3.8 million in 1938-39, when the "region" was 9.8 million.

Among the stamp duty statistics, those relating to transfers of stock exchange securities and stockbrokers' contract notes are of particular interest in the light of recent suggestions of a possible Stock Exchange tax. The yield from transfer duties in 1945-46 was £7,975,000, compared with £5,623,000 in the previous year, with a low point of £2,369,000 in 1940-41, with £4,686,000 in 1938-39, and with £10,359,000 during the rearmament boom activity of 1936-37. Fluctuations in the yield from contract stamps are even more revealing, reflecting as they do the contrast between war-time "cash" dealings and pre-war "Account" and carry-over business. In 1936-37, contract notes yielded £549,000, but had dropped to only £78,000 by 1940-41. By 1945-46, however, the yield had recovered to the level of the last pre-war year, at £246,000.

* * *

Building Wages and Incentives

The Building Unions' claim for an extra sixpence an hour was not granted by the National Joint Council and has gone to arbitration. It is a claim which leaves on one side the controversial issue whether it is desirable and, if so, possible to institute a form of wage payment in the building industry which gives greater recognition to the need for incentive. The tradition of the National Joint Council for the building industry, which has worked successfully since the end of the first world war, has been a flat hourly rate for building tradesmen, and this has assumed almost sanctified recognition in the National Wages Agreement. That is not to say that the national minimum was never exceeded in peacetime. On many pre-war housing estates some form of incentive payment was made, whether by recognition pay, bonus schemes or even the less desirable "grip" system. The objections to piece-work payment cannot be lightly dismissed, for in building quality of output is at least as important as quantity and the unions retain a proper regard for the maintenance of their craft standards. Again, even where in pre-war days it was possible to organise building labour on the site so that additional effort could be recognised by payment related in some way to output, the fairness and attractiveness of such schemes depended on a well-organised flow of materials and competent management.

During the war, however, and since, builders have been required by Defence Regulation 56 AB to pay neither more nor less than the prescribed wage rates. This has meant the end of incentives in peacetime, however much it may have been necessary in wartime to prevent poaching of limited building manpower. The nice calculation of neither more nor less applies

with complete rigidity to local authority building, though it is far less effective in private building. At present, therefore, the unions are eager to maintain the principle of the hourly wage rate and to insist on its application in particular to local authority building. Builders on local authority contracts have of necessity to conform to the standard wage; but there is an increasing fringe of builders and building workers (who are less keen on DR 56 AB than their union officials) who are conniving in its open breach, draining manpower from local authority building and providing a positive encouragement to black market building.

*

The resistance of the building unions, some employers and not a few civil servants to any change in DR 56 AB is the more difficult to understand now that the contracting owners for most of the present house construction are the local authorities. These are in a good position to maintain day-to-day supervision of work on the sites (and thereby prevent any scamping of quality of work), and their total outlay on building schemes is subject to strict scrutiny (thereby preventing any reckless rise in costs).

The objection to local schemes of payment by results, which can be worked out with greater or lesser degree of formality on particular jobs and in particular areas, is therefore greatly weakened by the character of the present housing task. The local authority building programme is now hampered by shortages of materials and by the late start to the building season, and the chance of achieving the target of 240,000 permanent houses this year is certainly dim. There is all the more reason for setting up a common financial interest between the local authorities, contractors and building workers. In other words, Defence Regulation 56 AB, which has long ceased to serve its purpose and is now a positive handicap, should be withdrawn, and flexible systems of payment which offer greater incentive to conscientious effort should be introduced.

* * *

The Significance of Rising Profits

Figures of industrial profits and their distribution between dividends and reserves for the fourth quarter of 1946 are published in this week's issue of the *Records and Statistics* supplement. They show a further increase in gross profits (that is, profits available for interest, dividends and reserves before deduction of Income Tax) for 527 companies whose reports appeared in the last quarter of 1946 to £76,968,000 compared with £69,403,000 in the preceding financial years of the same companies and £62,989,000 three years earlier. Taking the last figure as a datum—it corresponds roughly to profits earned by these companies in 1942-43—the trend has risen steadily from 100 in that year to 110.2 two years later and 122.2 in the latest year. It is clear that some degree of profits inflation is now in train, though it seems moderate enough in extent compared with the inflation of production costs of both raw materials and wages.

At a moment when the ordinary share investor's eyes are fastened on the Budget next Tuesday, to see whether Mr Dalton will impose increased taxation on company profits, it may be pointed out once again that, despite the rising tendency of industrial profits, the increase in ordinary dividends has been kept within very moderate bounds. Whether this degree of moderation will be sufficient to satisfy the Chancellor—who has repeatedly put industry on its good behaviour to stabilise dividends and threatened it with the possible punishment of increased taxation on profits if it fails—is another question. But it should be recorded that while the fourth-quarter companies last year increased their distributable gross profits by over £7½ million, they increased their ordinary dividends by little over £4½ million, and the share of last year's increased profits set aside for free reserves and other forms of savings was raised from 29.2 per cent to 30.3 per cent. Taking a view for the whole of last year, free reserves were credited with 25.6 per cent of distributable profits compared with 24.7 per cent for 1945, while the share going to ordinary dividends was scarcely changed, at 56.6 per cent. The corpus of profits from which these dividends were paid itself increased, and enabled the average rate of ordinary dividend to be modestly raised from 11.2 per cent in 1945 to 12.4 per cent in 1946 on the issued ordinary capital of the companies concerned. This average rate of dividend, of course, takes no account of the effective, as distinct from the issued, capital which produced last year's profits.

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In 1946 representatives of the Company provided service, usually at the homes of the policyholders, in respect of **NINE MILLION POLICIES**, making **190,000** maturity payments totalling **£5,200,000** and paying **£3,000,000** in death claims. In addition, **1,400,000** calls were made to pay National Health Insurance benefits.

Ordinary Branch: A reversionary bonus of **£1%** for each year's premium due and paid in 1946 is declared on with-profit policies.

Industrial Branch: **£850,000** is allocated to increase the benefits of the majority of existing premium-paying policies.

HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong.)

ONE HUNDRED AND THIRTIETH REPORT OF THE BOARD OF DIRECTORS,
SUBMITTED to the Ordinary Yearly General Meeting of Shareholders held at the Offices of the Hongkong & Shanghai Banking Corporation, 1, Queen's Road Central, Hongkong, on Friday, 22nd March, 1947.

To the Shareholders of the HONGKONG AND SHANGHAI BANKING CORPORATION.
The Directors have pleasure in submitting the Profit and Loss Account for the year ended 31st December, 1946, together with the Balance Sheet at that date. The net profit for the year, after making transfers to Provisions for Contingencies out of which accounts provision has been made for Bad and Doubtful Debts and (the estimated amount of the losses arising as a result of war, amounting to £9,092,381. From this sum the Directors recommend the payment of a dividend of 2½ per cent on the paid-up capital, the rate of the day, will amount to £7,760,842, leaving a balance of £1,841,861 to be carried forward to next year.

The Directors have considered it necessary to transfer a sum of £1,126,000 from Reserve Fund to add to Provisions for Contingencies in respect of War Losses. The Hongkong Dollar figures shown on the Balance Sheet have been converted into Sterling at 1/2 27/32d., the rate ruling on the last day of the year. The Hongkong Dollar figures shown on the Balance Sheet have been converted into Sterling at 1/2 27/32d., the rate ruling on the last day of the year. The Hongkong Dollar figures shown on the Balance Sheet have been converted into Sterling at 1/2 27/32d., the rate ruling on the last day of the year.

BALANCE SHEET at 31st December, 1946.			
Share Capital—			
Authorised and Issued:			
100,000 Shares of HK\$125 each fully paid	HK\$ 20,000,000	£1,236,979	
Reserve Liability of Members—			
100,000 shares at HK\$ 125 per Share	HK\$ 20,000,000		
Reserve Fund—			
Balance at 31st December, 1945	HK\$ 115,200,000		
Less Amount transferred to Provision for Contingencies in respect of losses arising as a result of war	18,169,474	87,010,928	6,000,000
		1,841,861	113,917
Profit and Loss Account—			
HONGKONG CURRENCY NOTES IN CIRCULATION—			
Authorised Note Issue against Securities deposited with the Crown Agents for the Colonies	HK\$ 48,000,000		
Excess Note Issue against Hongkong Government Certificates of Indebtedness	370,092,698	416,092,086	25,734,562
Current, Deposit and Other Accounts, including Provisions for Bad and Doubtful Debts and Contingencies	HK\$ 1,308,167,036	1,815,917,878	93,707,942
Proposed Dividend in respect of year ended 31st December, 1946	7,760,842		
	HK\$ 2,050,862,381	£126,843,700	
Cash at Bankers and in Hand	HK\$ 204,231,320	£12,842,429	
Hongkong Government Certificates of Indebtedness	370,420,862	22,910,145	
Money at Call and Short Notice	273,361,903	16,900,564	
Bills Receivable	67,007,744	3,581,534	
Investments—			
British Government Securities	HK\$ 355,140,080		
Dominion Colonial and other Securities	190,365,208	851,405,288	34,109,400
Investments in Subsidiary Companies—			
Trustee and Nominee Companies at Hongkong and London		1,000,000	86,928
Advances to Customers and Other Accounts, including Accounts still subject to Mortgages		484,187,128	29,846,459
Balance of Remittances less Drafts and other items in transit		28,009,928	1,737,747
Bank Premises at cost less amounts written off		19,961,478	1,216,042
	HK\$ 2,050,862,381	£126,843,700	

(Hongkong Dollars have been converted into Sterling at 1/2 27/32d.)

A. MORSE, Chief Manager. G. MISKIN, C. C. ROBERTS, N. O. C. MARSH } Directors.
J. A. D. MORRISON, Chief Accountant.

NOTES: 1. There are contingent liabilities in respect of bills re-discounted, confirmed credits, guarantees given and forward contracts for the purchase and sale of foreign exchange.
2. Balances in currencies in respect of which an official rate of exchange existed at 31st December, 1946, have been converted at approximately the official rate; balances in currencies in respect of which no official rate of exchange existed have been converted at approximately the bank rate ruling at 31st December, 1946, or the rate officially quoted prior to that date.

REPORT OF THE AUDITORS TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION.
We have examined the above Balance Sheet with the Books of the Corporation kept in Hongkong, with the audited accounts of the London Office and with the returns received from the other Offices which have been certified by the Branch Managers. In the case of certain offices, which have not yet been re-opened, the figures included in the above Balance Sheet are as shown by the last returns received in Hongkong. Subject to the above observations we have obtained all the information and explanations we have required and in our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs according to the best of our information and the explanations given to us and as shown by the books kept in Hongkong and by the returns from the other Offices.
PEAT, MARWICK, MITCHELL & CO. } Auditors.
LOWE, BINGHAM & MATTHEWS } Chartered Accountants.

HONGKONG, 11th March, 1947.			
PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1946.			
To Proposed Dividend of 2½ per cent on the paid-up capital of HK\$ 20,000,000 at 1/2 27/32d.	HK\$ 7,760,842		
4,490,000 at 1/2 27/32d.	1,841,861		
Balance carried forward to next year, as per Balance Sheet	HK\$ 9,602,703		
By Profit arising from current transactions during the year after making transfers to Provisions for Contingencies, out of which accounts provision has been made for Bad and Doubtful Debts and the estimated amount of the losses arising as a result of war	HK\$ 9,602,703		
	HK\$ 9,602,703		

Metropolitan Assented

The position of Metropolitan Assented Stock under the Transport Bill has now been clarified by an announcement by Glyn Mills and Company, the trustees appointed by the Minister of Transport under the London Passenger Transport Act, 1933. The present security for the outstanding £6,540,474 Metropolitan Assented stock consists of £4,414,819 London Passenger Transport "C" stock. Under the Bill, this "C" stock is due to be replaced by British Transport stock worth £2,966,206 at the time of issue. Metropolitan Assented stockholders are entitled to interest at the rate of 3½ per cent until December 31, 1948, and thereafter until December 31, 1958, at 3 per cent. To the extent that the income on the "C" stock might be insufficient to meet these rates, the four main line railways were originally liable to provide the difference out of the receipts of the London Passenger Pool—a liability which after December, 1939, was borne by the pooled revenues of the controlled undertakings. This liability after the Bill is enacted will fall on the British Transport Commission. Unless the underlying British Transport stock is redeemed before December 3, 1958—a remote contingency—the Trustees will then distribute *pro rata* to Metropolitan Assented stockholders, the only difference being that instead of £67 ros. of London Transport "C" stock a holder of £100 Metropolitan Assented will receive approximately £47 7s. British Transport stock, assuming for the calculation that this stock is issued at par.

Ceylon and the Tea Ration

The Minister of Food issued a warning last week concerning the maintenance of the tea ration. The contract for 150 million lb. of tea which was offered to Ceylon producers has not been fully taken up. The last published figures gave total acceptances so far as just over 91 million lb., leaving a deficit of nearly 60 million lb. Total tea imports for 1946 amounted to 396 million lb., of which 142 million lb. came from Ceylon. Consumption, on the other hand, totalled almost 460 million lb., leaving a deficit which must have been made up from stocks. If Ceylon producers do not agree to send more than 100 million lb. this year, and assuming that supplies from other sources (mainly India) are at last year's level, then, if the tea ration is to be maintained, a total drawing on stocks of some 100 million lb. will be unavoidable.

The present level of stocks must be fairly low, if the dock strike in Calcutta which is holding up tea shipments is sufficient to cause concern to Mr Strachey. It is possible that they represent less than six months' supply and may even be nearer four months'. With such a narrow margin few chances can be taken. But even if this short-term danger is averted and shipments are made good, the long-term position, with its prospective decline of 100 million lb. in stocks during the year, would still be uncomfortable.

The difficulty for Britain is that both Ceylon and India are keen to exploit their position of monopoly sellers. They have recently raised prices and imposed an export duty and they are reluctant to

sell tea under bulk contract to the Ministry of Food when they hope to obtain higher prices at the auctions. Experience in the recent Colombo sales provides no firm evidence as yet whether the Ceylon Government is pursuing the right tactics from its own point of view. But neither Ceylon nor India should complain if after exploiting their sellers' position now, as they have every right to do, the tables are later turned and Britain seeks its own advantage. Their position when the food situation improves and Britain becomes their sole market may not be so agreeable. And it is in their long-term interest to encourage greater consumption of tea by methods wholly opposed to the present technique of consumers' ransom.

Rubber in New York and London

Although the United States Administration will control the "end use" of natural and synthetic rubber until March 31, 1948, in order to ensure the position of the synthetic rubber industry, the private import of natural rubber into the United States has now been permitted as from April 1st. The Special Exchange Board has decided, as expected, that the date for re-opening the New York rubber market is to be May 1st. The resumption of private dealing in New York should broaden the London and Singapore futures markets; London dealers, under Bank of England authority, will be able to carry on arbitrage operations with both centres.

In London, rubber prices are on balance a little firmer, partly in sympathy with the effect of modest private purchases on American account in Singapore. Shortage of spot rubber persists, and the quotation of 1s. 2½d. to 1s. 2½d. per lb. is somewhat nominal. The Board of Trade continues to ask 1s. 3½d. per lb. for its small stocks. In order to free the market the minimum deposit for non-members of the London Rubber Exchange has been reduced from £15 per ton to £5; the fortnightly settlement is providing an effective check on the creation of any undesirable speculative position.

US Consumption of Textile Fibres

Total consumption of textile fibres (cotton, wool, rayon and silk) in the United States reached a very high level during 1946 and according to *Rayon Organon* amounted to 6,475 million lb. This shows an increase of over 500 million lb. on 1945 and about 100 million lb. above the five-year average of 1941-45. Consumption last year was some 50 per cent above the pre-war level and reflected the urgency of civilian demand and the replenishment of stocks. Furthermore, it reveals the speed at which the American textile industry has been able to re-adjust itself to peacetime requirements. Cotton is still the major textile fibre with a consumption of 4,845 million lb., but its position is weakening

(Continued on page 557)

(Continued from page 556)

compared with pre-war as it accounted for only 75 per cent of the total as against over 80 per cent in 1936-40.

Rayon, with an annual consumption of 875 million lb., improved its position as the second most important fibre and accounted for 13½ per cent of total consumption. Continuous filament yarn showed a proportionately greater increase on 1945 than staple fibre and totalled 666 million lb. The consumption of cellulose by the US rayon industry in 1946 amounted to 426,000 short tons compared with 400,000 short tons in the previous year; of this total, wood pulp provided 321,000 short tons of 75 per cent. According to the US Pulp Producers' Association, the available supply of dissolving pulp in 1946 was estimated at slightly over 490,000 tons; thus the American rayon industry took two-thirds of available supplies, leaving only 169,000

US TEXTILE FIBRE CONSUMPTION
(in millions of lbs.)

	Cotton	Rayon	Wool	Silk	Total
1936-40 Average...	5,525.9	379.5	375.8	49.2	6,330.4
1941-45	5,078.7	668.7	633.2	6.2	6,386.8
1945	4,508.2	769.9	648.2	0.5	5,926.8
1946	4,844.9	875.4	748.4	6.3	6,475.0

tons for the manufacture of such goods as plastics and cellophane. The rayon industry's consumption of 105,000 short tons of cotton linters has been estimated to represent one half of the total linter supplies.

American wool consumption in 1946 reached a new high level of 748 million lb. (scoured basis). This figure is almost double the pre-war average. Apparel wool consumption totalled 620 million lb. (scoured basis), which broke all previous records, but 82 per cent of this total was provided by foreign wools and only 18 per cent by wools of US origin. The consumption of carpet wool reached 128 million lb., the second highest on record. Imports of raw wool into the United States during 1946 also broke all records, amounting to 1,074 million lb. (actual weight). Supplies came mainly from Argentina, Australia, New Zealand, United Kingdom (Joint Organisation's stock) and Uruguay. End-of-year commercial stocks of raw wool are estimated at 540 million

lb. (scoured basis), of which 438 million lb. were apparel type (274 million lb. domestic origin and 164 million lb. foreign).

During 1946 raw silk returned to the American civilian market for the first time since 1941, but consumption which totalled some 6 million lb. was well below the pre-war level. With the resumption of trade with the Far East, however, a more rapid expansion of silk consumption is expected this year.

Shorter Notes

Priorities for steel supplies in 1947 have been fixed for six classes: electricity generating plant for suppliers of current; machinery for coal production; plant for gas undertakings; equipment for conversion of plants from coal to oil-firing; railway equipment, including goods locomotives, coal wagons and rails; and atomic energy development. No individual or total steel consumption targets have been fixed for these priority groups. Priority for exports is under discussion.

What may prove to be the last dividend on Stock Exchange shares has been declared this week. The payment is £5, making £8 for the year to March 25th, which is the highest total since £12 ros. was paid for 1938-39 and compares with £5 paid for 1945-46. Profits have risen by £175,147 to £359,783. The £8 rate is equivalent to that which would be drawn from the proposed 4 per cent annuities, which are to be allotted in the proportion of two annuities for each share of £36 paid when the financial reconstruction scheme, which has already been given general approval, is completed.

According to London metal dealers, the Dutch domestic selling price of tin has been raised from 410 guilders to 472 guilders per 100 kilos delivered from works. This is equivalent to just under £450 per ton. In the United States, the Reconstruction Finance Corporation raised the price of tin by 10 cents to 80 cents a lb. for April delivery. This is due to the new contract price recently agreed with the Bolivian producers. The new American price is equivalent to about £445 per ton, compared with the British price of £437 per ton.

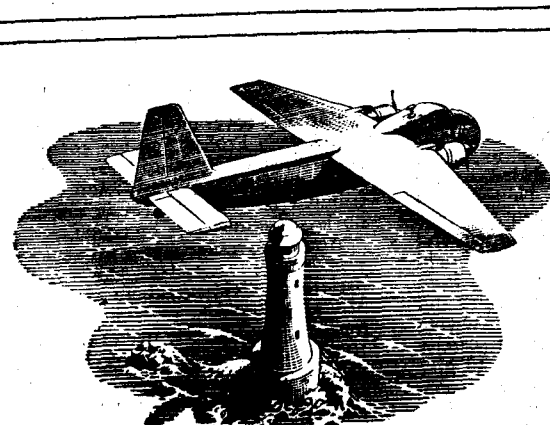
SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Harrods; Cammell Laird; Colvilles; Godfrey Phillips; Hadfields; Cunard.

Prices, Jan. 1-Apr. 9, 1947		Name of Security	Price, April 1, 1947	Price, Apr. 9, 1947	Net Yield,* Apr. 9, 1947	Gross Yield,* Apr. 9, 1947	Prices, Jan. 1-Apr. 9, 1947		Last Two Dividends	Name of Security	Price, April 1, 1947	Price, Apr. 9, 1947	Yield, Apr. 9, 1947			
High	Low						High	Low						(a)	(b)	(c)
Other Securities																
103½	101½	Conversion 3½, March 1, 1948-53....	101½	101½	£ s. d.	£ s. d.	113½	106½	% (d)	Australia 3½, 1965-69.....	108½	109	£ s. d.			
103½	101½	War Bonds 2½, August 1, 1949-51....	102½	102½	0 .. 8	1 10 8	105½	99½	% (d)	Birmingham 2½, 1966-71....	100	100	2 10 3			
102½	100½	Exchequer Bonds 1½, Feb. 15, 1950....	101½	101½	0 16 8	2 10 8	102½	100½	% (d)	Argentine 3½, 1972.....	101½	101½	3 8 0			
105	101½	War Bonds 2½, March 1, 1951-53....	103½	103½	0 11 4	1 7 10	137½	122½	40 c	Anglo-American Corp. 10s....	131½	132½	3 15 6			
105½	101½	War Bonds 2½, March 1, 1952-54....	102½	102½	0 12 4	1 15 1	151½	118½	15 b	Anglo-Italian Oil £1.....	142½	142½	2 16 0			
105½	101½	War Bonds 2½, March 1, 1952-54....	102½	102½	0 16 7	1 19 4	71/-	61½	10 c	Assoc. Port. Cem. Ord. Stk. £1	64/-	64/-	3 2 6			
106	103	Funding 2½, June 15, 1952-57.....	104½	104½	0 14 5	2 0 3	42/-	37/-	25 c	Austin Motor A Ord. Stk. £s.	37½	37½	5 6 8			
108½	103½	National Def. 3½, July 15, 1954-58....	105½	105½	0 14 5	2 0 3	95½	79½	7 a	Barclays Bank Ord. "B" £1	86/-	86½	3 4 6			
109½	103½	War Loan 3½, Oct. 15, 1955-59....	105½	105½	0 17 9	2 4 11	243½	197½	15 a	Bass Ratcliffe Ord. £1.....	205½	205½	2 8 6½			
108½	103½	Savings Bonds 3½, Aug. 15, 1955-65....	105½	105½	0 18 10	2 5 0	105½	88½	8 a	British Oxygen Ord. £1.....	98½	98½	4 1 9			
105½	99½	Funding 2½, 1959-61.....	102½	102½	0 19 3	2 6 0	58½	50½	2½ a	Contraids Ord. £1.....	51½	51½	2 17 9			
109½	102½	Funding 3½, 1959-69.....	105½	105½	1 2 2	2 9 4	29½	24½	8 c	Dorman Long Ord. £1.....	27½	27½	3 15 3			
122½	115½	Funding 4½, 1960-90.....	116½	116½	0 17 0	2 9 10	77½	68½	8 c	Dunlop Rubber Ord. £1.....	69½	71½	3 7 6			
110½	103½	Savings Bonds 3½, 1960-70.....	105½	105½	0 17 9	2 4 11	47½	41½	3 a	Imp. Chem. Ind. Ord. Stk. £1	47½	47½	4 5 0			
104½	99½	Savings Bonds 2½, May 1, 1964-67....	100½	100½	1 4 0	2 10 5	49½	40½	7½ c	Lancs. Cotton Ord. Stk. £1	43/-	44½	4 10 0			
123½	115½	Victory Bonds 4½, 1920-76.....	118½	118½	1 0 4	2 12 6	55½	47½	10 c	Lever and Unilever Ord. £1	53/-	53/-	1 17 3			
111½	104½	Savings Bonds 3½, 1965-75.....	106½	106½	1 5 1	2 11 4	77½	62½	10 c	London Brick Ord. Stk. £1	66½	66½	3 15 3			
108½	104½	War Loan 3½ (after Dec. 1, 1952)	106½	106½	0 17 10	2 10 5	84½	78½	(d)	L.M.S. 4½ 1st Pref. Stk.....	80½	80½	4 19 5			
117½	110½	Consols 4½ (after Feb. 1, 1957)	113½	113½	0 16 3	2 10 6	36½	34½	2½ a	N.-Eastn. Elec. Ord. Stk. £1	34½	35½	4 0 0			
115½	107½	Conversion 3½ (after Apr. 1, 1961)	111	110½	1 1 11	2 11 9	58½	47½	12½ b	P.Chin Jenson Ord. Stk. 10s	57½	58½	3 0 6			
110½	93	Treasury Stock 2½ (after 1975).....	95½	95½	1 8 11	2 12 6	39	35	169-58	Prudential "A" £1.....	37½	37½	1 19 3			
110½	102½	Treasury Stock 3½ (after 1966).....	105½	105½	1 6 11	2 13 2	63½	53½	12½ c	Stewarts and Lloyds Def. £1	58½	59½	4 4 3			
117½	107½	Redemption Stock 3½ (1986-96).....	111	111½	1 5 9	2 11 0	107½	93½	13½ b	"Shell" Transp. Ord. Stk. £1	102½	102½	1 4 3½			
99	92½	Consols 2½	95½	94½	1 9 1	2 12 11	147½	118½	10 a	Tube Invest. Ord. Stk. £1	125/-	125/-	3 12 0			
							96½	81½	3½ a	Turner & Newall Ord. Stk. £1	85/-	85½	2 18 3			
							107½	93½	15 a	Woolworth (F. W.) Ord. 5s.	98½	98½	3 11 0			

* To earliest redemption, except £ flat yield and 1 assumed average life 17 years 6 months. Net yields after allowing for tax at 9s. in £.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. † Free of Tax.



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Designed and constructed to provide a wide margin of safety, the "Bristol" Wayfarer has a rugged appearance which creates passenger confidence. It looks dependable and is as dependable as it looks. The Wayfarer offers saloon comfort for up to 36 passengers and can be operated at rates low enough to attract many of those people who have never before travelled by air.

THE BRISTOL AEROPLANE COMPANY LIMITED

"If you ask me,
shortages hit hardest
at the man
who wants the best"



When you find WHITE HORSE WHISKY hard to come by, reflect that its fine-liqueur quality was never finer than it is today.

MAXIMUM PRICES:—Bot. 25/9, 1-Bot. 13/6 as fixed by the Scotch Whisky Association

BANK OF SCOTLAND

POSITION OF LIQUIDITY AND STRENGTH

LORD ELPHINSTONE'S SPEECH

The annual general meeting of the Proprietors of the Bank of Scotland was held within the head office, Edinburgh, on the 1st instant. The Rt. Honourable Lord Elphinstone, K.T., Governor of the bank, presided.

In submitting the directors' report, the chairman said:—For the first time in our long history our balance sheet takes account of liabilities and assets in excess of £100 millions. The expansion of £10 millions in our deposits is in accord with the general experience and is a reflection of the Government's policy of deficit financing. There has been a satisfactory increase in our advances and loans. They are now slightly higher than before the outbreak of war. The figures have been arrived at after making full allowance for bad and doubtful debts—these having been provided for as usual by specific reserves.

With increased funds at our disposal we would welcome applications by credit worthy borrowers and we trust that the latent enterprise in industry and commerce will enable us to utilise a larger proportion of our resources in direct lending for trading purposes.

There has been a relatively small fluctuation in our note circulation which is still more than three times the pre-war total.

As a counterpart to the expansion in available funds investments have been increased by £5,000,000 during the year. The market value of these is substantially in excess of the figure at which they appear in the balance sheet.

BRANCHES REOPENED

The return of staff has enabled us to re-open several branches and sub-branches which were closed temporarily during the war. The amount shown in our books against bank premises represents much less than real value, but we shall have to face considerable expenditure when controls permit of our overtaking arrears of maintenance and reconstruction. Funds have been set aside to cover these potential outlays.

The total of cash, bank balances, documents in transit, and money at call and short notice is 26 per cent. of our liabilities to the public. Adding bills discounted (including Treasury bills), Treasury deposit receipts and investments, we have an aggregate of £92,900,000, which represents 89 per cent. of current liabilities. This you will agree shows a position of liquidity and strength.

The directors have thought it desirable to transfer to the published reserve fund £250,000 from reserves set aside for contingencies during the war which are now no longer required. With a further allocation of £100,000 from the current year's profits, our reserve fund now stands at £2,600,000.

RESULTS FOR THE YEAR

The increase of £35,585 in our net profits—after account is taken of the reduction in income-tax—is modest in relation to the expansion that has taken place in our resources. Operating costs have again increased substantially while on a large proportion of our funds a very low rate of interest is being earned.

The net profits are	£303,215
Add the balance from last year ...	161,133
	464,348

Deduct:—	
To reserve fund	£100,000
Transferred to trustees for officers' pension fund ...	30,000
Transferred to Bank of Scotland widows' fund	10,000
Dividend at 12 per cent. per annum, less income tax	158,400
	298,400

Leaving to be carried forward £165,948

The past year has been one of difficulties and disappointments for all, but it was only to be expected that the process of reversion and rehabilitation would present serious problems and that, in the nature of things, many of the controls and restrictions imposed by the necessities of war-time would have to be continued. The acute shortage in man-power and raw materials rendered that inevitable. This country, having sacrificed most of its vast overseas investments and expended its material resources in prosecuting the war, has been impoverished. It was and still is in an extremely debilitated condition. America and Canada have come to our assistance with large dollar credits, on terms that must, in our present state, be regarded as generous. But even with that assistance—and assuming it is wisely and prudently expended—our financial position in the family of nations is precarious. Not only is our standard of living in jeopardy, our status as a first-class Power is at stake. Unless the true position is realised by our people and all our energies and resources are harnessed to the task that faces us the outlook cannot be other than bleak.

PRESENT SITUATION

In some aspects our present situation is as desperate as that which faced us at the worst period of the war, and if we are to regain our lost position it must be tackled in the same spirit as prevailed then. Honest hard work in all grades of employment, coupled with maximum efficiency in management and direction, are called for, and indeed, should be demanded. A favourable response from all classes would go far towards easing and ultimately resolving our difficulties. Owing to high taxation and the ill effects of scarcity and inflation the temptation to many to give of less than their best is perhaps greater now than ever before. A fundamental need of progress and welfare is a restoration of that high moral standard which in days gone by actuated the majority of the people of this country, but which I regret to think is now less in evidence. A recovery of the pride in doing a good job and in the faithful performance of duties would be of immense value to our nation materially and spiritually.

At this critical juncture the responsibilities and tasks of government are perhaps heavier than at any time in our country's history. Inspired leadership and high statesmanship could, I believe, recreate in our people these qualities and virtues which they seem temporarily to have lost. It is surely not too much to hope that even yet these may be forthcoming!

TRIBUTE TO STAFF

I would take this opportunity to express the thanks of the directors to the executive, management and staff of the bank at head office and branches. Their labours have contributed in no small degree to the highly satisfactory results of the past year.

The report and accounts were adopted.

WILLIAM HOLLINS AND COMPANY, LIMITED

SATISFACTORY RESULTS

The 39th annual ordinary general meeting of William Hollins and Company Limited, was held, on the 28th ultimo, at Nottingham.

Mr Douglas Hamilton (the chairman), in the course of his speech, said: A year ago the British textile industry was looking forward with confidence to a steady emergence from war-time restrictions. To a limited extent our expectations have been justified. Raw wool markets have been freed from control, thus enabling us to replenish our stocks and ensure the maintenance of the high standard of "Viyella," "Clydella," "Dayella," and our other famous brands. In conformity with Government policy as well as in our own long-term interests we have applied all possible effort to the restoration of our export trade, in which we have made considerable progress.

SHORTAGE OF LABOUR

Despite our most strenuous efforts to attract labour and notwithstanding the improved working conditions and hours and higher pay that have been introduced throughout the industry, our total number of operatives is still greatly below our 1939 level. It appears to be usual nowadays to look upon shortage of manpower as an accepted fact; whether that be the case or no, surely it should be the duty of the Government to ensure that whatever manpower is available should be employed to the best possible advantage of the nation as a whole. At the same time, the Government, faced with the gravest economic problems that have ever confronted the nation, should realise that anything which impedes the progress of the basic industries is to be avoided at all costs.

PROFIT AND DIVIDEND

The trading profit amounts to £248,347, compared with £225,006 for the previous year.

I regret that the lion's share of our profits again goes to the Exchequer, £155,000 being required to cover our taxation liability. Now that Excess Profits Tax has come to an end, you will be interested to know that your company, during the years 1939 to 1946 has contributed by way of income tax and E.P.T. no less a sum than £1,453,000.

After providing for taxation, £5,000 for war damage loss and £2,475 in respect of the preference dividend, there remains a balance of £85,872 which, with the amount brought forward, of £20,291, makes a total available balance of £106,163, out of which your board have transferred £15,000 to general reserve, which now stands at £80,000. The board recommends a dividend of 7½ per cent. on the ordinary shares, which will absorb a sum of £52,388, leaving a balance of £38,875 to be carried forward.

The only changes in the balance sheet calling for special comment are:

On the assets side: An increase of some £350,000 in our stocks is attributable largely to the replenishment of our raw wool stocks; an increase of approximately £50,000 in sundry debtors, due mainly to increased turnover in the latter part of the year; and a reduction of approximately £230,000 in the tax reserve certificates held, accounted for by the surrender of certificates in payment of taxation liabilities and the reduction in the provision necessary at the year end, by reason of the reduced rate of E.P.T.

On the liabilities side: We have carried to a suspense account £91,362, representing the net amount of the E.P.T. post-war refund, to which we were entitled at December 31, 1946, and the increase of just over £100,000 in trade creditors and accrued charges, mainly due to the increase in raw material purchases.

The report was adopted.

THE PRUDENTIAL ASSURANCE COMPANY, LIMITED

RECORD VOLUME OF NEW BUSINESS

SIR GEORGE BARSTOW'S REVIEW

The ninety-eighth annual general meeting of The Prudential Assurance Company, Limited, was held, on the 2nd instant, in London.

Sir George L. Lewis Barstow, K.C.B., Chairman of the Company, in the course of his remarks, said:—

With your permission, and in accordance with our usual practice, I will take the report as read.

In my remarks this afternoon I propose for convenience to quote round figures where appropriate.

NEW BUSINESS IN THE LIFE BRANCHES

In the ordinary branch the number of policies issued during the year, including group life and overseas business, but not group pension business, was 145,000, compared with 70,500 in 1945, assuring sums of £73,200,000, compared with £30,800,000. The highest previous total of new ordinary branch sums assured was £32,500,000 in 1937. Of the total new sums assured in 1946, the home business produced £53,200,000, compared with £17,200,000 in 1945, and the overseas business produced £20,000,000, compared with £13,600,000.

In the industrial branch the number of policies issued during the year was 2,231,000, compared with 1,336,000 in 1945, assuring sums of £101,900,000, compared with £52,900,000. The highest previous total of new industrial branch sums assured was £69,700,000 in 1938.

CHEAP MONEY AND ITS EFFECTS

The consequences of the current low yields are of fundamental significance to an institution such as ours, whose contracts are in the main based on the principle of accumulation of money over long terms of years.

Thus the financial adjustments set out in the valuation report, and briefly outlined in the directors' report, are of particular importance in that they reflect the new conditions to which I have referred. Firstly, it has been necessary to increase the rates of premium at which we are prepared to write new business. Secondly, it has become necessary to strengthen the valuation bases of our home assurance business by reducing the future net rates of interest assumed. Although it was impracticable to make detailed valuations on appropriately revised bases as at December 31st last, there have been included in the liabilities additional sums which are estimated to be sufficient to enable the valuation rate of interest to be reduced from 2½ per cent. to 2 per cent. for ordinary branch assurances issued in the United Kingdom and Eire, and from 2½ per cent. to 2½ per cent. for industrial branch assurances. The provision for a reduction to a lower valuation rate of interest in the ordinary branch, as compared with the industrial branch, reflects the difference in the weight of taxation in the two branches.

The cost of this additional provision is substantial. It will be seen from the directors' report that, while there are available for this purpose two non-recurrent items which appear in the 1946 accounts of the life branches as a result of changes in accountancy practice, the major part of the cost has been met in the industrial branch by utilising the investment reserve fund of £5,750,000, and in the ordinary branch by utilising the investment reserve fund of £3,850,000, together with £3,000,000 from profit on investments account.

INVESTMENTS

The other main factor affecting institutional investors in the past year has been the development of the Government's nationalisation programme.

The net yield earned on the ordinary branch fund during the year was £3 7s. 1d. per cent., and on the industrial branch fund was £3 10s. 11d. per cent. We have again received substantial payments of arrears of interest from investments in enemy and formerly enemy-occupied territories and these are shown under separate headings in the accounts.

ORDINARY BRANCH

In the ordinary branch the premiums were £20,900,000, an increase of £3,100,000. The total sums assured in force, including bonuses, exceeded £400,000,000; the corresponding liabilities, as increased by the provision made for strengthening the basis of valuation, exceeded £160,000,000. The death claims amounted to £2,900,000 and claims by maturity of endowment were £9,300,000.

The surplus in the ordinary branch, including £213,318 brought forward from the previous year, is £2,592,954. The allocation of this amount is set out in the directors' report. The directors have declared a reversionary bonus of £1 per £100 sum assured for participating policies in force on December 31, 1946.

OVERSEAS LIFE BUSINESS

During 1946 the sums assured, including bonuses, in force in our overseas life branches passed the £100,000,000 level. Most of the branches commenced operations in the years 1930 to 1932, and at the outbreak of war the sums assured in force, including bonuses, amounted to about £45,000,000. During the war years most branches consolidated their position and recorded healthy expansion, and the business in force at the end of 1946 was £107,000,000, the annual premium income being £4,100,000.

INDUSTRIAL BRANCH

In the industrial branch the premiums were £32,100,000, an increase of £1,800,000. The total sums assured in force, including bonuses, exceeded £800,000,000; the corresponding liabilities, as increased by the provision made for strengthening the basis of valuation, exceeded £277,000,000. The death claims amounted to £9,000,000 and claims by maturity of endowment were £8,600,000.

The surplus of the industrial branch, including £1,078,170 brought forward from the previous year, is £6,041,107. The allocation of this sum is set out in the directors' report.

The directors have declared a reversionary bonus at the rate of 16s. per £100 sum assured on participating policies issued by the Prudential, which were premium-paying policies on December 31, 1946. This bonus is subject to completion of payment of one year's premiums.

GENERAL BRANCH

In my speech a year ago I stated that with the change from war to peace we could look for more vigorous growth in our general branch premium income. The increase of £963,000 for the year 1946 is the largest we have ever recorded and the total premiums amounted to £4,448,000.

The surplus for the year before the inclusion of the sum brought forward from the previous year is £216,661, compared with £262,803 for the year 1945. Included in the surplus for 1946, moreover, is a non-recurrent item of accrued interest of £42,591.

Details of the disposal of the surplus in the general branch are given in the directors' report. In view of the expansion in this branch, the reserves have again been increased by transferring £100,000 from the surplus to the additional reserve fund.

MONSANTO CHEMICALS LIMITED

A RECORD YEAR

The thirteenth annual general meeting of Monsanto Chemicals Limited, was held, on the 25th ultimo, at the company's registered office, Victoria Station House, S.W. 1.

Dr L. F. Nickell (the chairman), who presided, reviewed the company's activities during the year. Many difficulties in the matter of shortages of fuel and raw materials, supplies and equipment have been encountered, and constant attention and sustained effort, far greater than anything ever experienced, have been required to meet these problems. Particularly distressing have been the difficulties with packages and coal. The chemical business is one in which packages are especially important, and the range of packages required is a wide one. A number of makeshifts have had to be used during the year, and these have not always succeeded in getting goods to the customers in proper condition.

At present the situation is extremely difficult, and is not becoming easier, but everything within the company's compass has been done, and is being done, to meet it. Like all industry, the activities of the company have been adversely affected by the fuel shortage. This is a serious and basic problem that faces not only this company but the entire country. It is inconceivable that this problem of adequate production of coal cannot be solved. It must be. The only alternative is chaos. But time is the essence; not only must it be solved, but in the shortest possible time. Yet, in spite of all these handicaps, the year has been a record one thanks to the efforts and spirit shown throughout the company's organisation from top to bottom.

INCREASED BUSINESS

At the last annual meeting reference was made to two plans for the expansion and development of the company's activities—a short-term and a long-term one. In spite of the difficulties already referred to, marked progress was made with the short-term plan throughout the year. Much of this plan still remains to be done, but the progress already made is the factor chiefly responsible for the satisfactory increase (35.5 per cent.) in the company's business, and an important factor in the increase (80 per cent.) in trading profit. It is gratifying to note that with this increase in business 33 per cent. was direct export business, and a further important percentage of domestic sales is known to have been exported in the form of customers' products.

With respect to the long-term plan, long delivery periods for equipment and the general shortages of building materials are proving a great handicap. But plans have been completed, and construction is on the point of starting, and will proceed with all the despatch that the country's economic plight will permit. We are all faced with grave and serious problems, and this company will have to share in these, but that should not deter the company from any reasonable expansion or development. There are always problems, and there always will be, and it is company policy to go forward as expeditiously and rapidly as possible.

PROFIT AND DIVIDEND

After depreciation of £69,343 and provision for taxation of £572,859, the accounts for the year ended December 31, 1946, show a profit of £237,878 (£94,337), surplus and reserves of £1,503,284 (£1,046,034), current liabilities and provisions of £846,662 (£811,168), and current assets of £1,765,368 (£1,490,101). A tax-free final dividend of £70,000 on the ordinary shares is recommended by the directors.

The report and accounts were adopted.

REFUGE ASSURANCE COMPANY, LIMITED

INCREASED NEW BUSINESS

Mr. J. WILCOCK HOLGATE'S REVIEW

Mr J. Wilcock Holgate, the chairman, presiding at the eighty-third annual ordinary general meeting of the Refuge Assurance Company, Limited, held at the Chief Office, Oxford Street, Manchester, in the course of his speech, said:—

The report I now submit for your approval is distinctive in that for the first time since 1938 it refers to a period throughout which our work was carried out under peace-time conditions. That is not, of course, to say that there do not still remain many difficulties resulting from six years of war; we are all, I fear, uncomfortably aware of these in our private lives as well as in our business. As far as this company is concerned, we have been called upon to face a continued fall in the rate of interest on new investments and also an increase in the costs of goods, materials and services, with a consequent adverse effect on our expense ratios. On the other hand, our investment position is very strong, and we are able to record a greatly increased new business as compared with 1945, together with a most satisfactory rate of collection of premiums.

LIFE ASSURANCE AND SAVING

During the year the total amount assured under our policies increased by over £16,000,000 to £246,369,471. The total life assurance funds now amount to £90,444,998—which are, of course, the property of our policyholders—in addition to which we hold investments reserve and other funds amounting to over £6,500,000; and the magnitude of these figures indicates the importance of the contribution the company makes towards the national object of increased saving. Money laid out in the payment of life assurance premiums is not money spent, but money saved.

During the year the amount of our new business increased in remarkable fashion. This was due in part no doubt to the absence of many things which the public would otherwise purchase; but it was due also in very large measure to the return of so many individuals to their normal civilian life and their assumption or re-assumption of domestic responsibilities. It is widely recognised that the value of £100 to-day is not what it was ten years ago; as a consequence existing assurances are being very generally increased in order to compensate for this fact, and indeed in the ordinary branch the average yearly premium in our new business has almost doubled since 1935. In the industrial branch we have moved far from our original position as providers of whole life assurance at 1d. a week, and we have fully justified the opinion expressed in 1853 by a Committee of the House of Commons to the effect that the application of life assurance was "capable of a great extension, not only in the higher and middle classes of society, but also among the humbler classes, to whom it has recently been very considerably applied." Policies may still be taken at 1d. a week, but the average new business premium is very considerably higher, having increased from 3.7d. in 1918 to 9d. last year. This increase is due to the growing appreciation of the value of policies incorporating an endowment benefit, premiums under which now form 73 per cent. of our new business.

VALUATIONS

In the ordinary branch the life assurances valued were as follows:—

Policies	Amounts assured	Premiums
541,466	£97,047,136	£5,039,887

The number of new policies effected was 42,831, assuring the total sum of £11,516,078, as against comparable figures of 27,550 and £5,996,391 in the previous year. The premium income increased by £252,760 to £5,419,207 and the net interest amounted to £1,483,462. The expense ratio was 12.91,

as against 10.74 in 1945, and the life assurance fund now amounts to £45,564,724, in addition to which there is an investments reserve fund of £2,250,000.

In the industrial branch the policies valued were as follows:—

Policies	Amounts assured	Premiums
8,830,096	£149,322,335	£8,032,770

The premium income was £7,654,318, showing an increase over that of the previous year of £88,836; and in this connection I should point out that this increase is affected by the fact that in 1945 there were 53 weekly accounts as compared with 52 in 1946. The life assurance fund now amounts to £44,880,274, having increased by over £2,500,000 during the year, in addition to which there is an investments reserve fund which now amounts to £3,100,000. The expense ratio was 27.78, as against 26.73 in respect of 1945.

ALLOCATION OF PROFITS TO POLICYHOLDERS

After a careful review, not only of the present circumstances, but also of the future effects upon our interest income of the present policy of cheap money, your board recommends the declaration of a reversionary bonus in respect of ordinary branch with profit policies at the rate of £1 per cent. on the sum assured in respect of each full year's premium due and paid in 1946. It is recommended also that until further notice an interim bonus be allowed on policies becoming claims by death or survival at the rate of £1 per cent. on the sum assured.

In the industrial branch the policies are in form non-profit: but an amount of profit has been allocated to policyholders and out of this sum it is proposed to grant the following additional benefits:—

As regards existing premium paying policies (with certain exceptions) dated prior to January 1, 1942, and all "age 90" paid up policies, the amounts payable in respect of deaths or survivals of endowment terms which occur within the twelve months commencing March 20, 1947, will be increased by amounts varying from 6d. to 1s. 7d. in the £.

I regret that circumstances have at last made it necessary for us to prepare new rates of premium which will come into force at an early date. These new rates will in general show increases as compared with those at present in force; but I need not remind you that they will apply only to new policies, and that those now in force will be unaffected. It is the first time in the history of the company that the whole of the prospectus has been revised in an upward direction. I deplore the circumstance: but facts must be faced.

INVESTMENTS

Perhaps the aspect of our work during the year that has caused us the most concern is the matter of our investments. The rate of interest in long-term Government borrowing fell appreciably during the year. It is true that as a result the margin between the book values of our investments and the corresponding market values, which was already very large, has been further increased, but at the cost of rendering extremely difficult the task of investing our growing funds at remunerative rates.

The position will be further worsened by the loss of income we shall have to suffer if our investments in railway securities are replaced by Government stock at 2½ per cent.; which would involve the company in a reduction in gross income of some £90,000 a year. It occurs to me to reflect that the present unattractive investment outlook affords little encouragement to the thrifty man who wishes to save money for his family or against his old age.

The report and accounts were adopted.

MERCANTILE BANK OF INDIA, LIMITED

FURTHER EXPANSION

SIR CHARLES A. INNES'S STATEMENT

The annual general meeting of the Mercantile Bank of India, Limited, will be held, on the 22nd instant, in London.

The following is an extract from the statement of the chairman (Sir Charles A. Innes, K.C.S.I., C.I.E.), which has been circulated with the report and accounts for the year ended December 31, 1946:—

The business of the bank has continued to expand. In spite of the termination of the war and the big drop in military expenditure, especially in India, there has been a further large increase in deposits while on the assets side the most noteworthy features are an increase of more than £4 millions in cash and of more than £6 millions in bills, loans and advances. Our holdings of Government securities are down by £3 millions, and the proportion of our deposits applied to the financing of industry and commerce has risen to 41 per cent. Our profits at £180,837 show an improvement on those of last year, and we have been able to increase the dividend from 6 per cent. to 8 per cent. As regards allocations, there is only one point to which I need draw your attention. We propose to repeat last year's allocation of £50,000 to premises account. Our project for rebuilding our Bombay office which has been held up by the war has now become urgent, and we cannot postpone it any longer with safety.

CONDITIONS IN INDIA

In India the year witnessed a deterioration of the political situation. It began with riots first in Bombay and then in Calcutta. The arrival in March of the Cabinet Mission had a quietening effect, and the announcement in the Budget for 1946-47 of the abolition of the Excess Profits Tax led to buoyancy in the Stock Exchanges, and prices were driven up to very high levels. In August, however, fierce communal riots broke out in Calcutta and later spread to eastern Bengal and Bihar. They caused a setback to the Stock Exchanges, a further break in prices occurred in November with the failure of the London talks with the Indian political leaders, and prices continued to sag for the rest of the year. The food situation, though not so serious as in the previous year, remained difficult, and the high prices of food grains caused much distress among the poorer classes. This is one cause of the widespread epidemic of strikes which afflicted India throughout the year.

Nevertheless, in spite of this unfavourable background, business activity remained at a high level, and the bank had a busy year.

THE FUTURE

As regards the future, the Prime Minister's announcement must be fresh in your minds, and I am sure that it is the hope of every one in this country that in the short space of time still left to them the Indian leaders will be able to compose their differences and work together to set up a strong and stable Government. If they are successful, a long period of peace and prosperity should open up for India, but it depends on themselves whether they are successful, and one can only hope for the best. In the meantime, I note that there are signs of increasing communist activity in India, so much so that the

Government of Madras has recently had to arm itself with special powers to deal with the menace.

The new taxes announced by the Finance Minister in the Budget, particularly the new business tax, caused concern and further depressed share values. It was feared that the new business tax would act as a deterrent to that industrial development which is so necessary for India's economy, and it is satisfactory that the Finance Minister has since agreed to make it less severe. As regards the future of this bank in the new India, I will only say that we have the confidence and good will of many Indian clients and that we have a long record of useful service to Indian trade and industry. I believe myself that the opportunity of continuing that service will remain.

OTHER COUNTRIES

Ceylon was given large powers of self-government in the new constitution announced last May and also a pledge that it would attain the full status of a Dominion in a comparatively short space of time, and politically the year was a peaceful one. On the economic side, trade statistics give an encouraging picture.

Burma was ravaged by war more than any other country in the Far East, and though some progress in rehabilitation has been made, basically the country is still in a bad way. The emphasis is still on politics rather than on economics and the physical restoration of the country. In Siam the difficulties are mainly economic. Mauritius had a good sugar crop and is showing signs of recovery from disasters of the previous year, when the sugar crop on which it depends was badly damaged by cyclones. Reports from Malaya are generally favourable. Recovery in Hong Kong has been remarkable, and the colony did an immense trade in the year, though the export of local manufactures has not yet started to any great extent.

GENERAL INVESTORS AND TRUSTEES, LIMITED

A GRIM OUTLOOK

The fortieth ordinary general meeting of this company was held, on the 27th ultimo, in London, Mr Sidney S. Lamert (the chairman) presiding.

The following is an extract from his circulated statement:—

A valuation of our securities shows that there has been an appreciation of rather more than a quarter of a million pounds in the year. The obvious comment is that it would be a poorly chosen portfolio which did not show substantial appreciation in the buoyant markets which have prevailed until recently. This Trust, with substantial reserves formed from accumulated revenue undistributed in the past and with a well-balanced portfolio of investments, widely distributed and carefully selected, is in a strong position.

Net revenue has expanded by £7,000 in round figures, which justifies us in recommending to you an increase of 1 per cent. in the distribution on our ordinary stock, making a round 10 per cent. for the year. We suggest this increase should be by way of bonus.

I shall make no attempt to assess the future. We shall lose a substantial amount of income when our railway and other stocks are, in the euphemistic phrase of the moment, "taken over" under the plan of nationalisation. To offset this, we have considerable interests in the rubber industry which may reasonably be expected to come back into the paying list. Further, we have a number of equities in thriving industrial companies which have not yet reached their full stature. Industry can only thrive if it can command the three essentials—man-power, raw materials and coal. The outlook in all these three respects is admittedly grim.

The report was adopted.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

A RECORD YEAR

The one hundred and sixth annual general meeting of this society was held, on the 1st instant, Mr Arthur L. Hunt, F.S.S., F.C.I.I., the society's chairman and managing director, in the chair.

The chairman, in moving the adoption of the reports said: In these days of shortages of commodities of all kinds, there is, nevertheless, no shortage, limitation or restriction affecting life assurance, which remains freely available to all in normal health, who wisely seek its protection.

During 1946 the society issued 9,018 policies in the ordinary life department assuring £3,164,437; this was more than double the figure for the previous year and is a record for the society.

The premium income of the ordinary life department at £1,018,693 exceeds the million pound mark for the first time, while that of the industrial life department has reached £1,799,586. The premium income of the fire, accident, motor vehicle and employers' liability departments increased by 30 per cent. to the record figure of £86,976 compared with £66,663 for the previous year. The premium income of the society as a whole is £2,880,841, being an increase of £164,081 in the year.

The society's assets have reached £22,674,290, having increased by £1,244,117 in the year.

The valuation of liabilities discloses a surplus in each department. The surplus in the ordinary department was sufficient to enable the directors to declare a reversionary bonus at the rate of £1 per £100 sum assured at a cost of £104,765.

The surplus in the industrial department was sufficient to enable the directors to allocate £40,000 for the benefit of industrial department policyholders. Additions, up to a maximum of 10 per cent. will be made to the sums payable on claims arising either by death or maturity on or before April 5, 1948.

The directors have increased the general reserve to £250,000 by a transfer of £15,000 from the ordinary department. The general and investments reserves together now exceed £1,000,000.

The amount advanced to house purchasers for the year 1946 was the highest for the last twenty years, notwithstanding that the society does not encourage the purchase of houses at excessive prices.

NEW FORM OF ANNUITY

In November last the society obtained a favourable decision against the Inland Revenue in the Court of Appeal concerning a new form of annuity policy issued by the society. The society had issued an annuity policy to Mr Charles Hart in 1944 providing for two benefits to be paid, namely, benefit (1) an annuity during Mr Hart's lifetime, and benefit (2) a capital sum at his death computed, as follows:—should he die upon reaching his expectation of life by the mortality table used by the society, the sum then becoming payable was to be equal to the money which Mr Hart had paid for the Annuity Policy; should he die earlier a smaller amount was to be payable and should he die later a larger amount was to be payable.

Mr Hart was given the right to anticipate the capital sum which became due on his death by means of loans on which the society did not require interest to be paid. Repayment of the loan was to be effected at Mr Hart's death by setting off any loans advanced to Mr Hart against the capital sum then becoming payable.

The society had succeeded in dividing a purchased annuity into its two components—capital and income. The Inland Revenue, quite rightly, decided to test whether the

policy was sound at law, and in 1945 the question was submitted to the Special Commissioners of Inland Revenue who awarded Judgment in favour of the society. In July, 1946, the matter was referred to a Judge of the High Court, Mr Justice Macnaghten, who reversed the Special Commissioners' decision. In November, 1946, Lord Justice Greene (the Master of the Rolls), Lord Justice Cohen and Lord Justice Asquith of the Court of Appeal quashed the Judgment of the High Court. In view of the wide importance of the case an Appeal by the Inland Revenue to the House of Lords was permitted, but I do not yet know whether the Inland Revenue intend to carry the matter further. I would have been glad to be able to announce that the society was able to commence issuing these attractive annuity policies on a large scale, but you will realise that whilst an appeal to the House of Lords is pending there are difficulties in doing this. When Mr Justice Macnaghten delivered his Judgment against the society certain sections of the press were not very kind to us and many people were left with the impression that the society had been attempting to do something which was not quite proper. Nothing is further from the truth. There is no disgrace in trying to change the existing situation, if it is a bad situation, by any lawful means, provided proper respect is paid to the justifiable rights of all parties. The society was very careful, when designing its annuity policy, to respect the rights of the Inland Revenue to be able to tax as income everything which was properly income.

The taxation of purchased life annuities is a glaring example of an injustice which has not been put right notwithstanding many protests by individuals and organisations such as the Institute of Actuaries, the Life Offices' Association, and the Associated Scottish Life Offices. This injustice is particularly harsh on those people who after a life-time of hard work have saved a capital sum on which they have to depend for the rest of their lives. The cheap money policy of the present administration makes it almost impossible for a man to live on the interest deriving from his capital and he has no alternative but to live on his capital, generally by purchasing a life annuity. It is, therefore, consistent with the present policy of the Government that the unfair rule which bears so grievously upon an annuitant should be obviated or circumvented.

It seems to me that there are three possible courses of action for the Inland Revenue to follow. Firstly, the Inland Revenue could bring in legislation to stop the effects of the policy, if their appeal to the House of Lords were to prove unsuccessful. I, however, do not believe that the Inland Revenue will do so, because the financial effect to the Treasury of the issue of the policy would be very much less than most people believe, and, moreover, any preventive legislation would bear such a stamp of injustice upon it that Parliament might well refuse to ratify it. Secondly, the Inland Revenue might amend the law so as to allow a proper proportion of purchased life annuities to be free of tax, in which event the society's policy would become unnecessary. In doing this the Inland Revenue would only be following an example set by some of the Dominions. Thirdly, the Inland Revenue could accept the position as determined by the Judgment of the Court of Appeal, which would mean that from now on by perfectly legal and proper means all new annuitants would be able to ensure that tax was charged only on the interest element of their contracts. Thus a hardship would be removed within the existing law and without the need of any special legislation.

The report and accounts were adopted.

ROWNTREE AND COMPANY, LIMITED

SATISFACTORY RESULTS

MR G. J. HARRIS'S REVIEW

Speaking at the 50th annual meeting at York, held on the 1st instant, the chairman, Mr G. J. Harris, said:

The profit earned in the year, after charging all expenses, and after providing for amounts payable to direction and labour under the company's profit sharing scheme, for all Government taxation, and for directors' fees, is £317,544, compared with £269,589 in 1945. You will see from the account that this increase of £47,955 in the balance of profit reflects an improved trading profit, a substantial reduction in the income tax charge, and a larger provision for the depreciation of fixed assets. The reduced charge for income tax arises mainly from the reduction in the standard rate from 10s. to 9s., and the reduced amount required to cover the 1947/48 liability. The larger provision for depreciation represents depreciation of new assets acquired during the year, and the writing down of older plant and machinery.

DIVIDENDS AND ALLOCATIONS

The addition of the year's profit to the amount brought forward from 1945, together with a transfer of £8,965 from investment reserve, to which I will refer later, gives a total of £607,734. Preference dividends for 1946 already paid absorb £169,800, and £12,500 has been distributed already to ordinary shareholders as an interim dividend at the rate of 2½ per cent. free of tax, leaving a balance of £425,434 now to be dealt with.

The directors recommend that out of this balance £65,000 be transferred to contingencies reserve, and that a final dividend at the rate of 7½ per cent. free of tax be paid to the ordinary shareholders, which will require £37,500. This final dividend, with the interim already paid, will bring the distribution to ordinary shareholders for the year up to 10 per cent. free of tax, compared with 8½ per cent. free of tax in 1945. If you approve these recommendations there will remain a balance of £322,934 to be carried forward to 1947, compared with £281,225 brought in from 1945—an increase of £41,709.

The proposed transfer of £65,000 to contingencies reserve includes £25,000 to bring the reserve for unemployment benefits under the company's scheme to an amount sufficient to cover the maximum commitment for one year under the terms of the scheme, which is being amended to provide improved benefits, to which I will refer later. The remaining £40,000 of the £65,000 proposed transfer, is for an obsolescence reserve to facilitate re-equipment.

PROBLEMS OF INTEGRATING GOVERNMENT AND INDUSTRIAL POLICY

After dealing with various items in the balance sheet, the chairman continued: The Government has referred to the need for management (by better organisation, layout, and equipment) and for labour (by greater effort) increasing materially the output per man hour. The Government is entitled to whole-hearted support from management and labour to achieve this purpose.

Important though that issue is, however, in the case of this industry, it is not the most important item in determining consumer prices and values. A 2 oz. block of plain chocolate had, in 1939, an ingredient cost of 38.7s. per cwt. The new 1947 ingredient price will be 135s. per cwt., an increase of 96.3s. per cwt. All other costs, including wages, salaries, packing materials, delivering, selling, and administration, were 51.9s. per cwt. in 1939, and 54.7s. per cwt. in 1947, an increase of only 2.8s. per cwt. That

small increase includes the effect of considerable reductions in distribution cost.

The sensational increase in the price of cocoa and the great increase in the price of sugar will cause the 2 oz. block of chocolate to be sold later this year at fully 100 per cent above the pre-war price.

The object of export is to be able to import equipment, raw materials, and food; I am giving these facts to underline the great importance in this connection of the price we pay for imports, and because of a conviction that the ultimate price to the consumer is always a matter of capital importance.

Substantially eight years of sellers' market conditions have made the Government, industry, and the unions alike under-rate the devastating silent power of the consumer to ease off buying, even with shortages, when prices get beyond reason.

As was recently announced, £7,000 million cash is available for £6,000 million of goods and services. This dangerous situation will assuredly bring its own nemesis and none of us can expect to escape its ultimate result.

TENDENCY OF PERPETUATING CONTROLS

No government in power after the war could escape being faced with the gravest political and economic problems that have faced this country in this century. Even so, there are trends in policy in tackling post-war problems that would appear to some of us likely to worsen rather than improve our economic condition. While shortages and consequent controls last, it is an administrative necessity of the Government to deal with industrial problems at industry level rather than company level, but there are signs, such as the powers taken in the Industrial Organisation Bill, of perpetuating controls over a wide field which (whether intended to do so or not) lead in the direction of the corporate state. Trade associations, either as such or acting as wartime associations, have greatly extended their membership during the war, because Government departments have settled policy at industry level; and therefore membership of the employers' negotiating body was practically a necessity, if only to keep informed on matters of supply and price of the industries' products. The basic principle of operation was to allocate ingredients according to usage during the year preceding the outbreak of war, and equity between manufacturers was thus maintained in a rough and ready way. Similarly, prices were on a basis that at least retained all the manufacturers in membership.

PRESENT POLICY NO SOLUTION

As regards consumer goods, I confess an ignorance of how it is possible to secure full employment at rates satisfactory to the unions with, at the same time, profits satisfactory to all trade association members, and margins satisfactory to all distributors, without the grave risk of arriving at a quality and price for products unacceptable to the mass of consumers. This condition can be masked for a time by overall shortages making a sellers' market, by Government subsidies on food amounting to £364 million, and by living on the U.S.A./Canadian Loan, but these devices only defer a settlement and do not provide a solution of our problem.

The chairman concluded with an exhaustive analysis of the Government's policy for tackling the nation's problems.

The report and accounts were adopted.

LANCASHIRE ELECTRIC LIGHT AND POWER COMPANY, LIMITED

SIR JOSEPH NALL ON THE BILL

The ordinary general meeting of this Company was held, on the 9th instant, in London.

Sir Joseph Nall, the chairman, after dealing with the accounts, said that with regard to the shortage of generating capacity in the country, one must go back over 20 years to the real beginning of that menace. He had been one of that small group of members in the House of Commons who had endeavoured to expose the fallacies underlying the Electricity Act of 1926, which was founded on the Weir Report, which he and others had endeavoured to show was a factually fallacious and fundamentally futile document. The underlying theory of that Report and the Act was that an alleged redundancy of generating capacity existed due to municipalities and companies building too much plant ahead of requirements.

In fact, they had only been exercising common business prudence in an industry which they knew was in its early stages and was bound to experience a vast and increasing expansion as the years progressed. So far as spare plant was created by the policy of expanding generating capacity, it had enabled unforeseen demands for new business or breakdowns to be met without any disturbance to consumers, and the policy of inter-linking between the various authorities for co-operation and mutual aid had been well advanced before the Weir Report.

He was in no way criticising the Central Electricity Board, but they had been required to work within the obligations of a statutory scheme always fundamentally unsound because it tended to decrease the percentage of spare plant available and merely diverted capital expenditure from the building of generating plant, the lack of which they now bewailed, and put the money into a huge and costly transmission system which produced nothing and merely increased over-all costs.

A VAST UPHEAVAL

The Electricity Bill now before Parliament sought still further to impose the process of rigid centralisation in the direction and management of generation by transferring the whole ownership and daily management of the huge stations to an entirely new and as yet unconstituted body of persons, who according to the Bill need not know anything whatever about electricity supply or production. To make matters worse for the consumer, it would hand over the distribution system from the present experienced local organisations—municipalities or companies—to a series of unknown and probably unqualified boards yet to be appointed, who would be responsible for the administration and management of utterly unwieldy, unwanted and unworkable areas of distribution.

The vast upheaval was bound to retard development and check progress towards increased efficiency and divert the activities of experts and executives from immediate and practical problems now requiring their urgent and concentrated attention. Of vital importance to consumers, and particularly industrial consumers, was the proposed abolition of the Electricity Commissioners. It was useless window-dressing to suggest that consultative or advisory councils with absolutely no executive or judicial authority could fulfil their role.

The financial proposals in the Bill had already been widely condemned. What the thrifty investing public must realise was that the policy of summarily exchanging stockholders' securities for new securities at prices arbitrarily fixed without reference to real or potential values was only part of a wider intention to enforce a Marxian policy.

The report was adopted.

THE CLYDE VALLEY ELECTRICAL POWER COMPANY

NATIONALISATION NO BENEFIT TO COMMUNITY

RAW DEAL FOR SCOTLAND

The annual general meeting of this company was held, on the 1st instant, in Glasgow, Mr Robert Robertson, LL.D., the chairman, presiding.

In the course of his speech when moving the adoption of the report and accounts for the past year, the chairman said:—

The Electricity Bill having passed its second reading I need no longer expand on the objections to the nationalisation proposals. Like you I regret the passing of this great undertaking, built up entirely by the foresight, ability, perseverance and energy of its founders and their successors, who have controlled it since its inception.

I am still strongly of the opinion that the disappearance of this company will not be to the benefit of the community.

COMPENSATION TERMS UNFAIR

Dealing with the provisions of the Bill I agree with the view expressed in many quarters that the compensation terms to be afforded to the stockholders are entirely unfair. To determine the value of an undertaking on Stock Exchange quotations is altogether unsound because various factors enter into the make up of the price. To fix the purchase price on a present day quotation would be wrong because the shadow of nationalisation has had serious depressing effect on the value of the shares. On the other hand, to take the market quotation of almost two years ago is again fallacious because no consideration is taken of the change in circumstances since that date. Clyde Valley stocks were always looked upon as gilt edged, but it is easy to-day to make a selection in market quotations of stock of companies which were not regarded as being more safe than ours and where the quotations are very much in excess of the prices now proposed to be paid to our stockholders. Further, the market value is to some extent fixed by the yield and stockholders of the prudently managed company whose directors preferred to apply a considerable amount of the profit to the development of the undertaking instead of paying it in dividend are being penalised compared with undertakings which preferred to pay a larger proportion of their profit to their stockholders. Where the profits have been ploughed back into the business, thus providing capital without interest charges, as is the case with this company, the stockholders are entitled to more consideration than that now being afforded to them. Apart from the loss in the capital value of the shares, the stockholders are severely penalised by loss of income. At the present rate of interest afforded by Government securities, taken as 2½ per cent., there will be a substantial loss in income to the stockholders amounting to 33.68 per cent. on the first preference stock, 35.94 per cent. on the second preference stock and 27.5 per cent. on the ordinary stock.

The provisions in the Bill regarding Scotland cannot be viewed with equanimity. Apparently for some reason which has not yet been adequately explained, the North of Scotland is to be denied the alleged benefits of nationalisation, while Southern Scotland, which includes practically the whole of the industrial areas, is to be tacked on to England, and will constitute two of the fourteen areas which are to be administered to all intents and purposes from the central control in London, so that so far at least as electricity is concerned, Southern Scotland really becomes a part of provincial England. The characteristics of Southern

Scotland are to be ignored to the detriment of the consumers. Again Southern Scotland is divided into two areas. The proper method of development is to have a combination of urban and rural demand so as to obtain a proper diversity of load, but two-thirds of the electrical consumption and 50 per cent. of the population is centred in the artificial south-west area. Obviously, the south-east area must be under a very considerable handicap in further development.

CHEAP ENERGY FOR ENGLAND

If we must have nationalisation, then Scotland should be separated from England and administered as one entity. Industrial Scotland's chief asset in the past has been cheap power which, with the exhaustion of the Lanarkshire coalfields is in danger. A cheap supply of electricity could be maintained by forming Scotland into one entity, obtaining the benefit of cheap hydro-electric energy produced both in the Highlands and South Scotland, and this could be accomplished without disturbing the plans of the Hydro-Electric Board for the development of the Highlands. Under the Bill the benefit of this cheap energy will go mainly to England. Scotland again is getting a raw deal.

There is another matter to which I must refer. In the Second Reading of the Bill, the Minister of Fuel and Power saw fit to make some observations on our last issue of capital in 1938, and stated categorically that the stockholders had made a profit of £750,000 on the issue. The Minister's statement was misleading and untrue. The facts are that the shareholder made no capital appreciation at all. The Minister also stated that the Electricity Commission protested against the issue. That also is incorrect; no protest was made.

Again, the Minister's statement infers that the consumer was prejudiced, but from the date of the new capital issue, the average selling price per unit per annum fell steadily, and did not rise above the 1937 price until 1943, when the tremendous rise in the cost of coal began to affect the charge to the power consumer. The company did not increase the charges current at the time of the issue to the consumer, which remained at the same tariff until January, 1947.

NEW PLANT DIFFICULTIES

During the present winter the company was directed to make considerable interruptions of supply to many of our consumers, which we did with regret. These interruptions in supply arose from two causes—national shortage of generating plant and shortage and poor quality of coal. One important cause which has not received the prominence which it deserves is the vastly increased number of consents which require to be obtained before new plant can be installed.

As an example, on July 31, 1939, the company was directed by the Central Board to instal an additional 30,000-kw. generating set at our Clyde's Mill power station. The consent of the Electricity Commission was received on August 16, 1939, and work was commenced immediately, the set going into commercial use in December, 1941. On July 5, 1946, the company was directed by the Central Board to instal two generating sets of similar capacity at Clyde's Mill power station. Application was made for the consent of the Commissioners on July 24th, but to-day—nine months later—the consent has not yet been received from the Commissioners because of the new procedure.

The report and accounts were adopted.

KING LINE, LIMITED

ENCOURAGING RESULTS

OUTLOOK FOR TRAMP SHIPPING

SIR VERNON THOMSON'S VIEWS

The 58th annual meeting of King Line, Limited, was held, on the 21st ultimo, in London.

Sir F. Vernon Thomson, Bt., G.B.E., who presided, said: Gentlemen,—The directors' report, with the accounts for the year 1946, having been circulated a few days ago, I assume it will be your pleasure, as usual, to take them as read. It was with deep regret that the directors had to record the death, on January 12, 1947, of their esteemed friend and colleague, Mr Percy Cross.

For the first year's trading since the company's tonnage was released from direct Government service, the directors are glad to be able to submit results so encouraging.

DISTRIBUTION AGAIN

After providing for all taxation on the year's profits, also providing for depreciation of the fleet as set out in the profit and loss account, the net profit for the year was £180,611, to which has to be added the amount brought forward from 1945. The company's reserve account has been augmented by £100,000, and the directors recommend a total distribution of 15 per cent. for the year 1946, less income tax (the same as for the previous year), carrying forward the balance of £178,853.

The initial income tax allowance on capital expenditure on new tonnage acquired since 1944 has been debited in the profit and loss account and applied as additional depreciation on the vessels concerned, thus utilising this helpful concession under the Finance Act. The investments are worth substantially more than the £819,386 at which they stand in the company's books.

ABNORMALLY HIGH COSTS

The company owns six motor vessels and one steamship as set out in the report. The vessels are of an average age of 10 years and stand in the company's books at the moderate figure of £6 12s. 4d. per ton d.w. To a tramp shipping company, dependent as it is upon the volume of the trade of the world, and the seas being open to the competition of all flags, it is of cardinal importance that it should have efficient tonnage at competitive costs.

Shareholders will appreciate that ship-building costs are at present abnormally high, being more than twice pre-war cost; repairs and running costs also are similarly in excess of pre-war. This is a period of transition. The immediate outlook for British tramp shipping for the next few months continues good; beyond that no one can say definitely. It is prudent ship management policy to write down as soon as possible high cost of expensive tonnage while current remunerative freights permit. From past experience of tramp shipping approximately three years out of ten are good years.

IMPORTANCE OF EXPORTS

To enable Britain to import its vital supplies of food and raw materials at this time, exports are of the utmost importance. This is emphasised in the Government White Paper Economic Survey for 1947. British shipping services overseas rank as U.K. invisible exports; they are higher than any other single industry exports. The importance of British shipping in the national economy is thus in peace-time second only to its services to the country during the war.

In 1939 the King Line fleet aggregated 107,370 tons d.w. To-day it has a total d.w. of 64,320 tons. Eleven vessels were lost during the war; four have been replaced so far. If this old-established tramp ship-

ping company is to replace the major portion of the tonnage lost and so play its part in maintaining an adequate and efficient British Mercantile Marine, it is obviously advisable to retain in the business more than would otherwise be necessary. This policy is in the best interest of the continuing shareholder and of our country.

IMPROVED PAY AND CONDITIONS

Following the seafarers' outstanding service to the country in the cause of freedom and right, to which your directors paid tribute throughout the war, shareholders will be glad to know that after long negotiations by the National Maritime Board, which is composed of representatives of seafarers and shipowners, agreement has been achieved voluntarily which will ensure as compared with pre-war greatly improved pay and conditions of employment in British ships, with security of tenure. I trust this will be of lasting benefit to British shipping and its personnel.

The accounts were approved and the retiring directors re-elected.

LONDON & LOMOND INVESTMENT TRUST, LIMITED

INCREASED NET REVENUE

THE HON. W. B. L. BARRINGTON'S STATEMENT

The sixteenth ordinary general meeting of London & Lomond Investment Trust, Limited, will be held, on the 16th instant, at 116 Old Broad Street, London, E.C. 2.

The following are extracts from the statement of the chairman, the Hon. W. B. L. Barrington, circulated with the report and accounts:—

The net revenue exceeded that of last year by £9,747. After providing for the dividends on the preference stocks, £28,704 was available for the ordinary stockholders, which is equivalent to 21.75 per cent. on the ordinary stock before deduction of income-tax, as compared with last year's figures of £19,609, or 16.1 per cent.

The sum of £5,000 has again been transferred from profit and loss account to general reserve, which now amounts to £115,000.

The directors are recommending the payment of a final dividend on the ordinary stock of 8½ per cent., which will make the total distribution 12½ per cent., as against 11 per cent. last year.

VALUE OF INVESTMENTS

The market value of the investments was £2,347,585, as noted on the balance-sheet, a figure which is £731,845 more than their total book value as stated in the balance-sheet. The position may be summarised as follows:—

Appreciation in value of investments	£731,845
Capital reserve	281,006
General reserve	115,000
Profit and loss appropriation account	15,317

£1,143,168

each £100 of ordinary stock being thus represented at January 31, 1947, by net assets of approximately £576 (after provision for the final dividend).

ISSUE OF ORDINARY SHARES FORESHADOWED

The directors propose to make an issue of ordinary shares at an early date.

With this end in view the 15,000 shares of £10 each created but not yet issued must be divided into 150,000 shares of £1 each; 20,000 of these £1 shares will then be offered in the form of ordinary shares pro rata to the ordinary stockholders at £2 10s. per share. This represents one share in respect of every £12 ordinary stock. These shares, when fully paid, will be converted into ordinary stock and will rank pari passu with the existing ordinary capital.

GUY MOTORS, LIMITED

SATISFACTORY FINANCIAL POSITION

MR SYDNEY S. GUY'S SPEECH

The adjourned thirtieth and thirty-first annual general meetings of Guy Motors, Limited, were held on March 4th at Wolverhampton. Mr Sydney S. Guy, M.I.Mech.E., M.I.A.E., A.M.I.E.E. (chairman and managing director), presided.

The following is the chairman's statement circulated with the report and accounts:— With your permission as both the 1945 and 1946 accounts are published together, I will deal with the earlier year first and subsequently draw your attention to matters which concern both years.

The only difference between the 1945 and the previous year's figures which requires explanation is the large increase in the stock. This apparent increase was due to the fact that towards the close of the 1945 financial year we were completing contracts for military vehicles and Government payments on account of work in progress had largely ceased, so that we were then financing ourselves.

Referring to the 1946 accounts these show the effect of increased capital subscribed in October, 1945, and the increased reserve account by the premium obtained on the share issue less its cost. Another appreciable alteration will be seen in the items "Fixed assets." I should explain that if we were to adopt the latest practice in the arrangement of the accounts we could not present a proper picture in regard to the amount written off and reserves created thereby on buildings, plant and machinery, unless we obtained a valuation of these assets. Your directors also felt this course was desirable because, as pointed out at our annual meeting in December, 1944, the figure at which these items stood in our books did not "in any respect adequately represent the extent of our organisation." "the result of the heavy depreciation which had been written off over the years."

THE WORKS AND PLANT

Since the war ended we have received many visits from customers who had not previously seen our works and we have also exchanged visits with all the important British heavy commercial vehicle manufacturers. In practically every case the visitors have expressed their astonishment at the size of the factory, the excellence of its layout, the quantity and quality of its modern equipment, and were surprised to find we manufactured practically every component for one model or another.

It would be no exaggeration to say that no heavy commercial vehicle manufacturer has a higher percentage of modern plant and equipment than your company and employing some 1,400 to 1,500 the management is able to keep that personal touch which tends towards the greatest efficiency and harmonious working which is so necessary today.

DEVELOPMENT AND PRODUCTION

You will also notice in the balance sheet the provision for development of new models and reorganisation of production, also for obsolescence and deferred repairs, totalling £33,500. I would point out that since the war we have spent far more money under these headings than the figures mentioned, nevertheless we propose to retain these reserves for the time being as further expenditure under these headings continues to be made.

The reduction in the amount of staff bonus was due to the elimination of A.R.P., N.F.S. and other special war-time personnel. The actual bonus paid to each individual was unchanged. The dividend paid on the ordinary stock was 15 per cent. for the tenth year in

succession. The increased amount absorbed was due, of course, to the increase of capital.

It should be noted that as the accounts are now arranged the appropriations are shown in the profit and loss account, and are also incorporated in the figures given in the balance sheet.

The 1946 year was a difficult one, and although we were able to change over from the manufacture of military vehicles to civilian types with surprising speed, we were soon confronted with shortage of supplies and delays in delivery, both of which increased in severity as the year rolled on, and for these reasons production fell short of the programme we had planned. Coupled with this we regret to say we have not so far been successful in obtaining a settlement of our claims by the Government departments, to which I referred at our previous meeting, and, of course, no credit has been taken in the accounts for the amount involved. Through these causes the profit did not reach our pre-war standard, which explains the small amount we shall recover from previous excess profit payments referred to in the profit and loss account.

Before leaving the accounts, I would point out that the current assets are more than double the current liabilities, and the reserve, at approximately £600,000, is over twice the amount of the issued capital, which, you will agree, discloses a very satisfactory position.

ORDER POSITION

I reported in December that the company was well supplied with orders, and speaking generally the output of both goods and passenger vehicles has been sold for 1947, that many orders had been booked for both classes of vehicle for 1948, and I can now add others for delivery in 1949.

During the last year approximately 40 per cent. of our vehicles have been exported and we are very gratified by the large percentage of repeat orders we continue to receive both from home and abroad, but we are much concerned with the ever increasing difficulties of shipping.

Seven years of war has given some of the British heavy commercial vehicle manufacturers an exceptional opportunity of proving the quality of their products. During the war it was impossible to obtain new vehicles and the operators continued to run the old ones, but experience has shown that the mass-produced vehicle has a limited life, whereas the British vehicles continued to operate satisfactorily. There are to-day many hundreds of Guy vehicles at home and abroad that are giving satisfaction in spite of their 15 to 20 years' life. This experience justifies your company's policy of producing individually-built vehicles for "long life and low running costs." Nevertheless, we must have regard to the present high cost of production if we are to be in a position to meet competition in the world's market when the present abnormal demands have been met—already I notice some American manufacturers have reduced their prices.

PLEA FOR A UNITED EFFORT

Your Board is not despondent of the future; your factory is efficient; there exists an excellent team spirit, and we believe that this nation's common sense must again triumph. Industry and commerce made this country great and can again restore its prosperity. But time is the essence of the problem, we must sink our political differences, "cut the cackle," and by a united effort get down to the job of supply and production.

The report and accounts were unanimously adopted.

MIDLAND COUNTIES ELECTRIC SUPPLY COMPANY, LIMITED

INJUSTICES OF ELECTRICITY BILL

The thirty-fourth ordinary general meeting of the Midland Counties Electric Supply Company, Limited, was held, on the 28th ultimo, in London. Mr William Shearer, in the course of his speech said:— Dealing with the company side of electricity supply generally, I know of no other industry that has ploughed back such a large proportion of its earnings over a number of years into the operating properties. In consequence, while the equity securities may not have had the same specific attraction as many industrial ordinary shares, they have enjoyed a very high investment rating.

In examining the proposed financial arrangements for the new Government Boards further, we find that the door is left wide open to possible political abuses. It is intended that the Central Authority should exercise complete control over the finances of the Area Boards, including the amounts to be paid by these Area Boards to the Central Board for Electricity Supplies, and the finances of the Central Board are placed under the control of the Minister. I find it difficult to follow the mental process which, starting from the premise that all monopolies are vicious, assumes that when they become State monopolies, and beyond competition, they immediately acquire all the sovereign virtues.

COMPENSATION CLAUSES

Let us now examine the proposed compensation clauses. The Minister stated that in his opinion the terms of compensation to stockholders are "fair and even generous." In the beginning of my remarks I made some observations which indicated my view regarding this opinion, which I fear must have been formed without a proper appreciation of the meaning of these terms. I have already touched on the high investment rating which preference and ordinary stock of electricity supply companies have enjoyed. Since, however, the threat of nationalisation emerged neither the preference nor ordinary stocks of supply companies have appreciated to anything like the same extent as other investment securities. This is due to the fact that there was a widespread fear that if nationalisation materialised holders would not receive fair, let alone generous, treatment from a Socialist Government.

I should like to give you an illustration of the manner in which Supply securities such as ours have lagged behind in Stock Exchange quotations, and in doing so I might mention our own 6 per cent. Cumulative Preference stock as compared with 2½ per cent. Consols, Distillers Company 6 per cent. Cumulative Preference stock and Imperial Tobacco 6 per cent. Non-Cumulative Preference stock. The mean price of our Midland Counties 6 per cent. stock in 1938 was 28s. 7½d., but the take over price under the Bill is computed to be 31s. 6d., or a rise of only 10 per cent.

The mean price of 2½ per cent. Consols for 1938 was 71½, but their average price on the dates taken as the basis for computation under the Electricity Bill was 99½, or a rise of 39 per cent. Similarly, Distillers 6 per cent. Cumulative Preference had a mean price in 1938 of 30s. 4½d., and an average price on dates mentioned of 39s. 7d., a rise of 30 per cent. Imperial Tobacco 6 per cent. Non-Cumulative Preference had a mean price in 1938 of 29s. 3½d., and an average price on dates mentioned of 38s. 2d., or a rise of 30 per cent.

EFFECT OF CHEAP MONEY POLICY

It will thus be seen that while the Chancellor's cheap money policy has caused very considerable rises in the price of both 2½ per

cent. Consols and the two Industrial shares mentioned, the threat of nationalisation has kept the 6 per cent. Preference stock of our company far from a corresponding upward movement. The same argument applies with equal force to our other classes of stock and to that of electricity supply companies generally throughout the country.

While the holders of Argentine railway stocks may not feel particularly happy over the price which has been agreed for their properties, they may consider themselves fortunate that the Argentine Finance Minister has not adopted the same questionable tactics as appear to have been followed in the Electricity Bill.

If the actual terms proposed are examined in relation to the earning capacity on the present rate of dividends being paid, a clear picture can be obtained of the confiscatory nature of the Government's proposals. Assuming that in payment for the various issues of the Company a 2½ per cent. Government loan is issued, our 4½ per cent. Preference stockholders will lose £1 5s. 7d. per cent. per annum, our 6 per cent. Preference stockholders will lose £2 1s. 4d. per cent. per annum, and our Ordinary stockholders will lose at least £4 1s. 5d. per cent. per annum. On the assumption that the Government will issue a 2½ per cent. stock for compensation, the annual cost to them, before deduction of tax, will be under £400,000 per annum, whereas we earned in the year 1946 profits, after providing for depreciation and before tax, of approximately £950,000, with every prospect of increasing this year by year. Moreover, the Government stock will, we gather, be a redeemable one, whereas by far the larger part of our business has been given to us by Parliament in perpetuity and stockholders had every reason to believe their investment not only progressive but permanent. These figures and facts surely prove the monstrous injustice which the British Government propose to perpetrate.

TRACTION BUSINESS

Now you will expect me to say something about our traction business. Under the Transport Bill, which was first presented to Parliament, these undertakings might fall to be expropriated or dealt with in some other way as the Minister of Transport might direct, under a scheme for passenger road transport as may be permitted by the Transport Bill. That, in itself, is objectionable enough, but under the terms of the Electricity Bill which has since been introduced, this company's entire assets will be taken over and, by a somewhat strange anomaly, the Minister of Fuel and Power thus becomes the owner of our three passenger traction companies.

I understand there are other instances where road passenger transport companies may be summarily taken over by the Minister of Fuel and Power because they happen to have some minor or even derelict powers for the supply of electricity, and thus the Government, if it succeeds in passing both Bills into law, will be taking over vital road passenger services under two different codes of expropriation and compensation by two different Departments of State, presumably leaving the respective Ministers to argue between themselves as to who shall continue to operate businesses which have been successfully built up as complete entities and of whose operating conditions at least the Minister of Fuel and Power can have no knowledge at all.

The report and accounts were adopted and a final dividend of 4 per cent. (making 8 per cent. for the year) together with a bonus of 2½ per cent. on the ordinary stock, were declared.

GOLD COAST BANKET AREAS, LIMITED

PROGRESS OF DEVELOPMENTS

The thirteenth ordinary general meeting of Gold Coast Banket Areas, Ltd., was held, on the 24th ultimo, in London, Mr C. E. Jobling, M.Inst.M.M., M.I.M.E. (the chairman), presiding.

The following are extracts from his statement circulated with the report and accounts and from his speech at the meeting.

The year under review is noteworthy chiefly on account of the increase in the company's authorised share capital from £500,000 to £1,000,000. You will remember that in February, 1946, an issue of 3,200,000 shares at 2s. 6d. per share was made.

During the current month our associated company, South Banket Areas, Ltd., have made their issue of fresh capital, of which we have taken up sufficient shares to maintain our 40 per cent. interest in the capital of that company. The whole amount of the indebtedness to us has been paid off, and, their bank overdraft having been liquidated, our guarantee, referred to in Note 1 on the balance-sheet, has been cancelled. Our associated company are now free of all indebtedness; they have an issued capital of £773,398, while their net cash resources amount to approximately £500,000. They are thus in a position to proceed with their intensive development programme, and we feel fully justified in regarding with confidence our holding, which now amounts to 6,187,186 shares.

PROFIT AND LOSS ACCOUNT

The profit and loss account does not require much comment. The concentration scheme terminated at the end of February last, but payments in respect of care and maintenance under the Government scheme, based on the average monthly costs over the period of three years, continued to be paid up to the end of August. The expenditure in West Africa and London, £6,010, represents outgoings over and above these payments. The loss for the year amounting to £1,266, reduced the credit to profit and loss account in the balance-sheet to £24,108, which it is proposed to carry forward.

Our energies at the mine were confined to development, with a view to increasing our ore reserves, estimated to be, at the end of June, 1946, 383,933 tons, with an average value of 4.98 dwts. over 38.30 ins., compared with the previous estimate of 330,136 tons, value 5.03 dwts. over 38.41 ins., and to preparing for an early resumption of milling.

INTERESTING DEVELOPMENTS IN NORTHERN SECTION

Since the close of the financial year we have published the results of some very interesting developments encountered towards the northern section of the mine. With regard to further operations at our mine, information additional to the published results confirmed the continuation of the good values exposed in the new north section of the mine, though a fault has now been encountered. A short crosscut to the footwall of the reef has again shown good values. In the south shaft section development on both the main and west reefs have shown satisfactory improvement.

These developments on the newly discovered reef in the northern-most section of our workings are promising, and further progress will be watched with interest.

The report was adopted.

HARRODS LIMITED

RECORD PROFIT

SIR RICHARD BURBIDGE'S STATEMENT

The fifty-seventh annual general meeting of the above company was held, on the 11th instant, in London, Sir Richard Burbidge, Bart, C.B.E., presiding.

The following are extracts from the chairman's statement, which had been circulated with the report and accounts:—

The trading for the year has resulted in a net profit of £1,130,128, a record figure for the company. The increase in net profit of £212,321 is due entirely to greatly increased sales, as the gross profit earned is at a lower rate and the expenses have increased considerably. The net profit has been arrived at after charging all expenses, and after adding substantially to our reserves for possible stock losses, deferred repairs and renewals and other contingencies. Altogether our reserves for these purposes now exceed £700,000.

The directors recommend that a final dividend of 10 per cent. be paid on the ordinary stock, making a total of 15 per cent. for the year, and in addition recommend the payment of a bonus dividend of 5 per cent., making a total distribution of 20 per cent., against 14 per cent. last year.

After providing £646,000 for taxation covering the liability due next year on the profits now under review and providing £50,000 for freehold buildings reserve, bringing this up to £307,556, the carry forward will be increased from £243,455 to £268,912.

LIQUID RESOURCES

After the purchase of John Walsh, Limited, for £459,508 our cash and gilt-edged investments amount to £2,507,579, against £2,969,426 last year, while D. H. Evans and Dickens and Jones hold £1,379,781, against £1,270,119 last year.

You will notice that stock, debtors, etc., at £2,990,139 show an increase of £939,638 over last year, reflecting the increased trade. We can expect the necessity for further increases in this direction, and in addition we hope to be able to make a start on some of the repairs and renewals that are needed so urgently. It will be realised that while our cash resources would appear to be ample, the calls on them will be considerable owing to the increased day-to-day costs of doing business and our commitments in Sheffield.

STOCK

I have referred already to the fact that stocks are higher than last year. The general position, although easier in certain directions, has been very difficult all through the year. We are always hoping that there will be an improvement, but recent troubles have set back our expectations, and the prospects of obtaining merchandise of the type and quality

our customers prefer cannot yet be considered to show much improvement.

CONTROLS

I referred last year to the need for more goods in the shops at home and for better-quality goods for export, the former, if not for any other reason, as an incentive to produce the latter, which are vital if the country is to prosper. Britain has built up its great and world-wide reputation on goods of quality, and I am convinced that any loss of quality in our exports will rapidly and dangerously affect the quantity for which we shall be able to find buyers. Some controls and restrictions are necessary as long as shortages exist, but I do appeal for more latitude for the manufacturers to allow them to use their experience, their brains and their material in the way they think best, instead of being told how to use them, for it is the manufacturers through the retailers, rather than the Government officials at Whitehall, who are in touch with the real needs of the people.

PROSPECTS

The prospects for the coming year are very much a matter of conjecture, and, as far as we are concerned, depend mainly on three factors. (1) The quantity of goods that will be produced. (2) The gross margin of profit we shall be allowed; and (3) The rate of expenses.

The first factor is entirely out of our control, and while we can control expenses to a certain extent we cannot prevent a further increase in this direction, as, apart from the fact that the cost of doing business is rising constantly, there are certain directions, deliveries, for instance, in which our customers are entitled to expect better service than we have been able to render in the past. The deciding factor will be the gross margins we are allowed, as these, which used to depend on the skill of a good merchant, are now more or less arbitrarily fixed by the Board of Trade at a level which in their opinion will allow a reasonable net profit on the trade they estimate for the period ahead. These margins have been cut already to such an extent that any falling-off from the Board of Trade's estimate of increased trade in the coming year must result in numbers of small traders being unable to operate at a profit, and any further cuts would prove disastrous to them. The present method of fixing margins is not sufficiently flexible, and it is time that it was realised that retailing is not just handing out merchandise, but a technique that is subject to quick changes of fortune. The general body of retailers only ask that they should receive a reasonable reward for the services they render to the community, but they are entitled to insist that their advice and experience should be respected, for while it is true that traders are consulted in a more or less formal manner, very little, if any, attention is

paid to their views, particularly to the need for a larger margin for high fashion goods. For example, the recent cut was vigorously contested by all sections of the retail trade and was not justified on the figures discussed, even before the coal crisis with its consequent effect on deliveries of consumer goods, the imminence of which crisis must surely have been known to the Government statisticians. Moreover, this cut was imposed on January 31st, a most inconvenient date for retailers, again in spite of protests from the trade associations, who were refused an extension of even a few days.

In such circumstances accurate forecasting to-day is difficult, and it is for this reason that we recommend that part of the present distribution should be by way of a bonus dividend. But in spite of all our difficulties I hope that next year, given reasonable trading conditions, we shall be able to produce results as satisfactory as those now before you. I have every confidence in our management, buyers and staff, and our conservative policy of the last few years has considerably strengthened the company in every respect, so that we should be able to overcome any obstacles with which we may be faced. More proudly than ever I declare, "There is only one Harrods."

JEREMIAH ROTHERHAM AND COMPANY, LIMITED

INCREASED TURNOVER

The forty-ninth annual general meeting of Jeremiah Rotherham & Company, Limited, was held, on the 2nd instant, in London, Mr Joseph Hockley (chairman and managing director) presiding.

The following is an extract from the chairman's statement, circulated with the report: Profit margins are still controlled by the Board of Trade. The increased profit which we are able to show is the result of increased turnover. During the year there has been an improvement in the production of certain consumer goods, but some sections are still desperately short.

Addressing the meeting, the Chairman said: I hope that the result of the year's trading which we are able to place before you is considered satisfactory. Future prospects will depend entirely upon the supplies we are able to obtain. Our buyers are not lacking in searching the markets for what is obtainable.

You may rest assured that we shall continue to do our part in securing all we can in the way of supplies to keep up our turnover, which for the first two months this year shows a nice increase.

I shall presently ask you to confirm the payment of a dividend of 6 per cent. and a bonus of 2½ per cent. for the year. We shall then be carrying forward £10,229, which with last year's amount brought forward of £41,892, makes a total of £52,121. This may, perhaps, seem a large amount to carry forward, but we cannot tell what the future is going to be—if it happens to be more favourable than we might expect, we shall have something in hand for distribution. Next year will be the company's Jubilee. The report and accounts were adopted.

PRIVATE SECRETARY required for Managing Director merchant business. Must be well educated, efficient in shorthand and typing, thoroughly experienced and qualified in all other secretarial duties. Preference given to applicants willing to do a spell of duty in Malaya. Apply, giving age and all particulars, to Box 478, Dorland Advertising Ltd., 18, Regent Street, S.W.1.

GOING ABROAD.—We achieve the impossible in securing passages waste it. Write instead to Anna Claire, 107a, Grosvenor Road, London, S.W.1. Vic. 5901.

Applications invited for the post of Research and Publicity Officer at Headquarters of The National Union of Bank Employees, 28, Old Queen Street, Westminster, S.W.1.

Duties entail those usually associated with research work, preparation of propaganda material and general publicity. Salary £500/£600, according to qualifications.

GOVERNMENT RETURNS

For the five days ended April 5, 1947, total ordinary revenue was £44,510,485 against ordinary expenditure of £79,252,250 and issues to sinking funds £109,015. Thus, including sinking fund allocations of £109,015, the deficit accrued since April 1st is £34,850,780 against £55,709,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to Mar. 31, 1946	April 1 to Mar. 31, 1947	April 1 to April 5, 1947	April 1 to April 5, 1947
ORDINARY REVENUE				
Income Tax	1361346	1156233	28,751	23,051
Sur-tax	69,069	74,742	1,930	1,000
Estate, etc., Duties	120,301	148,044	3,000	2,450
Stamps	25,099	38,338	200	500
N.D.C.	35,485	32,107	469	650
E.P.T.	430,877	325,391	5,830	6,000
Other Inland Revenue	712	724	...	...
Total Inland Revenue	2042889	1776579	40,180	33,651
Customs	569,842	620,741	9,406	7,136
Excise	540,800	563,500	3,900	2,715
Total Customs and Excise	1110642	1184241	13,306	9,851
Motor Duties	43,172	49,456	1,333	844
Surplus War Stores	...	155,996	...	146
Surplus Receipts from Trading	...	59,000	...	...
Post Office (Net Receipts)	5,180	9,940	...	...
Wireless Licences	960	920	...	...
Crown Lands	11,047	26,780	18	...
Receipts from Sundry Loans	70,561	78,512	939	18
Miscell. Receipts	...	...	...	...
Total Ordinary Revenue	3284450	3341223	53,777	44,510
SELF-BALANCING				
Post Office	115,500	131,000	1,750	1,800
Income Tax on E.P.T. Re-funds	1,253	150,522	1,913	593
Total	3401203	3622275	59,440	46,903

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to Mar. 31, 1946	April 1 to Mar. 31, 1947	April 1 to April 5, 1947	April 1 to April 5, 1947
ORDINARY EXPENDITURE				
Int. & Man. of National Debt	455,446	498,819	22,562	21,520
Payments to N. Ireland	12,267	20,342	...	...
National Land Fund	...	50,000	...	...
Other Cons. Fund Services	8,015	8,712	36	33
Total	475,728	577,874	22,598	21,552
Supply Services	499,902	333,242	88,800	57,700
Total	547,478	391,036	111,398	79,252

SELF-BALANCING	P.O. & Broadcasting			
	April 1 to Mar. 31, 1946	April 1 to Mar. 31, 1947	April 1 to April 5, 1947	April 1 to April 5, 1947
P.O. & Broadcasting	115,500	131,000	1,750	1,800
Income Tax on E.P.T. Re-funds	1,253	150,522	1,913	593
Total	5591533	4191868	115061	81,645

After increasing Exchequer balances by £348,078 to £2,704,540, the other operations for the five days increased the gross National Debt by £43,672,480 to £25,700 million.

NET ISSUES (£ thousands)			
P.O. and Telegraph	...	...	250
E.P.T. refunds	...	...	724
Title Act, 1936, Section 26(1)	...	...	1,170
Overseas Trade Guarantees Act, 1939, Section 4(1)	...	...	12
Local Authorities Loans Act, 1945, Section 3(1)	...	...	3,750
War Damage: Board of Trade	...	...	2,000
War Damage: War Damage Commission	...	...	218
Finance Act, 1946, Section 26(7) Post War Credits	...	...	...
Finance Act, 1935, Section 30(1) 3 per cent. Local Loans Stock	...	...	100
Total			8,474

Statistical Summary

CHANGES IN DEBT (£ thousands)			
NET RECEIPTS		NET REPAYMENTS	
Treasury bills	4,834	3% Defence Bonds	*1,309
Nat. Savings Certs.	11,850	Tax Reserve Certs.	5,421
2½% Defence Bds.	1,957	Other Debt	...
Other Debt	...	Internal	2,886
External	49,628	Ways & Means Advances	1,980
		Treasury Deposits	13,000
	68,269		24,596

*Including £751,000 paid off on maturity.

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt
Date	Tender	Tap	Public Depts.	Bank of England	of Banks	
1946						
Apr. 6	1760-0	2720-9	456-4	32-25	2599-5	6569-0
Dec. 21	2120-0	2496-0	375-8	17-3	1688-5	6697-5
" 28	2140-0	2455-6	448-0	...	1676-5	6720-1
1947						
Jan. 11	2150-0	2467-1	411-4	...	1686-5	6715-0
" 18	2150-0	2457-2	412-2	...	1681-0	6700-4
" 25	2145-0	2461-6	395-1	...	1657-5	6659-2
Feb. 1	2145-0	2435-2	427-2	...	1633-5	6640-8
" 8	2145-0	2418-2	439-7	...	1600-0	6602-9
" 15	2155-0	2441-3	469-7	9-0	1540-0	6615-1
" 22	2165-0	2506-5	446-5	...	1508-0	6626-1
Mar. 1	2175-0	2565-5	530-3	15-0	1473-5	6759-3
" 8	2185-0	2600-7	583-7	...	1443-5	6812-9
" 15	2185-0	2628-5	582-2	...	1435-0	6830-7
" 22	2185-0	2690-9	582-6	2-25	1434-0	6894-7
" 31	2185-0	2699-7	613-5	...	1456-5	6954-6
Apr. 5	2185-0	2704-4	592-7	18-75	1443-5	6944-4

TREASURY BILLS

(₹ millions)						
Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1946						
Apr. 5	150-0	248-7	150-0	10 2-76	47	
1947						
Jan. 3	170-0	273-7	170-0	10 0-69	54	
" 10	170-0	257-6	170-0	10 0-16	47	
" 17	170-0	273-4	165-0	10 0-41	51	
" 24	160-0	277-2	160-0	10 1-43	24	
" 31	160-0	303-0	160-0	10 1-14	37	
Feb. 7	170-0	290-6	170-0	10 1-52	46	
" 14	170-0	263-6	170-0	10 2-17	58	
" 21	170-0	277-9	170-0	10 1-79	41	
" 28	170-0	246-3	170-0	10 2-16	63	
Mar. 7	170-0	287-0	170-0	10 1-15	43	
" 14	170-0	273-9	170-0	10 1-59	51	
" 21	170-0	288-2	170-0	10 1-29	45	
" 28	170-0	296-9	170-0	10 2-51	42	
Apr. 3	170-0	293-9	170-0	10 2-60	43	

On April 3rd applications for bills to be paid on Tuesday: Wednesday, Thursday, Friday and Saturday were accepted as to about 43 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. £170 million (maximum) of Treasury Bills are being offered for April 11th. For the week ended April 12th the Banks will be asked for Treasury deposits to a maximum of £140,000,000.

NATIONAL SAVINGS CERTIFICATES AND 2½% BOND SUBSCRIPTIONS

Week ended		N.S.C.	2½% Defence Bonds	Week ended		N.S.C.	2½% Defence Bonds
1947				Feb. 22		4,600	2,810
Jan. 11	3,500	3,240	" 8	7,350	4,200		
" 18	3,700	6,750	" 15	6,700	2,983		
" 25	5,100	5,820	" 22	10,000	2,330		
Feb. 1	5,050	4,620	" 29	14,000	2,900		
" 8	4,700	3,410	Totals				
" 15	3,600	2,500	to date	*1,740,370	1114,663		

* 384 weeks. † 48 weeks.

Up to Mar. 31st principal of Savings Certificates to the amount of £449,575,000 had been repaid.

BANK OF ENGLAND

RETURNS

APRIL 9, 1947

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	1402,889,593	Other Govt.	1438,166,722
In Bank, Department	47,358,240	Securities	808,851
		Other Secs.	9,327
		Coin other than Gold	1450,000,000
		Issue of Fid.	247,833
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	1450,247,833
			1450,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	335,930,660
Res.	3,158,451	Other Secs.	16,773,177
Public Depts.	9,460,043	Discounts and Advances	35,010,404
Other Depts.		Securities	47,358,240
Bankers	289,952,201		680,659
Other Accts.	101,856,268		
		Notes	47,358,240
		Coin	680,659
			418,979,963
			418,979,963

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

COMPARATIVE ANALYSIS

	(£ millions)			
	1946		1947	
	Apr. 10	Mar. 26	Apr. 2	Apr. 9
Issue Dept. :				
Notes in circulation	1338.8	1390.7	1399.9	1402.9
Notes in banking department	61.5	59.5	50.3	47.4
Government debt and securities*	1399.1	1449.3	1449.3	1449.2
Other securities	0.9	0.7	0.7	0.8
Gold	0.2	0.2	0.2	0.2
Valued at s. per fine os.	172/3	172/3	172/3	172/3
Banking Dept. :				
Deposits :				
Public	14.5	10.6	12.0	9.5
Bankers'	215.8	286.4	284.8	290.0
Others	52.3	94.4	101.2	101.9
Total	282.6	391.4	397.9	401.4
Securities :				
Government	183.5	322.0	330.2	335.9
Discounts, etc.,	39.6	11.1	17.3	18.2
Other	15.1	16.8	17.9	16.8
Total	238.1	349.9	365.4	370.9
Banking dept. res.	62.2	60.2	50.9	48.0
	%	%	%	%
" Proportion "	22.0	15.3	12.8	11.9



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Duties will include the organisation of students' visits of observation, and practical work in industrial establishments, and contacts with the industrial community generally.

Applications (3 copies) with copies of not more than three testimonials and the names of two referees should reach the undersigned (from whom further particulars may be obtained) not later than May 17, 1947. No special application form is issued.

C. G. BURTON, Secretary
The University, Edmund Street, Birmingham, 3. March, 1947.

NATIONAL COAL BOARD

The National Coal Board invites applications for appointment as Organising Accountant in the Finance Department at the Headquarters in London. The person appointed will be required to initiate and develop accounting schemes, including mechanisation, for the Board's activities and it will be necessary to travel extensively in the coal-fields. Applicants should have a wide experience in accounting and mechanical accounting methods. The commencing salary will be commensurate with qualifications and experience, in accordance with a scale which commences at £1,500 per annum.

Applications, giving full particulars of career, education, degrees, etc. (with dates) should be made before May 30, 1947, and addressed to the Appointments Officer, Ministry of Labour and National Service, 1-6, Tavistock Square, W.C.1, quoting reference number T.T./18 B.H.67. In no circumstances should original testimonials be provided. Only candidates selected for interview will be advised.

NATIONAL SAVINGS COMMITTEE—ASSISTANT COMMISSIONERS

The Civil Service Commissioners announce that the Reconstruction Competition for these posts has been extended, in order to fill a further 20 vacancies. Applications are invited for these vacancies which will be filled by competitive interview before a Selection Board in London. Candidates must have attained the age of 21 by January 1st in the year in which they compete and must not have attained the age of 41 on August 1, 1945.

A University training and knowledge of economic subjects are desirable but not obligatory. Service in any part of England or Wales may be required. Salary (for men) £275 rising by annual increments of £18 to £525, then by annual increments of £25 to a maximum of £650, and (for women) £275 rising by annual increments of £18 to a maximum of £525. Starting pay will be adjusted according to age, subject to a maximum of £383. A War Bonus consolidation addition varying from £78 to £90 per annum (for men) and £63 to £72 (for women) is also payable for the time being, pending the application of new scales.

Requests for copies of the regulations and forms of application should be made by postcard to:—

The Director of Establishments, National Savings Committee, 11/12, Cornhill, E.C.3.
Persons overseas can also obtain particulars from the Chief Officer, Civil Service Commission, at the following addresses:
(India)—10, Underhill Lane, Delhi.
(Egypt)—8, Sharia Tolumbat, Garden City, Cairo.
(Germany)—c/o, 2nd Echelon, G.H.Q., B.A.O.R.

Completed forms of application must be returned by May 31, 1947, or—in the case of persons serving with the Forces—by July 31, 1947. All candidates are, however, asked to apply as soon as possible.

OTHER NOTICES ON PAGE 568

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

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By Order of the Board,
E. B. McINERNEY, London Manager
6 Lothbury, London, E.C.2. April 9, 1947

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VOL. CLII NO. 5408

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3 BY AIR (U.S. and Canada only) \$24

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

An Acceptable Budget

MR DALTON'S third Budget is an acceptable, almost a good one. With his passion for cloaking even the most innocent actions in a prejudicial form, he tried hard, in the course of a long and lucid speech, to make it sound as if he were doing adventurous and controversial things. But in fact the proposals he made were, with one exception, based on principles of finance that all authorities would approve, and they were also, again with one courageous exception, pedestrian rather than adventurous. The exception to the soundness of the Budget is the new penalisation of dividends; the act of courage is the decision to increase the duty on tobacco, already heavy, by no less than half. Politics is as apparent in the first decision as it is commendably absent from the second. But it is very doubtful whether any credit the Chancellor may earn among the faithful by his dividend tax will go very far to offset the dismay he will have caused by an increase in the tobacco duty which, however desirable in the public interest, will inevitably fall more heavily on small incomes than on large. Of this balance of popular reaction, Mr Dalton, who is a politician before everything, was undoubtedly aware; he deserves the credit for having made his choice.

From the accounting point of view, the chief surprise of the Budget was that the Chancellor was able to estimate for a receipt of no less than £292 million from Miscellaneous Receipts, mainly from the re-claiming of unspent balances and the like. The Chancellor described these items as rabbits out of a hat. They are, indeed, a curious collection of rabbits—not least curious in being non-recurring. Nevertheless, they enabled Mr Dalton, within the rules of the game, to produce a prospective surplus, on the basis of existing taxation, of no less than £248 million. He might have dissipated this surplus in reductions of taxation. But he decided, very wisely and properly, not to do so, but rather to fortify it by changes in taxation which provide, on balance, a small net increase of revenue. His reasons for this were twofold—partly the ground of high economic principle that "this is a year when we ought, in any case, to have a Budget surplus," and partly the lower, but no less commendable, ground of expediency that the surplus may be needed next year, when there will be lower receipts from income tax, no EPT and fewer, if any, rabbits.

Unquestionably, this decision, in the present circumstances of the country, is the right one. There was, in the speech, some very strong language directed against those writers in the financial press who advocate deflation and dear money—"baleful Bourbons" he called them, "who sit in office chairs in the City of London" (a description which, it will be noted, acquits *The Economist*). But if, in fact, any voices have been raised in favour of "dear money... depressed trade... mass unemployment... cuts in wages and social services and indiscriminate short-sighted economy campaigns of every sort," they have escaped general notice. Mr Dalton's noisy assaults upon this collection of Aunt Salies were designed to disguise the fact that he is proposing to move in exactly the direction that his "deflationist" critics have urged upon him. The immediate danger, he admitted, was of "an inflation going beyond bounds" and he proposed to take steps to reduce the inflationary pressure.

It is true that his conversion to a disinflationary policy might have been more whole-hearted as well as more gracious. He might have done much more. He might, for example, have really balanced his Budget. The surplus of £270 million with which he balanced the accounts of "ordinary" revenue and expenditure is, of course, a very partial figure. The Chancellor is proposing to spend much more than this on items that are printed in the Exchequer return "below the line" and are accordingly not counted as ordinary expenditure. It would, in any case, be a curious accounting procedure to pile up a surplus above the line and a deficit below it. But, in fact, though some of the items below the line, such as the redemption of maturing debt and the purchase of real assets, are properly excluded, there are others which ought to be treated as expenditure. Payments of Post-War Income Tax Credits, for example, are direct repayments of sums that were, when they came in, credited to ordinary revenue. The same is true of EPT refunds. Yet these two items alone will amount to £130 million, or nearly half the surplus "above the line," without allowing for the only slightly less clear case of War Damage payments amounting to £330 million. It would have been a better employment of his "surplus" if the Chancellor had used it to improve the logic and honesty of the Exchequer accounts. And if he had done so, he would have had to confess that he was in fact proposing, not a substantial surplus, but a deficit. That policy might well be a defensible one, in view of the surpluses that can be expected on the accounts of the national insurance funds and the local authorities. But defensible or not, it would have been more candid.

Mr Dalton might also have gone further in the process of reversing the upward trend of food subsidies. As he said, "this element, alone in all the total of our public expenditure, might seem to be passing out of our own control." It is something that the food subsidies are not—apparently (the Chancellor was not very specific)—to be allowed to increase further after the introduction of the new cost-of-living index. But it is disappointing that there was no more than a faint indication of a desire to take positive steps to reduce this burden. It is here—and not, *pace* the Chancellor, in further reductions in interest rates—that any hope of substantial tax reliefs can be found. The Chancellor is still waiting for a fall in world food prices—and no doubt he will have his reward in due course. But it is most unlikely that any fall in world food prices will be enough by itself to wipe out these subsidies, which are keeping the prices of foodstuffs at a level appropriate to a value of money quite different from any that the post-war world is ever likely to see. The subsidies will either be removed catastrophically and with disturbance or gradually and smoothly, and it is in no way too early to make a start if the latter alternative is preferred.

Again, if his heart were in a disinflationary policy, the Chancellor might have made an attempt to demonstrate that his cheaper money campaign was not being run in an inflationary way. This passage of his speech fell well below the level of cogency of the rest. He detailed, at great length, the advantages of cheap money to the borrower—which nobody would dispute. He asked whether there is "really a British citizen who is either too avaricious or too frightened of the future to lend money to his country at 2½ per cent on long term?" But that argument applies equally to 2 per cent, or to 1½ per cent. Mr Dalton said nothing whatever to establish his claim that, of all the possible points at which the taxpayer's desire for low rates of interest might exactly balance his desire, as citizen, to avoid the inflationary consequences of pushing them too low, exactly 2½ per cent is immutably the one. He said nothing to defend himself against the charge of having pursued his policy at the cost of a large-scale creation of liquid credit, contrary to the debt-funding tactics that are appropriate to a disinflationary policy.

Nevertheless, though there are these might-have-beens, it

would be wrong to cavil at the meagreness of the tribute that Mr Dalton paid to the principles of sound finance. The real point is that he paid any tribute at all. It is reassuring to hear a Socialist Chancellor of the Exchequer saying that "this is a good year for a good surplus," and even though it is only in a very qualified sense that he can be said to have been as good as his word, he deserves credit for his restraint in tax relief.

The rearrangements of taxation that the Chancellor proposed, within his policy of fortifying rather than of weakening the revenue, are also, on the whole, well chosen. Within the structure of the income tax, the earned income and family allowances were clearly at the top of the priority list. The doubling of many existing stamp duties charged on the transfer of property is hardly welcome, but it cannot be said to be out of line with the general weight of taxation. The new stamp duty on bonus issues is a surprise. There is a case for some taxation on bonus issues, many of which are undeniably devices for evading surtax. But there are some objections to the present proposal; the rate of 10 per cent is, for a capital transaction, very heavy; and since it is levied by reference to the market value of the shares after the bonus issue has been made, it also offends against the canon that every tax should be capable of being calculated in advance of the action that attracts it.

The two changes in taxation that will attract the most attention are the steep rise in the tobacco duty and the new tax on dividends. The increase in the tobacco duty is a sound decision as well as a politically brave one. There is no room for doubt that the level of consumption of tobacco must be reduced. The only alternatives to a stiff rate of duty are a cut in supplies, which would merely lead to queues and black-marketing, or a rationing scheme, which would have great administrative difficulties.

The dividend tax, on the other hand, is a thoroughly bad one. If a case can be made out for widening the differential of taxation between incomes from work and incomes from property, then the fairest way to do it is by death duties or by combining a higher standard rate of income tax with a much larger earned income allowance. But Mr Dalton did not attempt to argue the case for heavier taxation on property incomes. He did not attempt to argue any case at all, he merely asserted that he was "not satisfied with the large increases in distributed profits and the higher dividends which have been paid out in so very many cases in the last twelve months." It is almost certain that the increase since 1938 in the sums paid out in dividends has been less, proportionately, than that of any other constituent of the national income save only rents. But even if the case were made out for stopping excessive or increased dividends, how does that justify a differential tax on all dividends, excessive or meagre, increased or reduced? There is still another objection to a profits tax that falls on the company, and therefore exclusively on the equity shareholder. The point was put very clearly some years ago by an authority on public finance, writing of the Corporation Profits Tax that was levied for a few years after the first war. This tax, he said

was a bad tax. . . . For it discriminated against a particular class of property-owners, namely, the ordinary shareholders in joint stock companies, as compared with all other classes, including debenture-holders and the holders of gilt-edged securities. It was, therefore, in effect, a tax on risk-bearing, and tended to divert the flow of capital from risky to comparatively safe investments. But, in view of the need that risks should be taken and the reluctance of many investors to take them, this was a harmful diversion.

The quotation is from "The Principles of Public Finance," by H. Dalton, M.A., D.Sc. (Econ.). Thus does politics corrupt learning. The Opposition will be well advised to put their confidence in Dr Dalton rather than in the Chancellor of the Exchequer and to give notice that they will repeal this piece of class malice at the earliest opportunity they are given.

The New Statesman

MR HENRY WALLACE has come to Europe in search of progressives, and according to him a progressive is a "person who believes the future is more important than the past." If he sticks to this definition he will not need to look very far; in that sense we are all progressives now. But other things he has said, in the course of two broadcasts and three public meetings—all under progressive auspices—suggest that his definition is incomplete. The progressives he is looking for are the people who turn their backs on the present and occasionally take a short and painful look at it from between their legs. Most politicians and public men reaching middle-age find the posture increasingly uncomfortable, and end by turning their backs on the future; but not Mr Wallace. After fourteen years of politics he remains supple, hopeful, indignant, and broad of vision. Perhaps because he is also a farmer and a scientist, because he wants power but could at a pinch live without it—in other words because he is the imperfect politician.

The risk created by his present visit is that many people in Europe—progressives and others—will overestimate his power in their admiration for his quality. They may repeat the error they made—with more excuse—with Wilson thirty years ago, and mistake the idealist American for American idealism. They may be tempted to see in Mr Wallace a candidate for leadership of the Democratic Party, who hopes to return to the United States and feels himself propelled to power by the ardent breath of progressives outside his own country. Then—they may think—he would reverse present American foreign policy, seek to bring Russia into international partnership for the reconstruction of Europe, and repel Communism everywhere by a united effort to raise world standards of living. This is no unfair simplification of what Mr Wallace is describing as his "international new deal." And if he is not serious, if he does not intend to organise power behind the idea, why has he come to Europe to spread it? Not, surely, just to blow on the embers of the Socialist revolt against Mr Bevin's foreign policy, or on the feeble flames of European opposition to Mr Truman's anti-Communist doctrine—or to study the art of editing a progressive periodical.

Mr Wallace's speeches are clearly intended to be read in America. They are intended to shake American—and European—confidence in Mr Truman's challenge to Communist conspiracy against governments outside the Soviet sphere of influence. It is important that the countries next visited by Mr Wallace should understand not only this, but also that the editor of the *New Republic* and the successful experimenter with Rhode Island Reds does not represent a body of American

opinion either massive or organised. As the last hope of the New Dealers—or, more accurately, of one section of the New Dealers—he represents the vague aspirations of many Americans for peace and security and friendliness in the world, but nothing more. It is good that he does, for such voices should always be heard in this country with respect, and have always been so heard, so long as the facts were not overwhelmingly against them.

But the facts of the moment are overwhelmingly against Mr Wallace's practical proposals. This can easily be seen from one or two he has propounded during the last ten days. To begin with the most actual problem of all, the Moscow Conference—how would Mr Wallace deal with this indecisive debate about Germany? He would make it succeed, he said in London last week, "by starting an overall programme for the reconstruction of Europe." An excellent idea; but is it not precisely because the Russians want to use German industry for their own reconstruction before it is used for European reconstruction that the conference is failing? Nine months ago, before the Moscow Conference was thought of, they refused to attend the London conference of the United Nations Sub-Committee on Devastated Areas. This modest body was engaged in nothing more harmful than a survey of what reconstruction there was to be done in Europe. Out of it emerged much useful information and the fruitful suggestion of an Economic Commission for Europe. It received hearty American and British support; the Czech and Polish observers could have told Moscow how hearty it was and how easily the Commission might be an inducement to American loans and gifts to Europe. What happened? The Soviet delegate in the Social and Economic Council fought the proposal tooth and nail until his colleagues from eastern Europe convinced him of the dangers of doing so. Then he withdrew opposition, but refused to vote on the Commission's terms of reference. The example is chosen because it shows Russian intransigence at a low, working level of international cooperation, where diplomatic risks were few.

Much the same has happened over other attempts to make a common approach to the joint effort that Mr Wallace advocates: the conference on a world trade organisation, the allocation of European coal supplies, the world food conferences. And the Russian refusal to take part in them dates back to a time when Mr Byrnes was still being accused of trying to secure an agreement with Russia even, if need be, at British expense, when Mr Wallace was denouncing from New York the imperialism he saw in London, and when Britain was taking alone all the knocks in Indonesia and Greece. That was fifteen months



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before the Truman Doctrine was announced to the world. Obviously nothing could be more welcome, nothing more likely to pacify Europe, than a joint effort of the Great Powers to carry through its reconstruction. And an American loan to Russia is the only quick device that might divert the Russians both from their insistence on reparations in goods from Germany and from their plans to mobilise the resources of eastern Europe to help the Five Year Plan. But one does not get loans by shaking the lender's faith in the borrower; and this is what Mr Molotov has been doing these months past. Indeed he and his colleagues have done more; they have created the suspicion that Moscow regards the economic recovery of Europe west of the Elbe as against Russia's interest.

Let us take another of Mr Wallace's specifics. He says that the way to overcome the present crisis in Russian relations with the West is for the United States to return to the principles of the United Nations. This means, he said in London, "an agreement on world control of atomic energy, and other weapons of war destruction, the internationalisation of strategic areas, including the Dardanelles, Suez Canal and Panama Canal." How, precisely, would he overcome Mr Gromyko's defence of national sovereignty in the debates on atomic control? What would he do if he satisfied himself that Mr Gromyko's instructions are to play for time? As for the Dardanelles, whose fault is it that nothing has come of the proposal made to the Russians two years ago that the Powers should meet with Turkey and revise the Montreux Convention? Was it not Moscow that pressed on the Turks in private negotiations last year the idea that the security of the Dardanelles should be guaranteed by the Black Sea Powers only—that is to say, by Russia, Turkey, and the satellite governments of Rumania and Bulgaria? What has this to do with internationalisation and the United Nations?

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Then—to take a matter that seems trivial against the background of strategic thinking and power politics that Mr Wallace detests—what would he say about the matter of the fifteen Russian women who are not allowed to leave their country and join their husbands in England? A progressive can nowadays look over and beyond such things to the wider horizons and the overall blue-prints; there was a time when he would not have dared remain silent about such a piece of petty tyranny and heartlessness. It is the kind of symptom of national behaviour that ordinary men and women pick out of a BBC news bulletin containing far more momentous news. How would Mr Wallace handle this problem? Would he try to drive a bargain on such a matter of principle?

There is a good deal in Mr Wallace's vocabulary and argumentation which recalls the worst days of the thirties in this country, when jargon, sentimentalism and wishful thinking ran riot. Typical is the argument that Communism "can only be ended when poverty and exploitation are no longer a part of democracy." It is the argument Communists use in the company of liberals. No one will deny that Communism thrives where there is poverty and social injustice; but it is equally true that Communism thrives on men's love of power, excitement and conspiracy. With his faith in the potentialities of all men, Mr Wallace overlooks, or deliberately ignores, what Hobbes four hundred years ago placed first among the factors to be reckoned with in politics: "a perpetual and restless desire of power after power, that ceaseth only in death." This is the human characteristic which makes Communists conspire so efficiently; for the prize they aim at is complete—not shared—power. Surely Mr Wallace's hosts can explain to him that no one expects the Communists everywhere to give way to the Socialists and Radicals just because the latter promise "an international new deal." And while Mr Wallace's deal is being

prepared, who is to prevent the internal collapse of the countries in which Communists aim at complete power, whether for themselves alone or for Russian foreign policy?

If Mr Wallace's arguments are unacceptable, so is his flattery. He suggests that the world is agog to see how Britain will reconcile planning and freedom. It is quite obviously not true; in Europe Britain is living on the prestige won during the war and the curiosity there is about our prospects of remaining strong though socialised. As for Mr Wallace's advice that Britain should take up a position somewhere half-way between the United States and Russia, that comes of bad observation and loose thinking. The British position is different from the American on many issues. But it cannot be half-way to the Russian. There are too many political, legal, economic and social principles on which the American and British people agree for such a manoeuvre to be performed by the British without sacrifice of faith and tradition—and interest too.

*

It is very unfortunate for Mr Wallace that the draft Russian suggestions for the revision of the treaty of alliance with Britain should have become known during his visit. He has come here with the curious purpose of pushing Mr Attlee's Britain away from Mr Truman's America. That is precisely what Mr Molotov would like to do too. But Mr Molotov is not a progressive; he is intensely interested in the present and very sore about the past. He believes in the United Nations only in fits and starts, and in international new deals not at all. When Mr Marshall suggested the other day that the products of the territories transferred from Germany to Poland should be used in the interests of Europe as a whole, Mr Molotov turned the idea down flat. The strategic thinking which Mr Wallace deplures, Mr Molotov takes for granted. While Mr Wallace is impatient for the new deal in his time, Mr Molotov waits with massive patience for his opponents to fall out among themselves.

Mr Wallace's visit may do much harm. He will rally all those who think with their emotions. He will encourage all those on the Left—and they are many—who do not think about foreign affairs at all, but merely wait to observe what the Right think, and then shout the opposite. In wider circles of the general public, the charm and impressiveness of his manner, the striking resemblance of his radio technique to that of Mr J. B. Priestley—king of progressive broadcasters—and his past association with President Roosevelt and the social engineering of the New Deal will gain new supporters for the critics of Mr Bevin. The Foreign Secretary very honestly makes foreign policy sound difficult; Mr Wallace makes it sound easy, although he must know, from his own experience of affairs, that it is not easy. To pretend otherwise is to make a fool of the common man for whom he speaks. The people of France and of the other countries that he is visiting will be less ready to applaud uncritically the vision offered by this new world statesman. There they have longer memories, sharper eyes for the present, and cautious habits of thinking about the future; the editor of the *New Republic* focuses exclusively on the horizon.

There is one point—and one point only—at which it is possible to reconcile Mr Wallace's views and British interests. That is where he emphasises the urgent need for eventual American understanding with the Russians. That must be the objective of British, as well as of American, policy. But there is no evidence that the Russians will come half-way towards such an understanding until they are convinced that Mr Marshall—and Mr Bevin—are standing absolutely firm. That they cannot do without the support of Congress and the House of Commons. In trying to undermine this support Mr Wallace is doing a disservice to all three governments.

“The House”

A HUNDRED years ago, a scandal at the Andover workhouse, where the inmates fought each other for the gristle on bones, overthrew the Poor Law Commissioners and led to the establishment of a Poor Law Board with direct Ministerial responsibility to Parliament. In the succeeding years, the harshest regulations for the administration of the workhouses were gradually dropped, but the workhouse test remained—the relief of the able-bodied poor in workhouses had to be given under conditions inferior to those of the worst paid labourer outside. It was not until this century that major reforms took place.

It so happens that two committees, one official and one unofficial, have recently thrown some light on conditions in the workhouses today, seventeen years after they were made the responsibility of the county and county borough councils and renamed public assistance institutions. Neither committee was concerned with the administration of the workhouses as such. One, the Curtis Committee, was investigating the care of children deprived of a normal home life, many of whom, at least in the first instance, are placed in institutions. The other, the Rowntree Committee, was appointed by the Nuffield Foundation to investigate the provision made for the care and comfort of old people, and in many places old people who cannot live independent lives in their own homes are entirely dependent on the local workhouse—by whatever name it is called.

From the reports of these two committees it is possible to obtain a good picture of “The House” as it exists today, for their comments and criticisms are very similar. The architecture, for the most part, is that of a hundred years ago, sometimes imposing from the outside, sometimes gaunt and forbidding, but inside bare, dark and cheerless, with chocolate and buff paint predominating. The wards are long and narrow and may contain as many as a hundred beds, separated only by two feet or less. In the dayrooms, the wooden armchairs are placed along the wall in rows. There is no garden, only an asphalt courtyard. In this building may be housed “a motley collection”—an expression found in both reports—of the destitute: the aged, including the senile, the mentally defective, the epileptic, the blind, and the young—babies, with or without their mothers, and children up to fifteen years. “One Nursery,” reported the Curtis Committee,

which was structurally linked to the Public Assistance institution, had sunk to the lowest level of child care which has come under our notice. There were 32 children on the register, eight of whom were sick children. These were being nursed in a small ward adjacent to the infirmary adult sick ward. . . . The smell in this room was dreadful. . . . The healthy children were housed in the ground floor corrugated hutment which had been once the old union casual ward. The day-room was large and bare and empty of all toys. The children . . . slept in another corrugated hutment in old broken black iron cots. . . . The children wore ankle length calico or flannelette frocks and petticoats and had no knickers. . . . Most of them had lost their shoes; those who possessed shoes had either taken them off to play with or were wearing them tied to their feet with dirty string. . . .

The Rowntree Committee described the profound apathy that is to be found among the old inmates of an institution, who are usually to be found sitting along the wall “waiting for the next meal or for bedtime.” In a few institutions they are required to wear a distinctive uniform; in many more they are not allowed to retain those personal belongings to which old people cling almost as though they made up for lost friends and relatives. The matron of one institution defended this restriction by the

fact that if the old people were allowed to have private possessions, these would be stolen by the mentally deficient girls who shared the accommodation with them. In a great many institutions, the regulations are often unnecessary and often harsh. Visiting is restricted. In one case, there was even a rule forbidding the aged male and female residents to be in the garden together—a relic perhaps of the poor law principles of 1834 which laid down that man and wife must be separated in order to prevent the breeding of more paupers to become a burden on the rates.

It should be strongly emphasised that the worst conditions revealed in the Curtis and Rowntree reports are not typical of the workhouse today. There are some cases where even the old building has been scrapped, and others where an enlightened master and matron have achieved wonders in the most unpromising surroundings. But the fact that such bad conditions can exist at all and that the average conditions are below what public opinion to-day considers desirable is enough to explain the unpopularity of “The House” throughout the country and the great dread of old people lest they should be compelled to end their days in it.

*

Approaching their investigations from the viewpoint of what they considered desirable for the old and the young respectively, the Rowntree and Curtis Committees came to the conclusion that the main reason for the conditions they found was that the institution housed so many different classes of people. On behalf of old people, therefore, the Rowntree Committee asked for more classification and the transfer of all normal old people to small homes and hostels. This policy has already been adopted by many local authorities, but until there are enough homes to accommodate all who need them, the Rowntree Committee recommended highly classified institutions of medium size—to accommodate up to 200 aged residents instead of the thousand or more that are sometimes found at present—in which the restrictions and institutional atmosphere would be at a minimum. But it recognised that some old people are unsuitable for life in small homes or even in classified institutions, and considered that there should still be some all-purpose institutions which would house the difficult unsocialised old person who would not fit easily into the community life envisaged for the normal aged.

If the Curtis Committee's recommendations are carried out, there should be no children in the institutions at all, except young babies with their mothers. But the future of “The House” will be further influenced, and to an unpredictable extent, when the new social security measures come into force and in particular when the remnants of the poor law are transformed into national assistance and transferred to the Assistance Board. In the eyes of the public, it is the poor law authorities who are to blame for the lumping together under one roof of the destitute child, the mentally defective child and the old and the senile. As poor law administrators are for ever pointing out, however, this position arises because of the failures of the other social services. The children over the age of three whom the Curtis Committee found to have been in some institutions for several months were there against the law, which only allows them to be retained in an institution as an emergency measure and for a period limited to six weeks. That they were kept longer was as likely to be the fault of the local education authority as of those in charge of the workhouse. Similarly, the mentally defective children were there because of a failure on the part of the mental deficiency authorities. The senile are

there, and the chronic sick, because the public health departments refuse to accept them into their hospitals. How can the poor law authorities make conditions in their institutions inviting to the infirm old, who make up far the greater part of the inmates, when they are constantly having to shelter what they call the "residuals" of the other social services?

As the master of a London institution recently pointed out, if the social services which in the course of the last fifty years have been carved out of the poor law had functioned efficiently, there would be no residuals inside or outside institutions. As it is, the poor law has become more and more the residuary legatee of the other services, and it is this fact, the fact that so many of its cases have been rejected by them because they do not exactly qualify for their help, that has made the poor law so universally unpopular. Yet are the number of residuals likely to diminish next year when the new social security is in full operation? Will the regional hospital authorities be able to provide accommodation for all the destitute lunatics now found in workhouses? Will the Assistance Board find shelter for the evicted and for the discharged prisoner?

The conclusion seems inescapable that other social services will continue to need, at least in the foreseeable future, what the master quoted above aptly described as "the statutory roof" provided under the poor law. Crippled children will be

brought up in special schools. What will happen to them, if they cannot live at home, when they leave the scope of the education authority? The unmarried mother and her baby will for a brief time be accommodated by the hospital authority. What will happen to them after that? It is high time that the public realised just what is meant by the statutory obligation to shelter the destitute which is imposed on the poor law authorities and which was well summarised in last year's report of the executive committee of the National Association of Administrators of Local Government Establishments:

Even in 1946 nothing but our establishments, apparently, can deal with emergency destitution or the new social problems arising from overcrowding. Our institutions—called upon to service as EMS Hospitals, Rest Centres, Emergency Feeding Centres and to house vast stores, and yet to continue to meet their normal obligations, during the war—now switch in peace to housing refugees and displaced persons, foreign servants, the homeless of all races, creeds and ages, our own ex-Service men, and still to gather up the loose ends of other services, the while caring for tens of thousands of chronic sick and the aged; for while other doors are closed ours must remain open.

Before the poor law is abolished, in name if not in fact, the full force of that phrase—"our doors must remain open"—should be appreciated, and recognition given to those who, for all the evils revealed in the Curtis and Rowntree reports, have provided the only truly comprehensive service that exists.

The Conflict in China

ON April 16th, President Chiang Kai-shek's old friend, General Chang Chun, received appointment as Prime Minister of the Chinese Government. Two months and a half have passed since the United States Ambassador to China gave notice that his Government had decided to end its connection with the Committee of Three, of which General Marshall had been chairman, and which had been set up for the purpose of bringing about a settlement of China's internal conflict. That notice was immediately followed by two closely related events: the replacement of Dr T. V. Soong as Prime Minister by Chiang Kai-shek himself and the launching of regular warfare against the Communists, who were declared to be in a state of "open rebellion" against the Government.

The military leaders in Nanking had for some time been urging that the deadlock in the negotiations between the Kuomintang and the Communists could only be resolved by force, that American mediation was merely tying the Government's hands, and that the American loan dangled before the Government's eyes as a reward for a peaceful settlement would be obtained at too high a price if it involved a renunciation of the legal Government's right to suppress armed revolt. They felt, moreover, that their political position had been greatly strengthened by the promulgation of a fairly liberal Constitution to replace tutelage by the Kuomintang party, and by the deals recently done with the Young China and Social Democrat minority parties; economically, they already held large stocks of military supplies turned over to China from American war-time accumulations, even without the projected conditional credits, and they could reasonably expect that, if they were successful in forcible unification of most of the country—or alternatively if they were in danger of defeat—the credits would in the end be forthcoming. These views appear to have been shared by the Generalissimo himself, who was anxious to be rid both of the restraint of American mediation and of the humiliating reputation of being dependent on American support for his survival.

With the bothersome American peace-makers out of the way, the Nanking generals have their chance of achieving decisive military victory over the Communist armies. Their difficulty is to obtain any result which can be called decisive in warfare with

a supple and elusive guerilla power in a country of scanty communications, where there is widespread popular sympathy for the rebels. They hope, nevertheless, to force the Communists out of certain areas where they seriously embarrass the Government's authority in China as a whole, and to confine them in other areas, where they will be relatively harmless. The war is in fact going on in two separate regions—in Manchuria and in North China, especially in the coastal province of Shantung. The two regions are separated by a zone of Government control on the line Tientsin-Peking-Kalgan-Tatung, though there is some Communist intercommunication across this zone. The regions also differ in their relation to the geographical framework of the Government's authority. The latter is centred on the Lower Yangtse and is also established in the Peking-Tientsin area, in other important cities of North China, and in South Manchuria. The Communist-controlled area of North Manchuria is at the northern extremity of China, far from Nanking, and does not interrupt any communications, as the Government holds nothing beyond it. The Communist forces in Shantung, on the other hand, intercept the vitally important railway which links Peking and Tientsin with Nanking and also the lines running into the interior from the ports of Tsingtao and Haichow; in addition, they are dangerously near to the capital and to the economic metropolis of Shanghai. For the Government, therefore, success in Shantung is much more important than success in Manchuria. The Communists appear to take the same view of the supreme strategic importance of Shantung, for they have not only infiltrated reinforcements by sea from Manchuria into Shantung in fishing boats and other small craft, but they seem to have depleted their forces in Shensi and Shansi to concentrate them in Shantung; a consequence of this strategy has been the loss of their famous "capital," Yen-an, which was abandoned to Government troops early in March without serious resistance.

Fighting has been going on in Manchuria as well as in North China, but it has been of an inconclusive character, and there is some ground for believing that it has been complicated by political considerations which are not purely domestic. Nanking claims to have repelled a Communist offensive against Changchun, but although the best-equipped Government divisions are

supposed to be engaged on this front, there does not seem to have been much energy in pressing the much advertised advance on Harbin. There have been rumours of secret Nanking-Soviet talks about North Manchuria. This region, which forms a huge salient projecting northward into Siberia and through which runs the railway from Chita to Vladivostok, is the part of China in which Russia has long been, and is today, most interested, the region where the Soviet Government is least willing to see either full control by a non-Communist Chinese central government or the penetration of American capital associated with it. The Soviet Union, as a result of the secret treaty concluded at Yalta with Britain and the United States and subsequently imposed on China, has control (in nominal partnership with China) of the principal Manchuria railways, but no rights of military occupation, without which the railways are always liable to seizure. The next best thing to military occupation being a "friendly" government, the Russians after the Japanese surrender gave a helping hand to the Communists in Manchuria. This was nearly effective in closing the whole territory to the Nanking forces, but when the latter, with the aid of American transport, forced their way in, they were allowed to advance north as far as Changchun without Russian intervention. It has been a matter for doubt, however, whether Russian restraint would stand the further advance of Chinese Government troops to Harbin, and it may be that,



even if the Chinese Communists are defeated in North China—which is not yet by any means a foregone conclusion—a refuge for them will still be maintained under Soviet protection in North Manchuria. Without abandoning ultimate claims to full sovereignty up to its northern frontiers, the Nanking Government would probably be well content for the time being if it could but remove Communist armed power from near the heart to the periphery of China.

President Chiang and some of his close associates—though not all of them—are aware that the success of their policy is not only a matter of military operations. Apart from factors of international diplomacy and public opinion abroad, the Government has to fight for political support within China and this means something more than a paper Constitution or grandiose paper plans for future economic construction. There have recently been some signs of a real effort to check official corruption and to put an end to the fantastic regime of carpet-baggers which overwhelmed the liberated provinces after the collapse of Japan. There has been some cleansing of the Augean stables, even if only with muddy Yangtse water. Poor Dr Tsiang, former Director-General of the Chinese National Relief and Rehabilitation Administration (CNRA), has been made a scapegoat for the sins of more exalted persons, and is

leaving for the United States to become a Professor of modern Chinese history, from which exile he will no doubt in time be restored to favour, if the history he teaches is not too indiscreet. An Economic Supervisory Committee, acting under direct instructions from President Chiang, has made some spectacular moves against the illegal currency speculation which recently brought about a panic in business circles in Shanghai. A committee of the People's Political Council investigating recent accidents on Chinese air lines has reported that the State-controlled civil aviation companies are "improperly equipped and badly managed and riddled with corruption and delinquency."

This reforming zeal which now manifests itself—still, to be sure, within strict limits—may have been due in part to the desire to make a better showing in anticipation of American credits, in part to the desperate need of the Government to obtain some sort of financial stability after China's prolonged orgy of inflation, but probably in part also to a purpose of strengthening the ties of the Kuomintang with the sounder part of the commercial and industrial bourgeoisie. The Kuomintang was in its origin the party of the rising capitalist class which sought both protection against foreign "imperialist" capital and an end to disorderly, inefficient and restrictive "feudal" rule in China. But the Japanese invasion, overrunning all the most important urban centres of China, eclipsed the new bourgeoisie, and the Kuomintang in exile in the interior under war conditions fell under the domination of landowners and civil and military officials who raked profit from monopoly trading. Since the end of the war, however, the bourgeois element has revived in Shanghai and elsewhere, and has shown a lively discontent with official maladministration and racketeering, which have even been compared unfavourably with the conditions for private business in the Communist areas.

Anti-Communism without the support of the capitalists is obviously a poor proposition, even in China, and there have been signs that the Kuomintang is seeking once more to base its policy on the bourgeoisie rather than on the landed gentry. Such an orientation would make it easier to carry out the minimum of agrarian reform necessary to enable the Kuomintang to appease peasant antagonism. The Government recently decreed that in areas recovered from the Communists owners may reclaim confiscated lands, but only if they can produce the proper title deeds, and that rents may not exceed one third of the crop—whereas rents of more than half are not uncommon in China. If the provision about title-deeds is strictly enforced, many owners may fail to regain their properties, though the principle of restitution will not be affected.

Perhaps the Government's strongest card, however, is a firm foreign policy. The Kuomintang flies the banner of nationalism and it comes nearest to rallying the Chinese nation under its leadership when it stands up for the dignity of China in the international field. The withdrawal of American marines and mediators has delivered the Government from a too obvious foreign patronage and it has certainly had the support of all politically conscious Chinese except the most fanatical Communists in its uncompromising protest against discussion of Chinese internal affairs by the Council of Foreign Ministers.

A strong line has also been taken about measures of the Philippine Government discriminating against the Chinese community and, in Indonesia, where a number of Chinese residents have been victims of disorder, China has demanded special safety zones to be policed by an armed Chinese militia; the Dutch authorities are reported to have conceded this in principle. Such energy in protection of the "Overseas Chinese" is evidence that civil war has not paralysed China as an international factor where important national interests are concerned.

NOTES OF THE WEEK

Last Lap in Moscow

A successful meeting between Mr Marshall and Mr Stalin has long looked like the one way of ending the Moscow deadlock. It has now taken place, but one looks in vain for signs that it has done good. The Foreign Ministers are indeed reported to have smiled on occasions, but only when their detailed arguments verged on absurdity, as they often do. Mr Molotov certainly did not smile at the American proposal for a four-Power pact to keep the Gerthans disarmed for twenty years or more; in fact he grimly offered a re-draft of the pact which would make it guarantee almost everything the Russians want in the German peace settlement. This is scant courtesy to a very bold proposal to keep an American stake in Germany for a generation, which has been on offer for nearly a year. Perhaps Mr Molotov would rather see American influence out of Europe altogether.

If that is the case, it would explain reports that the British Government are being asked by the Soviet Government to accept in the revised treaty of alliance a clause which, in certain circumstances, could be used to detach British from American policy. The present treaty of 1942 by its seventh clause binds both parties "not to conclude any alliance and not to take part in any coalition directed against the other." To rewrite this in a form which takes account of the inevitable—and desirable—association of British and American interests almost all over the world will clearly tax the ingenuity of Mr Vishinsky and Sir Maurice Peterson. If they cannot succeed, it would be better to postpone revision of the treaty until efforts have been made to reach a broader understanding between the Russians on the one hand, and the Americans and the British on the other—just as the Dunkirk pact would have been a more real document had Mr Bevin and M. Bidault agreed on the principles of their German and Western European policies beforehand.

There is still a chance that some progress can be made on Austria. The Foreign Ministers have started working on their deputies' report clause by clause, and if their deep differences over the Yugoslav territorial claims and the Russian claims to "German assets" in eastern Austria can be in any way modified, there would be some chance of having a peace treaty ready for their next meeting. This looks like taking place in London later in the summer.

As for German economic unity, agreement is as far off as ever. The Russians are reported to be interested in Mr Marshall's tentative suggestion that if to concede a higher level of industry to the Germans means reducing the amount of capital equipment that goes to the Russians from the west, they should receive compensation from current production. In a conference that was intended from the first by all parties to be "tough" this is a dangerous sacrifice of principle; it can only be made at British—as well as American—expense and Mr Bevin should have nothing to do with it. The choice is quite clearly between a European and a selfish approach to the control of the German economy; so long as the Russians show no interest in the former there can be no profit in discussing the latter.

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Mr Molotov Misses a Trick

It is difficult not to believe that secret diplomacy would have made a better job than public diplomacy of the differences that have arisen in Moscow over the western frontier of Poland. Mr Marshall's proposals of April 9th, if studied in detail, reveal an opportunity for a deal which might have given to the Russians much of what they want in the Ruhr and to the Poles a settlement which future generations of Englishmen and Americans would have been prepared to defend with clear consciences against German agitation. M. Modzelewski, the Polish Foreign Minister, says that Mr Marshall demanded the revision of the provisional frontier drawn at Potsdam. He did not. He asked that the revision of the pre-war frontier should be studied by an international boundary commission with two objects in view: to give the Poles fair compensation for the territories in the east ceded to the Soviet Union and to ensure that such raw materials and heavy industry in the ceded territories "as are vital to the European economy shall fairly serve that need, including particularly the need of Poland." Mr Marshall asked for a settlement that "should be in the interest of Europe as a whole"; new frontiers must not be barriers to the "healthful and accustomed flow of trade and commerce and human intercourse."

Mr Molotov's rejection of the proposal was flat; yet a few minutes earlier he had objected to the French proposals for separating the Rhineland and the Ruhr from Germany on the grounds that it would be "a policy of dismembering Germany and abolishing her as an independent state," which would play into the hands of "German irredentists." He could surely have avoided such crass inconsistency and left the door open for some arrangement based on Mr Bevin's often repeated offer to discuss a special régime for the Ruhr if a similar régime is considered for Upper Silesia.

The Poles appear to admit that the "final delimitation of the frontier" is a task for the peace conference, but to argue that the process will be formal and perfunctory. The rate at which their people have resettled "the recovered territories" is given as an argument for the justice of the rough line drawn at Potsdam. They add that they have already invested \$600 million in the area; that the Germans could increase agricultural production to make good the loss of its food; and that Mr Bevin said at Potsdam that when the British give something they give it for ever.

On simple moral grounds the settlement is indefensible, as the Poles may one day find to their cost. It is also bad politics. As no one has seriously suggested depriving them of the territories in dispute, they would do well to cease the outcry against their wartime ally and consider whether in the years to come they cannot do something to guarantee to Germany some of the food supplies it will need. They are already claiming that they will have food for export in 1949.

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A Fancy Coal Target

Response to pressure seems to be the watchword of the Government at present. A fortnight ago it was on conscription: this time it is on coal. Mr Shinwell has now revised his coal target from 200 million to 220 million tons for the current year, and this revision, given in two speeches last Saturday, comes so pat after the Trades Union Congress's criticism of the White Paper's coal target that it is impossible to avoid connecting the two.

If Mr Shinwell really believes that the extra 20 million tons can be produced, no news could be more welcome, for that "submerged tenth," if it could be brought to the surface, could transform the whole face of the country's economy. The trouble is that Mr Shinwell gave no adequate reason for altering the target figure, and since its original publication the course of the fuel crisis and statements by Sir Stafford Cripps indicate that the 200 million tons is an outside rather than a minimum target. There is, indeed, no harm in exhorting the miners to greater efforts. And it is possible that the extra 20 million tons could be forthcoming if the miners on their side were all prepared to work the full five-day week and to co-operate wholeheartedly in any changes and reorganisation necessary to increase output, and if the Coal Board were itself ready to put these changes into effect. But these are two big "ifs," whose fulfilment is unlikely. In any case Mr Shinwell, from his Ministry, cannot do more than exhort, for he is not managing the industry.

It is, however, nearly time for the Coal Board to provide the public with more information about its plans for increasing output. Until it works out an efficient system for planning its development work and evaluating the effects of both the short and long-term plans it is, presumably, making, future estimates of output can only be based on past performance, and on this basis there is little prospect of achieving even the 200 million target. No one can yet predict the effects of the five-day week, but certain reliable forecasts should soon be possible if the Board is setting about its work properly: if mining machinery and supplies are being efficiently ordered and allocated, their effects should be predictable; if there are plans for closing inefficient pits and transferring labour to adjacent ones where costs of production are lower, certain results must be expected; since new recruitment can have little effect on production for six months ahead, and output cannot therefore be expected to rise immediately, it is no use implying, as Mr Shinwell did, that the results of the intake will have substantial results this year.

The Coal Board is very new, and it would be unfair to expect prodigies of planning at once. But no estimates of future output can ignore these factors, and if the target is to be revised, it should be done as the result of reliable statistics and forecasts of this kind and not of Ministerial face-saving or fancy.

Dockyard Politics

The apparently successful restriction of a possibly devastating national dock strike to its point of origin is a feather in the cap of the Transport and General Workers Union. But until the Glasgow stoppage is cleared up, one cannot feel altogether easy. At the back of this stoppage lies an economic point of some interest: the dispute is not over hours, wages or conditions, but over planning and is between the planners—represented by the Workers' Joint Council Fact Finding Committee—and the non-planners, the members of the Scottish TGWU. Some eight months ago this Fact Finding Committee, after examining the position at the port of Glasgow, unanimously agreed that the current labour force was too big and should, in order to ensure de-casualisation, be reduced by some 500 men. The Scottish Union disagreed, insisting that the entire force be retained on strength. After several months of fruitless discussions, the port authorities acted without union concurrence and dismissed 500 men. The dockers then struck. Such are the bare facts.

The principles at stake are curiously intermingled. There is the relationship, never very cordial, between the TGWU and its Scottish affiliate; the flaws in this relationship have in this instance stultified the activities of the National Joint Council; from this the lesson should perhaps be drawn that the Council is both insufficiently joint and inadequately national. The relation between unions and their constituents is important in every type of dispute, but in this particular dispute it raises an unusual issue—the question of who, in any given undertaking, shall decide on labour intake and outgo. Traditionally, the employer's right to hire and fire has been limited only by apprenticeship regulations and provisions against victimisation; but in a deliberate once-for-all move to squeeze the surplus out of an immemorably overmanned labour force, even the most intransigent economic royalist could hardly deny organised labour a say. But it is one thing to have a say, quite another to insist on dictation—a motion that the country is bound to carry.

To say this is not to claim that the Glasgow Port Authorities have acted, in their selection of the 500 redundant men, with perfect justice and complete economic justification. There was plenty of room for union co-operation and championship of their members' interests. On what principle were "the redundants" to be chosen? What, if anything, was done for them in the way of resettlement? As to the first point, the only dispute is whether there was perfect adherence to a cut and dried seniority rule—a principle even more idiotic economically in the docks industry than elsewhere; as to the second, no information whatever is forthcoming. The Scottish TGWU would have been better occupied in dealing constructively with these questions, particularly the latter, than in a blank refusal to face the ascertained facts of de-casualisation. As it is, they have allowed the workers' case to go by default.

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Tourist Trade

A heated debate rages round the tourist trade. The Automobile Association reports that foreign visitors are being explicitly warned off because of the lack of any special provision of petrol for tourists, and draws distressing pictures of the British holiday-maker crowded out of his seaside lodgings by the influx of foreigners; while the Caterers Association, alleging a fatal shortage of crockery, napery and food, prophesies that any visitors who do come will retreat disgusted, never return, warn their friends against this island and remain its life-long ill-wishers.

Optimism, for contrast, offers golden prospects: 150,000 tourists, more than half of them from the hardest of hard currency areas, bring, on a conservative estimate, between \$800 and \$900 apiece to restore the sagging balance of payments—a sum of which not more than 10 per cent need be ranked as a re-export of imported commodities. Is it possible to strike a balance?

Warnings or no warnings, Great Britain will get this year as many visitors as the passenger fleet plying to her shores can carry. Whether those visitors stay or flounce disgusted off is another question. That they should stay is, with all due respect to the needs of the British holiday-makers, eminently desirable. They will not further crowd out Blackpool or Mr Butlin's—have they not got Coney Island? They are far more likely to go where comparatively few British families go—round historic Britain, comparatively few British families go—round historic Britain, looking at the face of the land. The hopelessly insular American holiday-maker, who is the soul mate of the traditional British tourist with his insistence on the precise ritual for afternoon tea, will stay at home; his own continent offers abundant playgrounds

complete with Coca-Cola and fifty kinds of sandwich. Those with a normal endowment of imagination and willingness to experiment will, as Mr Tom Johnston pointed out: "Come here prepared to find less of comfort though more of interest than at home." It is to smoothing and making pleasant their travel that public and private efforts should be directed, rather than to vain attempts to compete with either Palm Beach or the Bois de Boulogne.

The alternatives to luxury and obsequiousness need not be squalor and bad manners. Certainly the pinch-penny refusal to make extra petrol available to tourists has nothing to commend it, unless one is to admit the implied solicitude for the feelings of the native and unprivileged motorist. Beyond this, far more effective than an extra shilling on the permissible price of meals or toleration of the continental-style Black Market, would be an extension of such work as is being carried on by the British Travel Association with its attractively presented information and its constant pressure to raise the standard of hospitality. An intelligently run tourist information centre in every town with a substantial tourist trade would be more valued than fresh upholstery in railway carriages; a nation-wide hotel-clearing system enabling every traveller to find out quickly where accommodation was available would be worth as much as half-a-dozen new hotels. Success in inducing the Ministry of Labour so far to relax its muscle-bound xenophobia as to allow a few competent European chefs in to succour the tourist industry in its hour of trial would probably be equivalent to a 10 per cent increase in the ration. However uncongenial the idea may seem to the Caterers Association, it is intelligence and imagination, rather than impossible aspirations to luxury, which are most needed in the tourist trade to-day.

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Prospects of Trade with Russia

The breakdown of the political negotiations in Moscow is apparently being followed by an attempt to improve trade between Russia and the western countries. Next week a British Trade Mission is going to Moscow; and Mr Marshall is reported to have discussed with Mr Stalin the settlement of Lend-Lease accounts and trade between Russia and the United States. *Mutatis mutandis*, the situation is somewhat similar to that which prevailed in the early twenties, when the western countries and Russia began resuming business links across a chasm created by ideological antagonism. At a recent press conference, Mr Vyshinsky stated that "the success of the Soviet plan for reconstruction of their devastated areas within six or seven years depended on their receiving goods from current production." So, logically, the disagreement over reparations from Germany ought perhaps to impel the Soviet Government to devote more attention than hitherto to the development of foreign trade. But the present atmosphere of mutual suspicion and rising hostility that is making agreement on the German economy so difficult as to seem almost impossible, may not be very conducive to trade either.

Mr Vyshinsky's statement on the need for Russia to draw on foreign resources for its own reconstruction reflects what is perhaps the central dilemma of Soviet economic policy after the war. The pre-war Five-Year Plans, especially the second and the third, were based on the principle of complete self-sufficiency. In the thirties, Russia's share in world trade was below 1 per cent. The force of circumstances has tended to compel the planners of Soviet economy to depart from that policy: self-sufficiency now would spell grievous delays in reconstruction and prolong destitution over vast areas. In the last two years that departure has taken the form of a "mobilisation" for Russian reconstruction of the resources of eastern Europe, including eastern Germany. Quite apart from reparations, the compensatory trade between Russia and eastern Europe has raised Russia's share in a reduced volume of world trade to much above the pre-war level.

Trade with the countries of eastern Europe alone, however advantageous in many respects, is not enough for Russia's needs, since her most pressing need is for capital goods and mechanical equipment, which are not produced by them. Until quite recently this fact was masked by the flow of dismantled industrial equipment to Russia; but its meaning becomes doubly important now. Moreover, the countries of eastern Europe cannot easily sever their old links with world economy and adjust themselves to a scheme of regional autarky for Russia and themselves. Czechoslovakia and Poland, for instance, are in different degrees dependent on trade with the west; and to the extent to which they must export

their goods to western countries their resources are denied to Russia.

The two years during which Russia was able to draw on the resources of eastern Europe have helped her to tide over a very difficult period, in which the chances of her trade with the western countries were in any case practically nil. In the sellers' market of these years Russia would have been able to appear only as a buyer, with no commercial bargaining power whatsoever. Reports on the state of the western markets and forecasts of trends in the near future must now be eagerly studied in the Soviet Ministry of Foreign Trade. Is the sellers' market beginning to shrink? Is the buyers' market beginning to cast its shadow ahead? These are the questions that are probably uppermost in the minds of those in charge of Soviet trade policy. They are probably anxious to time their appearance on western markets just for the moment when the tide of trade will be turning. If this guess is correct, then the forthcoming trade negotiations will not yield any quick and spectacular results; they will rather be used by the Soviet negotiators for testing the temper of the western business world.

Italians for Reconstruction

The first Italian foundry workers for Britain left Milan on Tuesday. These swallows do not make a summer, for less than 1,000 are likely to arrive this year. France, Belgium and Argentina have been doing things on a much bolder scale. The Italian agreement with Belgium of last June provides for the emigration of 50,000 workers (as far as possible miners) in yearly or two-yearly contracts, and the Italian Government will receive badly needed coal at the rate of 3,000 tons a month for every 1,000 Italian miners at work in Belgium. Over 20,000 are already at work.

The French agreement signed on March 21st is intended to bring 200,000 Italians across the frontier before the end of 1947; they should arrive at the rate of 17,000 a month and should provide 30,000 for training as miners, 70,000 for the countryside, and the rest for building, heavy industry and other essential occupations. For each working day of an Italian miner his government will receive from France 150 kg. (nearly 3 cwt.) of coal. The Argentine Government are thinking in terms of 60,000 immigrants a year for five years; they will pay the passages of immigrants, give each a two-year contract and give them the same protection as their own workers.

The terms offered in each case are generous. The Italians in Belgium, for example, receive the same wages and social assistance benefits as Belgian workers, as well as normal family allowances. They may remit to Italy as much of their savings as they wish. Argentina has also agreed to unrestricted remittances back to Italy, where these contributions from emigrants used—in the late 'twenties—to produce some 2,000 million lire a year towards a healthy Italian balance of payments.

Italy has many emigrants to spare, for the old problem of over-population has reappeared. The African colonies provide no outlet now; agriculture has absorbed all the labour it can, and the revival of industrial employment is restricted by shortages of raw materials. Last year the number of unemployed had risen to over 2,000,000. It still seems that the British Government could take more advantage of this situation; there are good political as well as economic reasons for overcoming the opposition of the trade unions.

Platform for Propaganda

In December, 1944, on the initiative of the Foreign Office, an interdepartmental commission was created under the chairmanship of Lord Scarbrough "to examine the facilities offered by universities and other educational institutions in Great Britain for the study of Oriental, Slavonic, East European and African languages and culture, to consider what advantage is being taken of these facilities and to formulate recommendations for their improvement." The various sub-committees of the commission heard a great deal of evidence from all interested quarters and the final report which has just been published is a most interesting and stimulating document. It recognises that our foreign trade and diplomacy are in the post-war era more than ever dependent on sound knowledge and information, that "a significant part of our contribution to world peace is to understand and know our neighbours both near and distant," and that a firm

basis of academic study is indispensable not only for these ends but for the prestige abroad which accrues from distinguished scholarship.

In making practical recommendations the report takes note of the fact that in the past very little regular provision has been made in higher education in this country for the studies under review and that they have been left for the most part to amateurs with private means or to consuls, civil servants or missionaries to pursue in their spare time. The report considers that this haphazard private enterprise is no longer sufficient for contemporary needs and proposes a scheme for government subsidies and at the same time a certain division of labour between different universities and institutes whereby specialisation will be regulated. This is an innovation in the Government's attitude in such matters, at least in the field of the humanities, as it has hitherto been the practice of the University Grants Committee to allot funds in response to initiatives from the universities; here funds are recommended for a detailed plan which the Government—or at least Whitehall—wishes to see carried out by academic bodies.

The most striking merit of the Report is that, in spite of its concern with practical affairs, it does not concentrate its attention on short language courses, but is anxious to promote serious literary, historical and sociological studies over the whole field. This official respect for intellectual standards makes it all the more deplorable that one of the institutions of which most is expected in the Report should be at the moment in the public eye, not as a place of learning, but as a platform for a piece of highly fraudulent political propaganda. The exhibition of Poland's western territories being held at the School of Slavonic Studies, and opened by a member of its Council, is part of an official Polish attempt to deny the plain fact that the Oder-Neisse frontier was given to Poland only as a compensation for the Soviet annexation of the eastern provinces and to put across entirely untenable ethnic claims. The Polish Government has the right to conduct any publicity it pleases in this country through its own agencies, but it is extremely undesirable that academic institutions here should be identified with this kind of propaganda, which can only serve to discredit them as homes of serious and disinterested study.

The Right to Arrest

The decision of the Court of Appeal in the case of *Leachinsky v. Christie and Others*, noted in *The Economist* on January 19, 1946, has now been affirmed by the House of Lords. The substance of the case was a claim for false imprisonment made by a Liverpool merchant against two police constables of the Liverpool Police Force, and the main allegation against the police officers was that they arrested the plaintiff on a charge under a local Act which did not give them an actual right to arrest without a magistrate's warrant. The case is of considerable constitutional importance, in that it embodies a full consideration of what are the rights of the police, and of private persons, to make arrests without a magistrate's warrant, and conversely what are the limitations on the right of every man to go unimpeded where no magistrate has ordered his arrest. In the House of Lords Viscount Simon epitomised the existing law in the form of certain propositions, of which the most important are: if a policeman arrests a man without a warrant he must in ordinary circumstances inform the man arrested of the true grounds of his arrest; he is not entitled to keep the reasons to himself or to give untrue ones; if he fails in this duty then, save for certain exceptions, the arrested man has the right to sue for false imprisonment; technical or formal language is not necessary when saying why the arrest was made, nor is it necessary to inform the arrested man if in fact he knows from other circumstances the nature of the charge against him; finally, the requirement of telling the arrested man is waived if he, the arrested man, puts it out of the power of the policeman to tell him, for example, by resisting.

The complexity of the general body of laws required to be known by a police officer may sometimes strike a spark of sympathy from the lay breast, but the importance of the right of arrest without warrant—and of its converse, the right to be free—are so important that they should form part of the basic training of every police officer. It may be easier for a policeman to remember the exact permitted dimensions of a public service vehicle. It is far more important to the public that he should know when and how he can subject, at his own discretion, a citizen to temporary imprisonment and when and how he cannot.

Petition from Bermuda

Uneasiness has long been felt over conditions in Bermuda, which was outside the scope of the West India Royal Commission of 1938-39. Bermuda boasts a centuries-old constitution which gives it representative government. But whom does its parliament represent? Last November, a petition was presented to the Secretary of State from the Bermuda Workers' Association, which draws attention to the extremely narrow parliamentary franchise and to the property qualifications required for membership of the House of Assembly. As a result of this oligarchy, the petitioners claim, the general body of the people remain depressed and poverty-stricken. The social services pass them by. Trade union activities have only recently been legalised and the trade union legislation is still far below what is recognised as desirable elsewhere.

The Governor's comments on the petition are very unfortunate. He is, presumably, right in declaring that it is not backed by the people of Bermuda, and that he has never seen a coloured population "so well dressed, well fed or well housed as it is in Bermuda"—in view of conditions elsewhere, that does not mean very much. But the tone of the despatch reveals, if not a reactionary attitude, at least one that seems far from realising the currents that are moving in dependent territories to-day. The Governor defends the constitution as "a system which has withstood the test of time and has brought prosperity and, by and large, contentment to the Colony as a whole." The franchise should be extended, but only gradually in accordance with "the growth of political mindedness of the masses" which "can only develop if the people are carefully educated in their responsibilities as citizens"—and he later defends the present educational system which does not even give free primary education. He is in favour of the introduction of direct taxation—at present, the great bulk of the colony's revenue comes from customs duties, a system which bears very severely on the less wealthy section of the population—but dare not guess what the fate of the income tax Bill, at present before the House of Assembly, will be. If it is turned down, it will surely not be a good advertisement for the present system of government.

The Secretary of State's reply to this despatch (all of which is included in a White Paper (Cmd. 7093)) is an implied rebuke to the Governor. He does not agree, yet, to the Royal Commission requested by the petitioners. But he makes it very clear that he considers that they have a good case, and he asks the Bermuda legislature to give special attention to their grievances, in particular to the labour legislation, the franchise and the fiscal system. If its deliberations do not produce far-reaching reforms, there is a strong hint that a Royal Commission will be appointed.

Who Controls in the Air?

A statement issued by the Air Ministry on April 13th announced that pending the establishment of a world-wide air traffic control organisation, an air traffic control service had been established within the framework of the RAF Commands at home and overseas for all aircraft on British routes. In this way a beginning would be made in creating the single unified national control organisation which the international system envisaged by the International Civil Aviation Organisation presupposes. At the same time, "air traffic control procedures for both civil and military aircraft will become standardised, as far as possible, on all Imperial routes."

The statement is far from clear. It seems to imply that for a transitional period at any rate the RAF will be responsible for controlling aircraft on British routes. If so, it is to be hoped that the Control Officer will be given more responsibility and more equipment for proper control than disquieting reports now indicate he has. What exactly are the defects in the present system which have led to its modification it is difficult to say. But the inadequate powers of the Control Officer must surely be one of the gravest. That one of the main wartime lessons of the RAF should be disregarded is surprising. It may be due to the provision of inadequate facilities—but this should not affect the principle. Radar, for example, is hardly used in civilian flying either in the aircraft or on the ground. And the efficacy of control at any local range depends largely on the navigator's dead reckoning and estimated times of arrival and departure. This method, of course, works quite well. But there are better methods, and it is to be hoped that the "standardisation of air traffic control procedures" will lead to their adoption.

Film Quiz

The Granada circuit of cinemas, an independent circuit of which Mr Sidney Bernstein is head, has at intervals since 1927 obtained from its patrons replies to a questionnaire designed to extract their views on cinemas, films, stars and producers. In December last, after a break of nine years, the practice was resumed and the results are now available. As well as facts of only transitory interest they also contain considerable material for those concerned with how the public use their leisure and the influences that make them prefer one amusement agency to another.

As might have been expected, the popular opinion of British films has risen considerably. Ninety-six per cent of those replying thought that British films had improved since 1939; only 26 per cent thought that American films had done so. The results will be a disappointment to those who thought that the general public were gradually coming to like the shorter educational film. About half the replies said that they liked cartoons and news magazines "very much." Only 10 per cent disliked cartoons very much. On the other hand only 18 per cent liked films on "social developments" very much, and 37 per cent disliked them equally strongly. Short films on animal life exceed in popularity those on science, and the justifiable comment of the report is that the dislike for science and social development topics is comparable with the dislike felt for horror films in the main feature class (perhaps social development suffers from an association of ideas?). Short Government films, such as those on food or health, generally leave a feeling of indifference.

On reasons for going to the cinema at all, 21 per cent go to the cinema only to see a particular film, 15 per cent go to a particular cinema whatever the film, and the middle group, 49 per cent, go to cinemas regularly but exercise such choice in films as is possible locally. Finally, of those who go regularly to a particular cinema, 31 per cent go because it is the most comfortable. Perhaps the best conclusions to draw from the report are that the commercial cinema is still a branch of the entertainment industry, not of the educational world, and that the wise proprietor should never forget that one in three of his regular customers will still pay to come in and sleep rather than stay outside.

Bisected Korea

The 38th parallel of latitude does not correspond to any geographical or ethnic division in the "Land of the Morning Calm," as Korea used to be known for literary purposes. This mystical number which now dominates the lives of the Koreans was merely adopted by the United States and Soviet Governments for a line of demarcation between their respective armies which were to liberate Korea from the Japanese. But the line has now become a frontier dividing Korea into two parts and virtually preventing all contact or communication between them. North of the line the Russians have set up a Communist-controlled administration with its own social and economic policy; in the south the Americans have been trying to create a democratic régime in accordance with their own ideas of what is politically right. By the Moscow agreement of December, 1945, Korea was to be placed under Four-Power trusteeship for five years in preparation for full independence and a Provisional Government was to be set up with participation of Korean "democratic parties." But an American-Soviet Commission created in March, 1946, to arrange for the formation of the Provisional Government was deadlocked by Soviet insistence on a formula for defining "democratic parties" which would have excluded all parties except the Communists and their close associates. The consequence is that there is still no common administration for the whole of Korea, and meanwhile the economy of the country is disrupted, for the bulk of the agricultural population is in the south, whereas the coal and hydro-electric resources are located in the north.

Mr Marshall in a recent letter to Mr Molotov has asked for a fresh start in negotiations, but the prospects of agreement do not appear bright at the moment. The most serious feature of the situation is the allegation of the American authorities in Korea that a Communist-led Korean army is being recruited and trained in the Russian zone. If this is so, and if no armed forces are raised in the American zone, the effect of withdrawal of Allied forces at the end of the trusteeship period can only be a conquest of the defenceless south by the militarised north; if, on the other hand, armies are built up in both zones, then the stage is set for civil war as soon as the Allied troops go—a civil war in which both the Great Powers will have interest and prestige at stake. A basic difficulty is that Korea is not an enemy, but a liberated country, and therefore not subject to disarmament; moreover, the long subjection of the Koreans to Japanese rule and their

lack of political, administrative or business experience would be adverse to the stability of an emerging independent state even if their mighty sponsors were co-operating instead of opposing each other.

* * *

Finland seeks a Government

The resignation of Mr Pekkala's Cabinet in Finland on April 11th is no occasion for surprise. Its position had seriously deteriorated in recent weeks. New Year hopes that some political tranquillity would be maintained as a result of such measures as the partial reduction of taxes rapidly dwindled. A series of strikes for higher wages stimulated the fissiparous tendencies of an increasingly uneasy coalition and progressively undermined the country's confidence in its competence. On March 29th the Social Democrats, now regaining strength after their internal dissensions last summer, proposed to the Communists and the Agrarians that their three Parties should co-operate in forming a new Government to cope with what was now termed "the economic crisis." On April 1st the important Economic Council recommended to the Council of State that a comprehensive economic programme should be adopted with the prime aim of stabilisation and that, as a first step, all strikes should be prohibited during April.

The political implications of more vigorous measures than Mr Pekkala had been willing or able to adopt heightened the political tension. The Communists and their companions in the Demo-

cratic League approved more vigorous measures, but thought that a prohibition on strikes should be balanced by the blocking of prices. Conservative opinion held that the real cause of the crisis was the inability of the Left to rise above party interests and co-operate in sound economic measures. The Social Democrats, encouraged by the similarity of the Economic Council's recommendations to their own economic proposals, worked steadily for a new Government. But it was the Right-wing Agrarians who, when their proposals for strong measures were rejected, withdrew their four Ministers and brought the Government down.

Unlike many political moves in Finland in recent months, this change of Government was due to entirely internal issues. The Communists played a small part, and that more critical than hostile; while the Russians, to judge from Mr Zhdanov's public expression of satisfaction with the Pekkala Government during his visit to Helsinki in February, probably prolonged its life. Yet these very factors make more difficult the formation of a new Government that has a better chance of carrying out the more vigorous measures which conflict with party policies. The balance of strength in the Diet, where the Social Democrats have 50 seats, the Democratic League 49, the Agrarians 49 and the Conservatives 28 out of a total of 200, makes some sort of coalition inevitable. Yet the action of the Agrarians means they are unlikely to join it. A coalition between the Democratic League and the Social Democrats is feasible. The choice of Mr Tuomioja, a Liberal banker, to form a new Government, however, indicates that the main parties will not now commit themselves.

Letters to the Editor

Development or Welfare?

SIR,—Your leading article of March 15th rightly underlines the fact that the impetus behind the East African Groundnut Scheme comes from *our* needs not from those of the colonies concerned. If, as you assert, this is indeed the sort of economic planning that is needed to change the face of the colonial empire, the full implications of this and other aspects of the scheme must be faced.

First as to the contribution the scheme may make in the immediate future to "development and welfare." Though it will no doubt increase the total productivity of the territories concerned, it is difficult to see how it can increase the productivity of the great mass of African farmers, except through its contributions to revenue; and these can be made effective only through development and welfare projects that have nothing to do with the scheme. It no doubt represents a revolution in agricultural technique in East Africa—but not for the East African. Is not one of its most emphasised merits that it will not "interfere with the flow of labour to existing essential production"? It cannot therefore add to the absorptive capacity of East Africa in proportion to its scale and to the capital resources engaged.

Nor does it seem likely that the scheme can, in its technical and financial aspects, serve as a model for the future development of African agriculture. To turn an unpopulated wilderness into a gigantic mechanised estate may be a relatively straightforward problem of applied science and technology. But this approach will not work in a Kikuyu reserve—the sort of area in which an agricultural revolution is most desperately needed. In fact the availability of these vast unpeopled lands is a *sine qua non* for the plan. Perhaps this underlies some of the enthusiasm that has greeted it. For once it is possible to carry through a huge agricultural development scheme without the risk of obstructions rooted in the existing structure of a native economy. It would be interesting to learn how this sort of economic planning would be applied to Northern Nigeria, for example, where groundnuts are already a staple export crop.

Nor are the expectations, so sanguinely held, of the wider effects of the welfare services, etc., connected with the plan, very convincing. Is it anticipated that the "model centres" will be copied by Native Authorities or the colonial governments? That is not how social services spread in Africa—least of all when they are expensive and form part of what, to the mass of the people, must appear as artificial and relatively isolated organisations.

The groundnut plan is primarily a large business enterprise albeit State financed and controlled. Let it be accepted on its obvious merits as such, and as a demonstration of what applied science and technology can do, given favourable conditions and

appropriate organisation. It is fallacious to think that it can directly influence native farming either in techniques or in social structure, unless, of course, the groundnut scheme gradually swallows the whole economy. It does not therefore materially alter the basic problems of policy in regard to development and welfare planning, if by this is meant immediate measures for raising the standard of life of the people of East Africa.—Yours faithfully,

M. FORTES

Institute of Social Anthropology, 1 Jowett Walk, Oxford

Imperial Preference

SIR,—The review of Mr Ronald S. Russell's book "Imperial Preference," appearing in your issue of April 12th, calls for one or two comments. Your reviewer makes the curious statement that the year of the greatest expansion of Empire trade, as far as the United Kingdom was concerned, was 1931 to 1932 and attributes this expansion mainly to the creation of the sterling bloc.

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No one, of course, will deny that our departure from the gold standard had its effect, but the expansion to which your reviewer refers, while it might have been due to this cause, was not in fact of any substantial magnitude. The fourth quarter of 1931 compared with the first quarter showed £67 million in imports from the Empire, an increase of less than £5 million, and this figure was not reached again until the end of 1933. Exports to British countries declined throughout 1931, and continued to decline until the second quarter of 1932, finishing up the year £5,000,000 lower than at the end of 1931. Even 1933 did not show a rise until the third quarter. The main improvement during 1931, in the matter of imports, accrued to foreign countries which showed a rise of about 19 per cent, but this disappeared very rapidly. Exports from foreign countries also showed a decline.

The real improvement in trade between the United Kingdom and the Empire did not take place until between 1933-34, when the Import Duties Act and the Ottawa Agreements Act had had time to take effect. That period showed an increase of £22 million in imports, and the subsequent years £13, £48 and £73 million respectively. Similarly, exports to the Empire in 1934 showed an increase of £22 million over 1933, and the years that followed £19, £12 and £35 million respectively. Surely this dispels the contention that the establishment of the sterling area was the main factor in Empire trade expansion. Incidentally, it might be added that no responsible person nowadays would dream of assuming that the Empire could become a completely self-contained economic unit, or wishes it. It is, however, upon the basis of Empire trade that the United Kingdom at least, and probably every single unit in the Empire, must build its foreign trade.

I was much interested in your reviewer's reference to the grant by Canada of unilateral preference to British goods. This step, of course, was based upon sound economic calculations, but if your reviewer had been, as I was, living in Canada in 1911 he would have realised that altruism and sentiment both played their part, and a part too large to be ignored. In that year the Canadian Government went to the country on the issue of what was known as "Reciprocity" which meant that they proposed to swing Canadian trade in the direction of the United States and away from Great Britain. The party suggesting it was swept out of office. That was no economic decision.—Yours faithfully,

W. A. WELLS

Empire Trade Association, 9 Victoria Street, S.W.1

[It is inadvisable, when discussing the effects of imperial preference on Empire trade, to use absolute figures. To show that British trade with Empire countries increased by so many million pounds sterling each year is no argument in favour of imperial preference. These absolute increases may have been due, as indeed they were, to the general improvement in world economic conditions. The important guide is the proportionate share of Empire countries. In 1931 the Empire supplied 28.7 per cent of British imports; in 1932 this had risen to 35.3 per cent. This was the largest single proportionate increase recorded in the period 1927-1938.—EDITOR.]

Census of Production

SIR,—Surely Dr Barna is rather naïve if he accepts without question the statement of the Government's statistical needs as set out in Chapter 6 of Cmd. 6527. After all, on April 1st this year they were convinced that the period of National Service must be 18 months; but by April 3rd they had changed their minds. Governments are not infallible; nor are White Papers.

I agree with Dr Barna that more statistical information is desirable. My difference with him is that I do not think that we can, at this moment, afford the necessary manpower to compile and analyse further records. I suppose we must agree to differ.

Our paramount need to-day is for more production. Filling in Census forms is not producing. I suggest that most people would prefer an incomplete picture of our economy and more goods than a complete picture and fewer goods.

There is a further advantage in postponing the Census in that neither 1947 or 1948 are likely to be "normal" years, owing to fuel shortages. Any figures obtained would be distorted; and interpretations of them would lose much of their value.—Yours faithfully,

K. C. STUART

Corodale, 9 Elm Road, Sidcup, Kent

Correspondents are asked to keep their letters as short as possible, and, in spite of paper shortage, to write on one side only.

Jewish Camps in Cyprus

SIR,—I have read with much interest the report in your issue of April 5th. Throughout this report the word "immigrants" appears many times; but not even once is it hinted that most of these so-called "immigrants" are refugees, the desperate survivors of Hitler's concentration camps.

Can it be said that these people are no longer refugees, no longer homeless and destitute, and therefore can be classed as ordinary immigrants?—Yours faithfully,

J. PODHORIZER

26 Little Moor Hill, Smethwick, Staffordshire

Planners and Politicians

SIR,—I quote the following from your article on "Planners and Politicians" in the March 29th issue of *The Economist*:

"Will the Treasury, for example, concede anything of its monopoly of decision on financial matters. To do so would be a revolution in British methods of Government."

Would this, in matter of fact, be such a revolution?

During the time, before and after the Munich Crisis in 1938, I was Director of Aeronautical Production in the Air Ministry. Before the crisis we had to get prior Treasury approval for all plans for increasing production, whether these entailed building and equipping new factories; the supplying of machine tools to existing factories or the placing of educational orders for munitions. After the crisis, however, when it was quite obvious to many that war was inevitable, the position was altered and our powers to put plans for increased production into operation were greatly increased by delegated sanctions.

In my experience the Treasury continued, after the crisis, to require detailed information, but they were entirely reasonable in their outlook and I cannot recall a single instance where they refused financial approval of plans.—Yours faithfully,

H. A. P. DISNEY, Lieut.-Col.

Uphanger, Chorley Wood, Herts

From *The Economist* of 1847

April 17, 1847

We see the progress of knowledge in our own country, or in the whole of Europe, gradually knocking off the shackles of slavery—gradually overturning feudal tyranny and shaking off debasing superstition—gradually setting commerce free, and extending it over many lands—gradually extinguishing Church tests and State cruelties—gradually abolishing intolerance and sanguinary laws—gradually increasing mutual services and mutual kindness, by an ever increasing dependence of man on man, as division of labour extends—we see it gradually inventing new arts, and gradually increasing the power of man over the material world, till he comes, as in the case of the newly discovered application of ether, almost to extinguish physical pain . . . That kind of progress we see everywhere, and perhaps at all times. Education, or the sedulously drilling of men into a fast adherence to the knowledge already acquired—the training them up to conform to the views or serve the purpose of the educators, we see in Paraguay. Education is, in such cases, all darkness and destruction—the progress of knowledge is all light, life, and happiness. But these two different and opposite things, when they approach each other, and education is directed to diffuse some little part of the knowledge continually gathered, are by many people confounded and regarded as one . . .

*

The cost of the Great Western, making it, as the author says, a gentleman's railway, has been so great that the directors cannot afford to attend to the wants of the working man. Hence it happens, notwithstanding the vast speed of its express trains, that the average speed of all its trains is less than on any other road.

On an average of all the trains between London and Southampton the rate is 25.29 miles per hour; and on the London and North-Western, between London and Birmingham, 24.27 miles per hour; the Great Western, between London and Bristol only attains 23.97 miles per hour. Between London and Wolverton the average is 27.77 miles per hour; while from London to Swindon the rate is only 24.97, being a difference of nearly three miles an hour in favour of the narrow gauge of line. The secret of this undeniable conclusion . . . lies in the trains at 12.9 miles an hour, which are provided by the Great Western managers in compensating economy for those at 42 miles an hour.

Books and Publications

Unorthodox Colonial Views

"On Governing Colonies." By W. R. Crocker. Allen and Unwin. (1947.) 152 pages. Illustrated. 10s. 6d.

COLONEL CROCKER is Chief of the African Section of the Trusteeship Department of Uno. For this reason alone his views on colonial affairs are of significance. Though his book is concerned with the West African dependencies of Britain, France and Belgium, a wide and varied experience of colonial territories lies behind it. The result is a somewhat unorthodox critique of colonial government as it actually works. The interest of the book lies in the point of view. The facts used are mostly matters of common knowledge, given a new slant by their juxtaposition here.

In considering colonial affairs the fundamental problem is that of introducing European civilisation to primitive peoples. The results depend on two sets of factors: the material, social and moral condition of the contemporary African peoples, on the one hand; and the national temperament, the political and economic structure, and the traditional ideals of the governing powers on the other. African conditions may make what appear to be diametrically opposed British or French policies come to the same thing in practice, as, for example, in the "bush" areas; and national temperament may make apparently identical policies work out differently in practice, as, for instance, "Indirect Rule" in British and Belgian territories. Comparison of the policies and achievements of the three Powers shows that all have made positive contributions, but that in every case some cherished beliefs do not stand close scrutiny. For example, the much-vaunted belief that there is less of a barrier between the French and their African subjects than between the British and theirs is shown to be false.

On balance, Colonel Crocker appears to conclude that the British approach holds out most hope for the future, though the Belgian has come out best on past performance. The Nigerian "autonomists" may be aspiring beyond their present capacities and moral qualities, but the goal of self-government, to be attained by building up from "Indirect Rule" on lines implied in the new Nigerian constitution, is the only worthwhile one. In the long run the French policy of frenchification and centralisation will reap only hatred and revolt.

There is some plain speaking on subjects that are often discreetly overlooked, though widely known in West Africa. Such are the unscrupulous activities of some missionaries in British territories, and the ruthless coercion practised by the French in their war-time production drives. Colonel Crocker also pays a tribute to the West African Press, which, in spite of immaturity and uncritical partisanship, has a decisive part to play in the social and political scene. The chief significance of Colonel Crocker's book lies in the fact that, though not orthodox, it is also not just a personal expression of opinion. It is a persuasive statement of the case for a policy advocated by a small but influential group of officials and business men in West Africa.

Patents

"Inventions, Patents and Monopoly." By Peter Meinhardt. With a Foreword by James Mould. Stevens and Sons. (1946.) 352 pages. 25s.

It is a long way from the Statute of Monopolies of 1623 to the Second Interim Report of the Kenneth R. Swan Committee on the Patents and Designs Acts, published in April, 1946. The Patent Acts have been amended from time to time, but Mr Meinhardt asserts that fundamental changes in the scientific, technical and economic field have not in every respect been followed by corresponding changes in patent law. The author expects important legal reforms to take place soon, and it is to these that he devotes much painstaking work in this latest contribution to the problem.

After explaining in a short introductory chapter the functions and general characteristics of inventors and inventions, he analyses in detail the British patent law and practice, the possible abuses of patent monopoly and the suggestions for patent law reform. One of the most interesting of his own recommendations is the suggestion that under a future Patent Act an application for the reconversion of a "full patent" into a "licence patent" should be heard and decided by the Patent Court. If the future Patent Act does not distinguish between "full patents" and

"licence patents" an application for a compulsory licence under an ordinary patent should from the start be heard, not by the Comptroller of the Patent Office, but by the Patent Court, which in the view of the author should emerge from its present separate jurisdiction and should form part of the High Court of Justice. "The decision should . . . be entrusted to an independent judge and not be left in the hands of an executive official, such as the Comptroller, who is acting 'under the superintendence and direction of the Board of Trade.'"

Administrative, legal and judicial problems of this kind are dealt with by the author with authority and objectivity. But this cannot be said of the parts which deal with the purely economic and social aspects of the matter. The author has in no way attempted to give a comprehensive picture of the monopolistic effects of patent legislation, and blindly adopts the claim of patent agents that cases of wrongful suppression of patented inventions are rare, if not almost non-existent. He evades the issue by saying that "we have not got the means of checking up whether and to what extent allegations brought forward from time to time in America about the wrongful suppression of inventions" are true. He does not tell his readers about the research done on this subject by J. Borkin and Charles A. Welsh in "Germany's Master Plan" or by Gunter Reimann in "Patents for Hitler," who have carefully analysed official American documents; he does not mention the contributions of such outstanding authorities as Thurman Arnold or Wendell Berger. After a careful study of his book one is left with the sorry conclusion that a treatise on the economics of patents is more needed than ever.

Soviet Trade

"Soviet Foreign Trade." Alexander Baykov. Princeton University Press. London: Geoffrey Cumberlege. 100 pages and tables. 11s. 6d.

DR. BAYKOV's position is unassailable. He knows his facts better than any reviewer; and it is impossible to criticise his views on policy, because he carefully avoids discussing them. Even his factual discussion reaches only to the point at which awkward questions begin to arise.

Just how, for example, are the political and economic factors which he enumerates weighed up together in the Ministry of Foreign Trade, and how do the results differ from those which might have been reached by free marketing plus the pressure of interests in a system like the British? Would not a more gradual adjustment of foreign trade in the late 'twenties and early 'thirties—that is, an adjustment brought about by mainly economic forces and not by political planning—have been of more service to the Soviet Union than the policy actually pursued? Was separate bargaining by different Soviet agencies in the same foreign markets in the early days of Soviet trade policy the disaster to Russian interests which it is now officially assumed to have been? What is the evidence for believing, as Dr Baykov apparently does, that the USSR will presently abandon its politically inspired insistence that what can be made at home within reasonable time-limits ought to be made there, irrespective of cost? Was the allegedly legendary dumping by the Soviet Union in the late 'twenties and early 'thirties not in fact, on Dr Baykov's evidence, a case of appalling commercial incompetence and of unwillingness to adapt a political plan to the facts of the commercial situation? And was the inconvenience caused to other countries not almost as blame-worthy as if it had been due to deliberate malice? Was discrimination against the Soviet Union in credits and similar matters in the early days entirely the fault of the reactionary West? And does recent experience in Eastern Europe suggest that the political and economic influence of the Soviet foreign trade monopoly on other countries will remain as small or innocuous as Dr Baykov suggests?

The reader must answer these questions for himself; what he will get from Dr Baykov is little more than a bare recital of facts—useful facts, certainly, especially for the historian, but facts whose barrenness destroys a regrettably large part of their value.

Correction.—In the review of "Industrialisation of Latin America" last week the figure of \$4,000,000 should have read \$4 billion.

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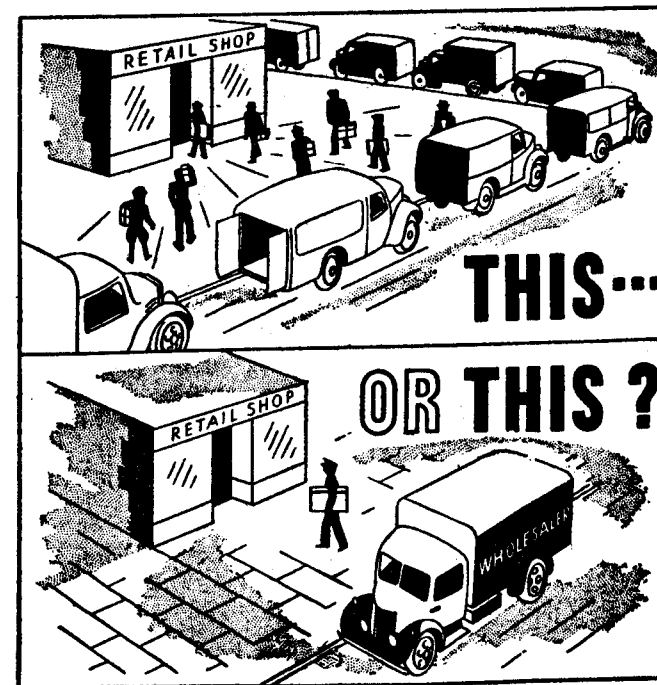
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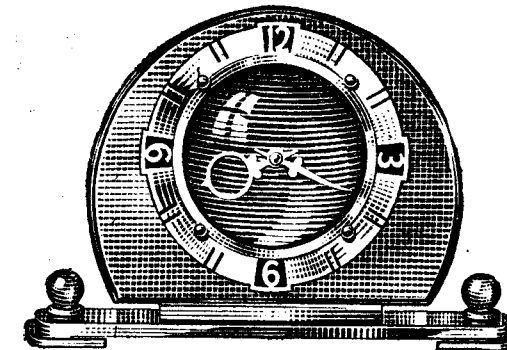
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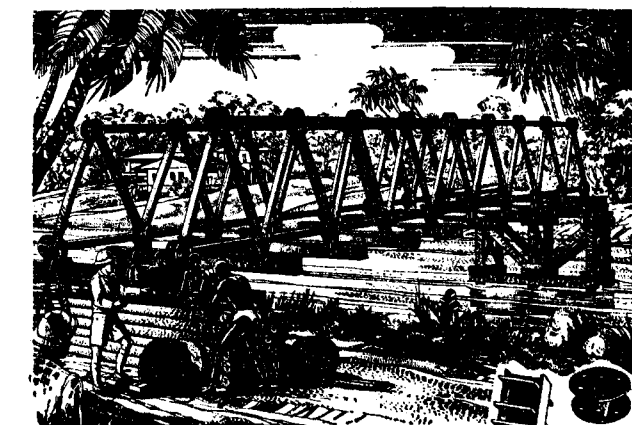
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AMERICAN SURVEY

Spring Strikes

(From Our US Editorial Staff)

NOW that April's here, the question of recent months—another round of strikes?—has changed its form to: "How big and how long will this round be?" For another round of stoppages is certainly under way, and the total of stoppages and threats of stoppage is already large.

The most conspicuous walkout is that of the telephone workers, which is reported to cover more than two-thirds of a work-force of 600,000, and constitutes the first nationwide strike by this group—though one was barely averted last year. The basic issue is more pay, accompanied by a number of other points, including industry-wide bargaining. In this case, unlike earlier controversies in other industries, there is no question of excessive earnings by the employer, for the Bell system has paid the same dividend to its stockholders for 25 years and for a number of recent years has only barely, or not quite, earned the dividend. Telephone service has not been significantly impaired in areas served by automatic telephones (the dial system), usually the central parts of large cities, though there is much question how long this complex mechanism will continue to perform without repair. Service in suburban and small town areas, along with inter-city or toll service, was largely shut off. However, emergency calls were usually put through by company executives or union personnel. The telegraph companies, of course, did an enormous business.

Scarcely less conspicuous was the work stoppage that Mr John L. Lewis contrived to bring about in the soft coal mines in his ill-tempered and vindictive struggle with both operators and government. Barred by the recent court action from threatening or calling his usual April 1st walkout, he found a subterfuge in the Illinois coal disaster which killed 111 miners. First, a week of mourning was called, then the union chief declared virtually all mines unsafe, or possibly so. The action is clearly a subterfuge, and the courts recognised it as such, refusing to release the partial refund of the union's fine until compliance with the Supreme Court's decision is sincere. By mid-April a considerable proportion of the miners were back to work as Mr. Lewis suddenly discovered many of the mines were not so unsafe as he thought a few days earlier. But the future status is very unclear, with another crisis probable not later than July 1st, when the government expects to return the mines to their owners.

While these two major stoppages were in progress, other large strikes appeared to be near. The deadline for negotiations in the steel industry is April 30th, and the press reports that a strike now seems somewhat more likely than not. The companies refuse to negotiate on wages until Congress determines the size of their contingent liability on "portal-to-portal pay." Negotiations are under way in the automobile industry, which may bring a halt in one or more of the large companies at any time. Workers—or at least the union leaders—are restive on the railroads and in other industries. Even the recent rubber contract, greeted as evidence of constructive moderation, will

almost certainly be revised if other unions set a sharper pace. The major immediate cause for the present troubles and unrest is the increase in prices resulting from the spurt in quotations in the first quarter of the year. Labour was already disturbed by the rises following the end of price control during the latter half of 1946, but then a plateau seemed to be reached. But the 7 per cent rise in wholesale prices in the early months of this year is touching off trouble again. (The cost of living index, which is heavily weighted by such items as the cost of utilities and rent, and is laggard in movement, has remained quite stable and is therefore brushed aside in current discussion.)

The preponderant part of the price increase has, of course, been in foods and farm products, for which industrial employers are not responsible and from which they do not profit. But this is much too reasonable an objection to receive attention other than from a few economists, and so does not enter the controversy. However, 1946 corporate earnings reports indicated profits at a level which in many cases was regarded, even as far to the right as Wall Street, as thoroughly indefensible. Though return on net worth in the aggregate was still below that received in 1928 and 1929, it exceeded the returns of 1941, and in at least one line of business, distilling, reached the fantastic figure of 42 per cent.

Repercussions set off by the stoppages and the price rise are numerous. Labour legislation was brought to the forefront again in Congress, and the probability of greater severity enhanced. The state legislature of New Jersey passed, in just four hours, a vicious law providing fines and imprisonment for strikers in public service industries—which the striking telephone workers defied. Operators in Virginia and Indiana, which have similar but less drastic laws, remained on the job, but prefaced calls with announcements that the laws were unconstitutional.

Prices received major attention from the government. Following the President's recent request for lower prices "to make free enterprise work"—significantly not aimed at farm prices where the bulk of the rise has occurred—a cabinet meeting was held at which prices were discussed with the Council of Economic Advisers. At his press conference the following day the President placed the responsibility for price reduction squarely on business, repeatedly hoisting business interests on their own statements made when they demanded the end of price control last fall. He stated flatly that wages will have to be increased if prices go higher. While he said nothing about the fiscal and monetary policies so greatly contributing to inflation, the monetary authorities too, apparently, are re-examining their position.

The real problem with which the United States is struggling, and which all public figures apparently feel, with Herodotus, that it is not fit for men to speak of, is allocation of resources. Domestic and foreign claims for goods and services are larger than the supply which can be produced. This might be true even if production were not impaired by the numerous obstructions including work stoppages, and even if the demand were not accentuated by devotion to slogans of high purchasing power and low interest rates which serve only to aggravate inflation in a condition of boom. Until this disequilibrium is recognised and corrected, either by forthright rationing or the traditional rationing of the price system, the end of unrest is not in sight. And the gentlemen in Washington have a profound disinclination to tackle either approach to the problem.

American Notes

An Innocent Abroad

When, as Secretary of Commerce, Mr Wallace attacked the foreign policies of Mr Byrnes, the chief victim was Mr Wallace himself, and the second the party with which he is nominally aligned. In his tour of Britain as a private citizen Mr Wallace has exercised to the full the right of free speech he gained by being kicked out of the Truman Cabinet, with very similar results. Nothing in his speeches added materially to what was already known of Mr Wallace's views; to have expressed them at home would have caused hardly a ripple. It is only the fact that they were expressed in a foreign country that has stirred up a hornets' nest. From as far left as Senator Hill to the extreme right of the Republican Party there has been a surge of indignation at the spectacle of a former vice-president of the United States attacking the policies of his country while abroad. Mr Wallace, for his own sake, and the sake of the policies he believes in, might have done well to reflect on the sad fate in the past of American Ambassadors to Britain suspected of nothing more heinous than a sympathy for the British way of life. What is particularly irritating in Washington is the suspicion that, in foreign countries, Mr Wallace is given credit for representing a much more substantial section of American opinion than in fact is the case.

For President Truman and his advisers the spectacle of Mr Wallace once more kicking over the traces is a source of additional political embarrassment. In the current effort to recondition and streamline the Democratic machine for 1948, Mr Truman, only a few days before Mr Wallace's first utterance, expressed the cordial belief that both Senator Pepper and Mr Wallace, the mavericks of the party, would support the party in its coming campaign. It now looks as though Mr Wallace's support would be a liability to the new model far outweighing any votes he may be able to control. It is significant that on the subject of the Truman doctrine, Senator Pepper, who is closer than any Democrat on Capitol Hill to Mr Wallace, has expressed his intention of supporting the President, and has repudiated any suggestion that he might abandon his "ancestral home" in the Democratic Party. Mr Wallace becomes more and more isolated by his energetic attempts to saw off the branch on which he is precariously perched.

One of the most piquant things about Mr Wallace's visit is that this is the first time a prominent American politician has sought to gain sympathy in Britain for a policy he has been agitating for in his own country. The friendship between Mr Wallace and the Labour rebels is an entangling alliance indeed. The emulation of other politicians opens up the possibility of Congressman Cox coming over to share the plaudits of the Orpington diehards with Sir Waldron Smithers, and Senator Fulbright beaming from the platform of the next Liberal Assembly, standing arm in arm with Lord Samuel and Lady Violet Bonham-Carter, as the fraternal delegate from Arkansas.

The Price Spiral—

Continuance of industrial activity at a level far beyond all previous peace-time peaks has so far failed to shake the very widespread impression that a substantial setback is still to be expected at some time in 1947. Earlier predictions have been falsified by events. In the autumn of 1945, for example, it was generally held that reconversion and transition problems would bring severe unemployment by the early summer of 1946. And when the Price Control Act became impotent last summer, there was again the general view that the inevitable boost in prices could not last for more than a few months, and that this spring would bring the end of the boom. On many occasions in recent weeks, as the upward trend again got under way, Federal Departments have warned industry of the lack of balance in the price structure. And though the Council of Economic Advisers has made no formal proclamation since the January report to the President, they are known to be of the opinion that the price spiral has now reached very dangerous proportions.

Not many days ago, therefore, the President repeated his earlier warnings on the dangers of a business slump, this time reinforced with the declaration that control of the price structure was entirely in the hands of industry, and that the absence of downward price revisions must enforce labour's claim to a greater share in current profits. In other words, the President went on record as declaring that labour would enjoy at least the moral support of the Govern-

ment in pressing further wage claims if industry is unwilling to revise present price-lists.

Within the general terms of their diagnosis, the President and the Council of Economic Advisers do not differ greatly from spokesmen for industry. Private gross capital formation has shown a tremendous increase since 1945, the annual rate then being below \$7 billion, while that in the fourth quarter of 1946 was not so very far below \$40 billion. Over that time, private constructional expenditures enjoyed a fourfold expansion, while business expenditures for machinery and equipment rose by 150 per cent. Moreover, inventory and export surpluses have made a very substantial contribution to activity. On the other hand, the output of consumer goods has also been rising, and while wage rates have risen quite sharply since the end of the war, there can be no doubt that consumer incomes have for some time past lagged badly in terms of living costs. The Council of Economic Advisers thus holds that a potential "deflationary gap" to the tune of perhaps as much as \$10 billion at annual rates is beginning to show itself (initial evidence cited is the disappointing trend of retail sales in some centres, plus a certain amount of slowing-down in the accumulation of business stocks) and may well develop rapidly from this point onwards. For the President and the C.E.A., a reduction in business profits, or present prices with a fresh boost in wage rates, are seen as alternative means of stretching consumer incomes, and thus preserving activity near current levels without an inflationary spiral.

* * *

—Industry's Views.

Beyond diagnosis, however, industry, or certainly a very large section of industry, is not willing to meet the President. Industrial profits, admittedly, are now relatively large—an inevitable feature in a free economy which has for some time past hovered around the point where effective demand is stretching the available labour force, and has in very many commodities outpaced producers' capacity for some way ahead. Gross business income for 1946 more than doubled the 1939 level at \$45.5 billion, while the net balance showed a threefold expansion at \$12 billion. But, even making allowance for a substantial advance on the 1946 rate, and due adjustment for the changed price structure, there is not a tremendous scope for wage adjustments at the expense of profits with a national wage and salary list that totalled \$106 billion in that year. A few manufacturers have been bold enough to announce general price revisions. But in general, the hesitation to follow this line probably follows as much from prevailing uncertainty concerning the length of the present boom, and still more strongly from fears of a fresh turn to the spiral through wage demands, as it does from the undoubted inclination in many quarters to get whatever can be made from current prices.

The bald fact seems to be that in the present situation, the direct influence of such moral suasion as the President is now trying, is not likely to be very great. And while Mr Truman and the CEA may be perfectly correct in their assumption that only an increased propensity to consume can, in the longer run, serve to sustain present business levels, it seems far more likely that, immediately, they may give a fresh hoist to the price spiral, if only because their support for organised labour stands the chance of being far more effective than the rod reserved for industry. If government could afford to ignore the claims of the unions at this point it might easily witness the return of conditions sufficiently competitive to restrain any undue profits at no very distant date.

Quite obviously, however, there can be no certainty that peak price levels have yet been reached. A turn might conceivably follow from a fresh outburst of labour unrest, or again, sentiment might be affected sharply later in the year by a continuance of bumper crop advances and a substantial downturn in the prospective farm cash income. It has, in fact, been said with a great deal of justice that the 1947 boom "follows Chicago and not Wall Street." Certainly the rise in farm incomes from an annual rate of \$8.7 billion to probably \$28 billion at current levels is an experience which might well be envied by the financial com-

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munity in New York. And this month has brought further evidence of the investment community's entire unwillingness to discount prosperity, with Wall Street values still a long way below pre-war peaks despite the rise in business profits, and the sustained reduction in interest rates over the war period. Preliminary figures of the Commerce Department show a new peak annual rate of \$15 billion for net corporate profits over the first quarter of 1947.

*

In the meantime, decisive action by the Administration does not seem to be in prospect. There have been suggestions that the Commerce Department would revive the wartime organisation of industrial committees in an endeavour to ease the price structure industry by industry, but no responsible agency seems to have been converted to this theory. In fact, the direct powers of government in this context are now quite negligible, and the Presidential statement on prices was itself accompanied by rumours that the Cabinet is sharply divided on the issue of how far it is safe to "knock" business at this juncture without bringing down a deluge. Another fact of very considerable significance is that no step has yet been taken to "de-frost" the structure of short-term money rates. Though of minor importance in terms of inflationary pressure, such a step might now have some value as an indicator of the government's concern over the continuing price spiral. And in no official quarter is there any suggestion that the Reserve Board Governors have modified their earlier opposition to any wider revision of interest rates.

* * *

Cuts in Federal Departments

(From our US Editorial Staff).—Congressional aspirations towards economy in the operation of the Federal Government have been translated into actual figures. As a result, lights burn long these nights in the executive departments, and faces are still longer.

Ever since the Republicans' post-election statements on how they would reduce government spending, the departments had anticipated cuts. But as time went on those whose Congressional fences had been kept well mended had forecast that reductions would be

of manageable proportions, and mitigated by supplemental appropriations after a face-saving budget had been passed. The inaccuracy of predictions is illustrated by the present not-too-exceptional plight of the Department of Labour. Like a number of Federal departments, Labour's budget consists of funds for its own operations, plus much larger funds for transmission to the states for co-operatively administered activities. The department's total funds for the current fiscal year amount to \$113.7 million. The requested budget for 1948 was \$103.6 million. (The drop was due to the recent transfer, on Congressional order, of the US Employment Service back to the states.) The Bill brought out by the House Appropriations Committee provided \$90.9 million. Of this, \$71.7 would go to the states (which is where Congressmen come from). Only \$19.1 million remained for Washington operations, 40 per cent below both the budget request and actual appropriations for 1947.

The Bill required a cut of 20 per cent in the office of the Secretary of Labour; 30 per cent in the office of the solicitor. In the Conciliation Service, whose head has become a controversial figure in the current swing to the right, it is specified that the posts of the director, his 7 regional directors and their assistants, and certain other top personnel, be eliminated. (This phrasing avoids the appearance of a Bill of attainder, but leaves the pyramid to operate on its base alone.)

Under the Bill as brought from committee the Bureau of Labour Statistics was to receive \$3,373,000. But a further million-dollar cut was inserted on the House floor. The Bureau's budget is now 60 per cent down. Unless a considerable part of these funds are restored, most of the indices which the BLS compiles will be issued only on a quarterly or annual and national basis, instead of the present weekly or monthly and city, state or regional basis. Yet up to date, local figures are the ones of most use in present circumstances: during the 1930's national averages were important in connection with the preparation of basic legislation like the Fair Labour Standards Act; but to-day, the figures most wanted are specific findings, localised by occupation and by place, as criteria for specific wage negotiations. These facts are being discreetly brought to the attention of the public by the BLS. The response is considerable, in editorials and in representations to Congress by interested firms. What the House has taken away, the Senate may in some degree restore. It is an odd game, and most departments are now intently playing it.

THE WORLD OVERSEAS

Preliminaries in Geneva

(From Our Special Correspondent)

THE second session of the Preparatory Committee on Trade and Employment has now passed the stage of inaugural speeches. This is normally a somewhat barren period in international conferences, for the delegates are talking less to each other than to their own public at home and to the press of the world. But on this occasion the inaugural speeches have been significant and important. Every delegate who has hitherto mounted the steps of the rostrum in the magnificent assembly hall of the Palais des Nations has been concerned as much with reservations to the proposed charter of the International Trade Organisation as with his basic agreement with the wider objectives which this conference is to serve. The Australian delegate, Dr Coombs, pleaded his familiar theme that any code of commercial behaviour must be subservient to the objective of maintaining high and stable levels of demand and employment in the world. Dr Coombs, however, was prepared to admit that, in present economic conditions, full employment policies had lost some of their links with the forces that had given them birth. For many years there could be no question of lack of effective demand leading to depression and unemployment. Just because for some time to come there might be an excess of demand over supply of goods, Dr Coombs saw in the present conjuncture a favourable opportunity for reducing tariffs.

Sir Stafford Cripps drew special attention to the importance of maintaining imperial preference in some form, pointing out that these preferences were merely the expression of an economic fact—namely, the interdependence of the economies of the United Kingdom and the other members of the Commonwealth. He made it quite clear in the course of a press conference that even if the United States went to the inconceivable length of cutting tariffs by fifty per cent, which is the present legal limit of their concessions, this would be regarded by the British Government as an insufficient consideration for the complete elimination of imperial preferences. But on Wednesday Mr Winthrop Brown told his press conference that, on the basis of 1943 figures, American tariff cuts might work out as high as 75 per cent. The maintenance of imperial preferences was even more forcibly demanded by Mr. Walter Nash, the head of the New Zealand Delegation. The South African, Mr J. E. Holloway, spoke of the secondary industries which the Union is erecting behind the protection of substantial tariff walls and expressed his determination that the development of such industries should make further headway. The French delegate spoke of the shattering of his country's economy as a result of the war and argued that, if bilateral agreements made possible the piecing together of any two of the fragments, then bilateralism would be justified. And so the tale went on, one speaker after another, preaching to the text that all instruments of commercial policy must be judged by their effects and not in accordance with a rigid philosophy of international trade.

The Test Ahead

The test, however, is only likely to come at a much later stage in the discussions. The inaugural speeches having been delivered the eighteen nations represented here are now trying to begin with the Americans negotiations on reductions of tariffs and preferences. It is only after these have been largely completed that the conference will enter upon its second important task. This will be the completion of the ITO charter, and the negotiation of preliminary agreement, by which the eighteen countries will hold themselves bound by this charter.

The tariff and preference negotiations began in fact some weeks ago when a number of the countries represented here compiled lists of goods in the export of which they are interested and for which they ask reductions of tariffs from the other countries. Some of the eighteen have not yet presented their schedules of demands, but the most important, namely those of the United States and Great Britain, have been drawn up. These highly confidential documents provide the material on which negotiations can begin. Each country is also compiling a schedule of tariff

and preference concessions which it is prepared to make. These schedules of demands and offers will be the basic documents for the tariff negotiations. In the first instance, the negotiations will be as between pairs of countries. When bilateral agreement has been reached in each case, the concessions exchanged will then be "multilateralised" and extended to other countries through the agency of the most-favoured-nation clause.

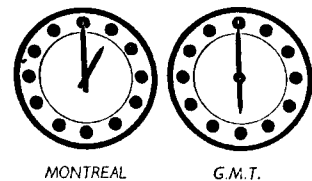
Never before have multilateral tariff negotiations of this kind been attempted and the complexity of the procedure in generalising what might be 153 bilateral agreements (half of 18 multiplied by 17) can readily be imagined. The task will be simplified by concentrating the bilateral negotiations between pairs of countries between which a substantial volume of trade is done. In effect this will mean that most of the discussions will in the first instance be as between the United States, on the one hand, and the other seventeen countries on the other. The mutual concessions which can be obtained from these seventeen bilateral sets of negotiations should set the pattern for the whole range of agreements that will be reached at the Geneva meeting.

Britain's Special Case

Although the tariff negotiations will stand apart from the final drafting of the charter, which will mainly occupy the second part of the conference, the two stages will inevitably become intermingled. It will be necessary to interpret and clarify certain passages of the draft charter before tariff and preference negotiations can make much headway. One case in point is the provision in the draft charter that "negotiated reductions in most-favoured-nation tariffs should operate automatically to reduce or eliminate margins of preference." The report of the first session of the Preparatory Committee pointed out that "three delegates thought that the rule should not apply automatically," and this difference of opinion will have to be composed before real progress can be made in the crucial negotiations between the United States and the countries of the British Commonwealth. That the latter provided the three dissentients is as certain as that the United States were the authors of the demand for "automaticity." If the Americans have their way, preferential rates must remain unchanged until the corresponding general tariff rates have come down to their level. The British and Dominion delegates, on the contrary, are opposed to this clause, which might well eliminate certain preference margins which it is desired to maintain, even in attenuated form. The Commonwealth representatives will certainly demand freedom to negotiate reductions in preference rates as well as in general tariff rates. There must, therefore, be some clarification of this point at a very early stage of the tariff negotiations.

Just as the charter discussions may impinge on the tariff talks in the first stage of the negotiations, so it may well be that the tariff talks will be carried over into the second stage of the conference. It would be the height of optimism to assume that general agreement on tariff and preference reductions will have been reached at the end of the four weeks provisionally allotted to the first stage of the discussions. When the second stage is reached, however, the main emphasis will be on charter discussions. It is already evident that the main issue will be the question of non-discrimination. It will probably be the main concern of the British delegation to obtain some liberalisation of Article 28 of the report of the first session of the Preparatory Committee, which deals with exceptions from the rule of non-discrimination. In particular it should be the endeavour of the British delegation to except from the rule transactions which, though of discriminatory character, can be shown to contribute to the quantum of world trade and to increase it beyond the level at which it would have stood had the rules of non-discrimination applied. If success can be achieved in this respect, and if the resultant clauses of the ITO charter can be substituted for Article 9 of the Anglo-American Agreement, which provides for non-discrimination against American goods, the most glaring and damaging defect of that agreement will have been remedied.

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Inflation in Austria

[FROM A CORRESPONDENT IN VIENNA]

IN Austria to-day the word "inflation" is rarely heard. Yet dangerous inflation clearly exists, although it has not yet assumed that uncontrolled form which it possessed in 1922. Seven years of Nazi exploitation followed by a senseless vandalism in the days of escape, the effects of bombing and fighting in the most industrialised areas, and the confusion of the first post-war days caused so much destruction and dislocation that to-day more than half the industrial establishments work at less than half of their peace-time capacity. In addition, the currency circulation increased about six-fold in the war period, from a monthly average of 849 million S. in 1937 to about 5,000 million S. in 1945.

The Austrian Government thus inherited a situation charged with an explosive inflationary potential which had been kept in check only by the severely enforced price and wage-stops and general economic controls of the Nazi period. The obvious task was to prevent an explosion by keeping the controls and at the same time reducing the inflationary potential through stimulants to production and reductions in the volume of currency in circulation. This has indeed been the declared policy of the government, but only half-hearted measures have been taken.

The fuel crisis of the past winter has made the situation worse. Production, which had steadily recovered during 1946, suffered a sharp set-back. In January, 2,280 firms employing 90,000 workers were closed altogether, while many others were only working short-time or on maintenance. Even now, when the thaw has improved the situation in the hydro-electric works and firms can start production again, it is still to be expected that the loss of production in the winter months will lead to numerous hold-ups in the whole production machine through lack of raw materials and spare parts.

While the volume of production has not sufficiently increased to reduce the inflationary gap, and has actually decreased during the winter months, the currency circulation has continued its upward trend.

CURRENCY CIRCULATION
(Million Schillings)

		Increase
1937 (Monthly average)	849	...
1946 September	5133	...
October	5149	16
November	5282	133
December	5561	279
1947 January	5652	91

The decline in the rate of increase in January is misleading, because it occurs in a month which normally shows seasonal decline in the currency circulation. Things have been made worse by the fact that, in order to improve the liquidity of the banks, the National Bank have set free some of their accounts which had been frozen in the course of earlier currency measures.

This growing inflationary pressure could not be held in check by a government which was not prepared to maintain a very strict enforcement of controls. So, at first prices and then wages have risen considerably during the past year. Taking August, 1945, as 100, official food prices had risen to 157.6 in December, 1946, and prices for tobacco, beer, etc. to 366.1. But even these increases were by no means sufficient to absorb the greatly increased currency circulation. With controls as weak as they were, a black market developed and now flourishes practically in the open. In fact, prices in the black market have actually fallen. Again, taking August, 1945, as 100, black market food prices were down to 27.5 in December, 1946, and those of semi-luxuries to 15.2. Even at this lower level, black market food prices are still about fifty times the official price.

This fall in black market prices is probably due to a number of causes. Partly it is just a consequence of its more open working, which has reduced the risk and "know-where" premium. Then domestic agricultural production has recovered much more quickly than industrial production—last year's wine harvest was a bumper one—and this has led to increased supplies for the black market. And, finally, large numbers of workers and employees, whose current wages are far too small to allow them to buy in the black market, have exhausted their savings and can no longer afford to supplement their meagre rations.

In a world "full of shortages" reconstruction in Austria would be difficult in any circumstances. The currency chaos makes it worse. The erratic prices and the consequent opportunities for profit in the black market attract an undue number of people into this sector of the economy. The lack of an adequately controlled distribution of the scarce essentials means that almost

everybody has to spend much time and energy hunting for this or for that.

A currency reform would have to bring the volume of currency into some relation to present output possibilities. This would necessarily hit somebody's savings, probably those who made the biggest profits in the Nazi period or in the black market. Yet the government are still hesitating to take this step. The neighbouring government of Hungary have shown that even an occupied country can carry out a successful currency reform. If Austria hesitates much longer, its industrial structure, trading position, and reconstruction effort will suffer distortions which it will take a long time to repair.

The British Zone as Partner

[FROM A CORRESPONDENT IN STUTTGART]

THREE months have passed since the fusion of the British and American Zones of Occupation in Germany took place. In both zones it was welcomed as a bold and necessary step towards greater economic unity and strength. Balancing one zone against the other, it looked at first as if the greater agricultural potential of the American Zone and the greater industrial and power-producing capacity of the British Zone would supplement one another with their respective surpluses. The fusion seemed to offer a provisional solution of German economic problems, with great possibilities of spreading assets and liabilities.

In this first quarter of fusion the emphasis in all matters has been on administration and organisation. The creation of *Länder* in the British Zone brought its administrative methods more into line with those of the American Zone. The setting up of new bi-zonal administrative offices for economics, transport, communications, finance and food raised entirely new political and functional questions, which could not be solved in a day or two and needed the intervention of the Military Government authorities.

The situation which led to fusion was largely determined by economic problems, and the newly-created Administrative Council for Economic Affairs set up in Minden occupies a key position and can decide the success or failure of fusion. It was in this office that the first co-ordination of administrative and party political objectives was carried out. As a result of the elections in the *Länder* of both zones the economic ministries were in the hands of the SPD, and it followed that the Social Democrats demanded the leading position at the head of the bi-zonal machinery. It was given to the chief economic expert of the party, Dr Viktor Agartz, who had already been head of the central economic department for the British Zone. The former Economics Minister of Greater Hesse, Dr Mueller, who had come to Minden with many matured plans and practical targets, had to leave. This change was regretted, especially in the American Zone.

Suspicious of the South

The creation of the new bi-zonal bodies must involve a decline in the importance of the councils of the *Länder* in the American Zone, which have seen some of their tasks taken from them. The question then arose whether the bi-zonal bodies would carry out legislative functions while executive functions were left to the *Länder*; the question was answered, at least provisionally, when at the end of March legislative decisions were reserved to Military Government. This has raised the further question whether the German departments have made the best use of their opportunities. Obviously the bi-zonal departments have a very imperfect basis in law, but it is probable that the growing political individualism of the South German *Länder* prevented them from making the best use of the possibilities they had. In both zones opportunities for shaping the economic future have fallen to the bi-zonal Economic Council. If even more powers of legislation and regulation were transferred to it, the control of bi-zonal planning might be so concentrated that an economic policy dominated by the views of the "Government Party" of the British Zone might involve the danger of a kind of economic dictatorship. There is no question, of course, of administrative dictatorship, and it may be that the distrust which is shown in the American Zone springs not only from old economic and social contrasts between North and South Germany, but also from reluctance to tie the relatively seaworthy ship of the American Zone too closely to the more battered and helpless British Zone.

The two zones reacted very differently to the ordeals of the past winter. In Germany the catastrophe of the last few months was not the result of irresistible natural forces, but the direct consequence of economic and social helplessness. The crisis began at the same moment as zonal fusion, and this accounts

partly for the critical view which is taken in the American Zone of its new partner in distress. In spite of the greater industrial power of the British half, it is now regarded more and more as economically more static and helpless. The economic task of the bi-zonal councils is increasingly regarded as the spreading of the one surplus which both zones can offer—namely scarcity. The earlier hopes of a quicker and wider development of industrial production based on increased coal production are already being abandoned, and with them expectations of any considerable improvement in the supply of Ruhr industrial products to the American Zone. But the industrial north is still hoping for increased food deliveries from the South.

Prospects for Production

What increase in production can fairly be expected? From May 1st next distribution of Ruhr coal will be managed by the Germans themselves. With a yearly output of 70-75 million tons (excluding consumption in the pits) and after deducting exports, the needs of the Occupation Authorities and deliveries to other zones, there will remain for industrial production in both zones only sufficient coal to achieve a production level ten per cent below that of October, 1946. The relevant estimates are given below:

ESTIMATED DISTRIBUTION OF RUHR COAL—1947	
	Mill. tons
Exports and occupation needs	22.8
Russian and French Zones	6.0
Transport	10.0
Hospitals and official buildings	1.7
Food, agricultural and fertiliser industries	9.0
Basic industries (iron and steel)	6.7
Manufactures and domestic coal	14.8
	71.0

Last month in the American Zone industry reached its highest production since the end of the war with about 50 per cent of the output of March, 1938. It can hardly be claimed that zonal fusion yet shows any economic results beyond the general encouragement which it gave at the beginning of the year. It is probably too early to expect such results, as the effects of the winter catastrophe have not yet been exhausted.

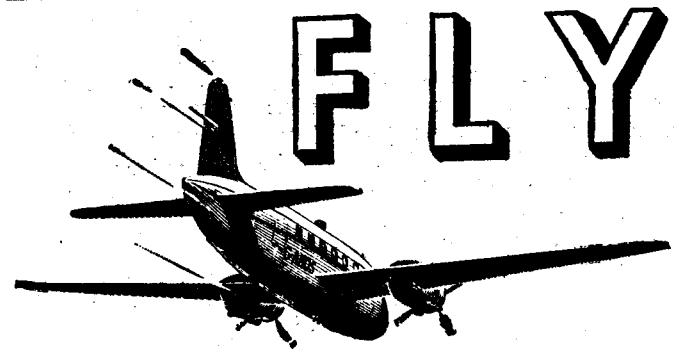
It is well known that the British Zone is even less able than the American Zone to feed itself. The creation of a bi-zonal food department can admittedly help to solve the food problems of the north, but not decisively. Imports must go on. But long-term planning to cut out periodic crises must provide for much closer, franker and more continuous co-operation between the occupying authorities and the German officials than has been allowed so far. The recent food crises in the Ruhr can be regarded as the direct result of the bi-zonal officials having no knowledge of the overall plan of organisation. This defect has often been pointed out by the Germans, but they have only met with an optimistic Micawber attitude.

Lack of Raw Materials

One cannot see yet in the British Zone a starting-point for the free development of individual or collective enterprise. The integration of the key products and semi-finished goods of the British Zone with the production of finished goods in the American Zone, has not yet been sufficiently stimulated to make possible the general expansion of production in both zones which is being aimed at. The efforts to export—which at first received lavish publicity in the American Zone—are carried on in the British Zone behind a curtain of hints, guesses, organisations and rumours. One even hears the old rumour of cases of German butter being sold in British shops.

The success of German efforts to export depends not only on production in the British Zone but also on the size of the available stocks of non-ferrous metals. These stocks, left over from past years, will soon be used up. The question of when they will be increased by imports is the second most vital one for the export industries of both zones. It was the main topic of a conference in the first week of April between German foreign trade exports of the two zones held in Stuttgart.

The way the British zonal partner has fared so far has disappointed many hopes. The futility of many efforts made, the numerous imponderables which weigh on everyone, the lack of continuity in the contacts between Occupation Authorities and German departments is creating in the British Zone an atmosphere more like that of the Russian Zone than that of the American.

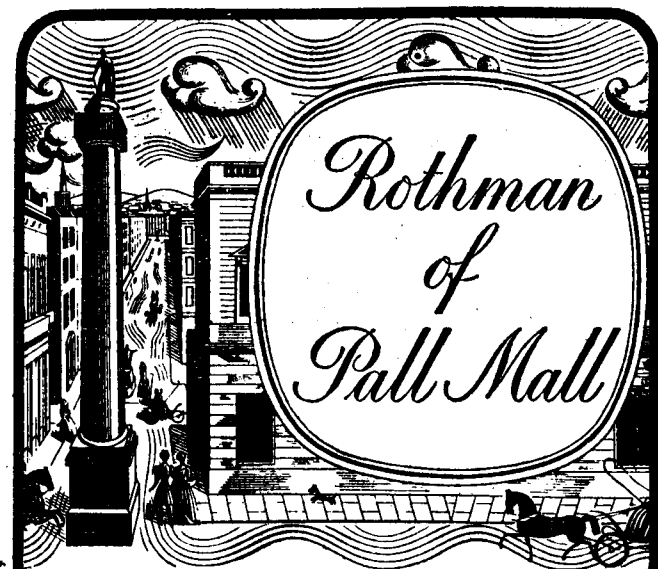


VIKINGS TO EUROPE

From April 21 BEA Vikings, Britain's most famous twin-engined airliners, will speed the regular services between London and Copenhagen, Gibraltar, Madrid, Oslo, Prague and Stockholm. Sister aircraft to those chosen to form the 'King's Flight,' they will reduce flying times while adding immeasurably to flying comfort. Month by month, more Vikings will be coming into service until all BEA routes between London and the continent are Viking routes



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THE BUSINESS WORLD

The Budget Accounts

THE wider aspects of Mr Dalton's Budget are discussed in the leading article on page 569. This article examines the Budget in greater detail, is concerned with fact rather than policy, and is mainly "for the record"—for the benefit of the Arthur Bryants of the future. As usually happens, the Budget in detail proves to be less satisfactory than it is in the round, and its accounting has this year become more curious than ever. On his own accounting principles, Mr Dalton was confronted, on the existing basis of taxation, with a prospective "ordinary" surplus of nearly £248 million in 1947-48. But, "this being a good year for a good surplus," he proposed tax changes which, on balance, were expected to provide £22 million of additional revenue. Ostensibly, therefore, he is budgeting for a surplus of almost £270 million, as the accompanying table shows.

The Surplus Examined

In global terms, the estimates of normal items of revenue upon which this calculation is based differ little from those given in these columns recently, though there are appreciable divergences in detail. Both the estimated expansion in Customs and Excise and the estimated fall in EPT and Profits Tax are rather larger than had been generally expected. Purchase tax, on the existing tax basis, was put at £260 million (up £79 million) and tobacco at £450 million (against £446 million). Customs and Excise as a whole were expected to produce £116 million more. On the other hand, the yield from EPT and Profits Tax was put at only £200 million—a decline of £157½ million.

The dislocation caused by the fuel crisis is not expected to affect revenue significantly this year, but will affect revenue next year, through its impact upon industrial profits. In the current year, the buoyancy of the national income is expected roughly to offset the effects upon income tax of the concessions granted in earlier Budgets.

Big Windfalls

The unexpectedly large surplus, on the Chancellor's reckoning, thus arises entirely from heavy non-recurring receipts.

Sales of surplus war stores and surpluses from Government trading operations, which together produced £215 million in 1946-47, are expected to fall by only £65 million this year, to £150 million. In addition, Mr. Dalton expects to secure no less than £250 million more from miscellaneous receipts than he budgeted for a year ago. These windfalls will come principally from sums voted in previous years but not expended—£112 million "from paymasters and quartermasters all over the world," £23 million from the UKCC, now being wound up; £18 million from surplus appropriations-in-aid, and £10½ million from NAAFI. Hence Mr Dalton's estimated surplus of £269.6 million is neatly balanced by £270 million of miscellaneous revenue mainly comprising the return to the Exchequer of monies previously issued and now lying idle.

Below-Line Expenditure

In no sense, therefore, can the balance on the account be regarded as the "real" surplus which Mr Dalton claimed. Indeed, if the receipts from surplus stores and trading are excluded, on the grounds that they are non-recurring revenue, there would be a deficit of £150 million. In addition, the whole programme of expenditure inevitably includes further heavy outlays "below-the-line." War damage payments during the year are expected to require £330 million—£60 million under the Business and Chattels schemes, £170 million for "value" payments (including the increases recently conceded, and accrued interest) and £100 million for cost-of-works payments. EPT Refunds will require £60 million, and this will virtually complete the payments now outstanding. Release of the remaining post-war credits due to elderly folk will cost £70 million. In addition, at least £200 million will be borrowed by the Treasury for housing and other capital schemes of local authorities financed through the Local Loans Fund, and £90 million will be borrowed for temporary housing. Some £50 million will be advanced to the National Coal Board; but

REVENUE (£'000's)				
	Budget Estimate 1946-47	Actual Receipts 1946-47	Estimates for 1947-48	
			On Basis of Existing Taxation	After Proposed Tax Changes
Income Tax	1,111,000	1,156,233	1,150,000	1,073,000
Surtax	80,000	75,742	80,000	80,000
Death Duties	140,000	148,044	155,000	155,000
Stamp Duties	29,000	38,338	40,000	57,000
Profits Tax	325,000	325,391	200,000	202,000
Excess Profits Tax	1,000	724	1,000	1,000
Other Inland Revenue				
	1,686,000	1,776,579	1,626,000	1,568,000
Customs	595,000	620,741	666,000	736,960
Excise	592,000	563,500	634,000	643,040
	1,187,000	1,184,241	1,300,000	1,380,000
Motor Duties	45,000	49,456	50,000	50,000
Total Tax Revenue	2,918,000	3,010,276	2,976,000	2,998,000
Sales of Surplus War Stores	150,000	155,996	95,000	95,000
Receipts for Trading Services	50,000	59,000	55,000	55,000
Wireless Licences	5,300	9,940	11,000	11,000
Crown Lands	1,000	920	1,000	1,000
Receipts from Sundry Loans	15,000	26,779	21,000	21,000
Miscellaneous	22,000	78,312	270,000	270,000
Total Ordinary Revenue	3,161,300	3,341,223	3,422,000	3,451,000

EXPENDITURE (£'000's)			
	Final Estimate* 1946-47	Exchequer Issues, 1946-47	Budget Estimate 1947-48
Interest and Management of National Debt	490,000	498,819	525,000
Payments to N. Ireland Exchequer	20,000	20,343	23,000
National Land Fund	50,000	50,000	50,000
Other Consolidated Fund Services	8,000	8,712	8,000
	568,000	577,874	556,000
Supply Services:—			
Defence votes†	1,736,575	1,653,350	899,000
Civil votes (excluding M. of S. (Defence))	1,761,325	1,651,630	1,698,026
Revenue departments	36,143	...	...
Total Supply	3,534,043	3,332,472	2,625,367
Total Ordinary Expenditure	4,102,043	3,910,346	3,181,367
Self-balancing Revenue and Expenditure:—			
Post Office	123,000	131,000	144,230
E.P.T. refunds (part deducted for tax)	...	150,522	49,000

* Including supplementaries. † Including, in 1946-47, the whole expenditure charged on Ministry of Supply Vote: but in 1947-48, excluding the Civil portion of that Ministry's expenditure.

the other public boards, such as Air Transport and Electricity, will in due course finance themselves by issues of their own Treasury-guaranteed stock. It should perhaps be added—though Mr Dalton did not mention it—that part of the direct tax revenue upon which he counts has in fact been already received, in that there will certainly be a further repayment of Tax Reserve Certificates in the current year.

Small Savings

The expected contribution from small savers is again "written into" the overall Budget, but this item (as a Note on page 600 records) is at last put on a realistic basis. The Chancellor counts—somewhat optimistically—upon small savings of £366 million, compared with £330 million in 1946/47. On the other hand, £160 million of 3 per cent Defence Bonds will fall due for repayment.

The Chancellor claimed that his budgeted surplus, together with net small savings, would "much more than cover" such "below-line" expenditure as is not incurred for the creation of new capital assets. It may indeed be true that "all further internal Government borrowing this year will be either for replacement of maturing debt or for definitely new capital development," and "none of it will be merely to bridge a gap between current income and expenditure"; but it is important to realise that this position is no measure of the extent to which the Budget is anti-inflationary in its effect. To assess that, it is necessary to bring into the reckoning the extent of relief afforded by the deficit on the external balance of payments, and then to relate the resultant Exchequer position to the demand for finance for priority capital outlays, in the national economy as a whole, which are not met directly or indirectly from the Exchequer.

Incentive Reliefs

Given this shape of the overall Budget, and given, too, the curious accounting which Mr Dalton chose to adopt, it would indeed have been rash not to budget for a surplus. But it ought to be pointed out that a real surplus of this magnitude could not have been achieved without recourse to a deflationary policy of the kind which Mr Dalton so deplored. As it is, all he has done is to bring into the reckoning purely nominal revenues which even he in effect recognised had no relevance to policy. The scope for the necessary "incentive" measures of relief was therefore relatively small. That being the case, it was inevitably confined to income tax, which the Chancellor rightly regarded as the most eligible candidate in the eyes of the public. To have reduced the standard rate would not only have absorbed a larger sum than could readily be financed by increases in other taxation, but would have spread the relief over a wider range—including unearned incomes—than was desirable for the purpose of achieving the maximum incentive effect from limited outlay. The proportion of earned income allowable as a deduction before computing tax, which was raised last year from the wartime fraction of one-tenth to one-eighth, is now to be one-sixth, which compares with one-fifth before the war. The limit to the income deduction is also restored to its 1940 level, rising from £150 to £250. The two concessions combined will cost £54½ million this year and £62 million next. In addition, the income tax allowance for each child is raised from £50 to its pre-war level of £60, at a cost of £13 million (£15 million next year), and the income limit for the purposes of the dependent relative allowance is also raised, at a cost of £8½ million this year (£10 million next).

Customs and Excise Concessions

The remaining concessions are not incentive measures at all. In fulfilment of an earlier pledge, the import duty on heavy fuel oil and gas oil is removed, together with that on any other

hydro-carbon oils used in a refinery for heat, light or power, or for producing gas—concessions which cost £4 million this year (£4½ million next). The excise duty on home produced artificial silk is repealed at a cost of about £2 million. Purchase tax is reduced from 33½ per cent to 16½ per cent on a miscellaneous range of articles, the most important of which are linoleum and certain classes of sports gear. Certain types of domestic water filters are exempted from tax entirely. The purchase tax reliefs in all will cost £2 million (£2½ million next year).

Tobacco Duty

The total cost of tax concessions this year will thus be £84 million (£96 million in 1948-49), and almost the whole of this is expected to be provided by the raising of the tobacco duty by 50 per cent. The implications of this unexpectedly severe increase are discussed in detail in a separate article on page 594. On the assumption that consumption falls by not more than one-quarter, the Chancellor expects to obtain an additional revenue of £75 million.

Purchase Tax Increases

As expected, Mr Dalton has re-imposed the purchase tax on domestic cooking and heating appliances, and has raised the rate from 33½ per cent to 66½ per cent on other domestic apparatus suitable for operation from electric or gas mains. These increases in tax are expected to provide £13 million in 1947-48 (£18 million next year).

Profits Tax

Profits Tax is to be left at its present level of 5 per cent on undistributed profits, but the rate will be increased to 12½ per cent on "distributed profits." The net incidence of the full rate, allowing for income tax, is 1s. 4½d. in the £. The Chancellor justified the tax on the ground that too much had been distributed from profits during the past twelve months, and too little ploughed back into the business, and he argued that "these increased dividends are the clearest case, anywhere in our national economy, of an inflationary element"—a broad statement which seems open to disproof first by Table 7 in the National Income White Paper, and secondly by the following computation of industrial profits and their distribution, before tax, between interest, preference dividends, ordinary dividends, free reserves, and other allocations:—

INDUSTRIAL PROFITS BEFORE TAX 2,040 COMPANIES (£'000's)				
	1945	%	1946	%
All Interest	20,998	6.5	20,616	5.9
Preference dividends	57,321	17.9	58,595	16.8
Equity dividends	170,647	53.5	186,152	53.2
Free reserve	59,694	18.7	72,016	20.6
Other allocations	10,908	3.4	12,316	3.5
Total profits	319,568	100.0	349,695	100.0

Presumably the term "distributed profits" would include profits paid out in preference dividends. Mr Dalton's estimate of the net revenue from the increase after allowing for loss of income tax is £20 million in a full year (but a mere £1 million this year). On the figures shown in the representative sample of companies above, the net revenue in respect of preference and ordinary dividends would amount to roughly £17 million. If these companies decided to carry this charge, it would entail a cut of nearly one quarter in their free reserves, before charging income tax. If, on the other hand, they decided to maintain the allocation to free reserves, the consequence would be a reduction in ordinary dividends from £186.2 million to approximately £170 million, since the full burden of tax on

both preference and ordinary capital would fall on the equity shareholder. This would entail a reduction in the average rate of ordinary dividend from 12.4 per cent last year to about 11.3 per cent.

These are the limits within which directorial policy will be free to operate. The incidence of the increased dividend tax will plainly fall with greatest severity on highly geared ordinary shares, either by way of a cut in their dividend, or by reducing the amount of profits which can be ploughed back. It may not, therefore, work unequivocally in favour of ploughing back earnings into the business.

Taxing Bonus Issues

Mr Dalton's second thoughts on bonus issues have enabled him to be "a little more forthcoming in permitting bonus issues" on condition that the public takes a reasonable participation "in these somewhat debatable operations." He proposes, therefore, to impose an "additional" 10 per cent Stamp Duty on the value of all bonus issues which obtain the approval of the Capital Issues Committee, which is to be given an extended discretion with regard to bonus issues. The new Stamp Duty will be levied on the excess of the market value of the bonus share over the amount, if any, which the shareholder pays for it. In other words, it will apply to capital bonuses and also to issues on bonus terms. The market value will be taken "as the Stock Exchange valuation for the shares after the issue."

The estimated yield from the tax on bonus issues is £5 million both this year and next.

Increased Stamp Duties

The possibility of a tax upon Stock Exchange transactions had been discussed as a probable political *quid pro quo* for a

betting tax. But, while the betting tax has been rejected because of its administrative complexity and the difficulty of working it equitably, all duties pertaining to stocks and shares are doubled—mainly, it appears, for revenue reasons, but probably also because the Chancellor holds that stockbrokers have "done very well under this Government." In fact, the duties on contract notes, transfers, bearer securities, debentures and letters of allotment are all doubled, with the existing graduation retained. As it is, therefore, Mr Dalton will get a modest revenue at the cost of significantly reducing the freedom and flexibility of the market, without reaching those whom he presumably really wished to penalise.

Duties on conveyances of land and property, and on leases and mortgages are also doubled, except for transfers below £1,500 and tenancy agreements at rents below £100 p.a., the duties for which are unchanged.

The increased stamp duties take effect on August 1st, and are expected to yield £12 million this year and £20 million next.

Legacy Duty Doubled

The Legacy and Succession duty, the yield from which is small by comparison with the main death duty—the Estate Duty—has been remodelled on lines parallel to the changes made in Estate Duty last year. The rates of charge, which vary with the degree of consanguinity, have been doubled and now range from 2 per cent to 20 per cent, except that bequests to charity still bear only 10 per cent. Exemption limits have been raised in nearly all cases. These changes will produce no revenue this year, but the yield for 1948-49 is put at £9 million. The limit upon the value of estates for eligibility for the minimum Probate fee has been raised.

The National Income

THE annual White Paper containing the official estimates of the National Income* provides, every year, such a feast for the statistician, with so many fascinating byways to explore with the slide rule, that there is a certain temptation for comment upon it to consist solely of playing with the figures.

Many of the stories it tells are, indeed, of great interest and importance; they are, or should be, the subject-matter of economic policy. Every year the official statisticians provide fresh evidence of their ingenuity—the principal novelty this year is a more detailed estimate of the balance of payments than has hitherto been publicly available. But despite all these grounds for gratitude, it would be a pity if the official estimates were accepted uncritically, or without any attempt to relate them to other available indications of the state of the nation's economic health. This year in particular, when the estimates relate to the first full year of peace, there are certain searching questions to be asked, for not all of which the White Paper provides an answer.

The totals of the national income, in the two definitions that are in most common use, for 1938 and for the last three years, are as follows (all figures in this article are millions of pounds; the figures in brackets, which cannot be deduced from this year's White Paper, are partly constructed from last

year's estimates):

	1938	1944	1945	1946
Net National Income at national cost	4,671	8,366	8,340	7,974
Gross National Product at market price	5,741	(10,181)	(10,100)	9,827

Of these two versions, the former is that favoured by the British estimators, the latter is commonly used by the American experts of the Department of Commerce. The differences between them are two: gross national product includes, as income, allocations made for the depreciation of existing capital, which are deducted before arriving at net national income; secondly, "national cost" excludes, while "market price" includes, the inflating effect of indirect taxes (less subsidies).

It will be observed that the estimate for 1946 is below that for 1945—4.4 per cent lower, as the figures stand. Some falling off in national income as the efforts of wartime relaxed was only to be expected.

The totals can be re-arranged and analysed in a number of interesting ways. Perhaps the most illuminating is to show (on a gross basis, at market prices) the total resources available to the British people, where they came from and how they were used (the figures in brackets are those that have required some interpolation or estimation by *The Economist*):—

	1938	1944	1945	1946
Gross output of United Kingdom	5,566	(10,081)	(10,000)	9,747
Net receipts of interest, etc., from overseas	175	(100)	(100)	80
Gross National Product	5,741	(10,181)	(10,100)	9,827
Overseas borrowings or drafts on overseas capital	70	659	875	400
Gross Available Resources	5,811	(10,840)	(10,975)	10,227
Personal Consumption*	4,252	5,474	5,884	6,584
Government Expenditure—Defence	(336)	(4,687)	4,450	2,329
Other	(453)	(562)	(641)	1,314
Gross Capital Expenditure	770	(117)	(641)	1,314
Total Gross Expenditure	5,811	(10,840)	(10,975)	10,227

* "National Income and Expenditure of the United Kingdom, 1938 to 1946." Cmd. 7099. 1s. net. The tables in the White Paper will be printed in next week's issue of the *Records and Statistics Supplement* to *The Economist*.

All these figures, of course, are affected by the change in the value of money; but some interesting comparisons can, nevertheless be drawn. In 1938, if gross home output be taken as 100, the net income from British foreign investments added 3 and overseas disinvestment 1, so that the total of available resources was 104 per cent of home output. In 1945, the additions were 1 and 8½, so that available resources were as much as 109½ per cent of home output (even without counting lend-lease receipts). Even in 1946, the drawings on the American loan (and other overseas disinvestment), together with the shrunken remnant of overseas investment income, enabled the British people to spend nearly 5 per cent more than they produced. Of total gross expenditure, personal consumption made up 73 per cent in 1938; it fell to just over 50 per cent in 1944 and had recovered to 64 per cent in 1946. Capital expenditure—which, it should be remembered, includes all expenditure for the maintenance and replacement of existing capital—was 13 per cent of total expenditure in 1938, fell to 1 per cent in 1944 and in 1946 had already recovered to about the pre-war proportion.

Another interesting analysis of the figures shows the total of private incomes before and after the payment of direct taxes:

	1938	1944	1945	Increase 1938-45 %
Income from work and property:—				
Wages	1,735	2,780	3,020	74
Salaries	1,110	1,530	1,675	51
Pay and allowances of the Armed Forces	78	1,255	523	571
Rents	380	385	386	2
Profits and interest*	1,534	2,810	2,840	85
Total private income from work and property	4,837	8,760	8,444	75
Social Security benefits and other transfer incomes	270	455	737	173
Total private income before tax	5,107	9,215	9,181	80
Less: Direct taxes	-516	-1,894	-1,876	
Private income after tax	4,591	7,321	7,305	59

* Including farmers' profits, professional earnings and National Debt interest.

Reckoned before the payment of tax, both wages and property income (including, however farmers' profits and professional incomes) have both gained proportionately more than salaries. But after the payment of direct taxes, wages (including the appropriate part of the pay and allowances of the forces) have risen from 39 to 44 per cent of the total, while property incomes have fallen from 37 to 33 per cent. Salaries show little change in their proportion.

This is one measure of the redistribution of real net income that has been produced by the economics of war and by heavy direct taxation. The same effect can be differently measured by the effects of taxation on private incomes of different sizes. In 1938 there were 105,000 incomes over the surtax limit of £2,000. These incomes had 10.3 per cent of the total of private income before tax and 7.2 per cent after tax. In 1945, the number of incomes in the surtax range had risen to 132,000; but they had only 6.5 per cent of the total of private income before tax and as little as 3.3 per cent after tax. The very rich, with gross incomes of £10,000 or over, who in 1938 were left, after paying taxation, with 1.8 per cent of total net incomes, now have left a bare 0.35 per cent. In 1938-39, there were 19,000 persons with net incomes of over £4,000; in 1945-46 there were 885.

From private incomes to the total of consumption expenditure is an obvious step. In 1938, 83 per cent of private income was spent and 7 per cent saved, the balance going to direct taxation. The proportion consumed fell as low as 60 per cent and savings rose to 21 per cent in 1943, but the figures were back last year to 72 per cent and 8 per cent. The total amount of money spent on consumers' goods and services at market prices rose from £4,252 million in 1938 to £6,584 million in 1946. These money figures, however, are meaningless until they are corrected for changes in prices, and fortunately this is the one part of the field in which the White Paper re-calculates

the figures on a constant price basis, as follows:—

	1938	1939	1940	1941	1942	1943	1944	1945	1946
Personal expenditure on consumers' goods and services at current market prices (£ million)	4,252	4,379	4,627	4,828	5,133	5,218	5,474	5,884	6,584
Do, revalued at 1938 prices (£ mn.)	4,252	4,277	3,891	3,718	3,697	3,641	3,738	3,938	4,296
Consumption expenditure as index number (1938=100)	100	100½	91½	87½	87	85½	88	92½	101
Indicated index number of prices of consumption goods and services (1938=100)*	100	102½	118½	129½	138½	143½	146½	149½	153½

It is at this point that it is necessary to stop and consider what the figures say. If the second line of figures is to be believed it says that the total volume of consumption in 1946, after allowing for price changes, was slightly in excess of 1938. That is to say, the reader of the White Paper is invited to believe that the average real standard of living of the British people in 1946 was back to the pre-war level—in fact, slightly in excess of it.

Is this credible? The first instinct is to say that of course it is not, and that if the figures make such an assertion, so much the worse for the figures. But perhaps the matter is not quite so simple. In the first place, it is very difficult for anybody in the middle or professional classes—as most manufacturers and consumers of statistics are—to make sufficient allowance for the undoubted rise in the average standard of living of many, if not of all, wage-earners. The total of wages, of social security benefits and of the appropriate portion of the pay and allowances of the Armed Forces, after the payment of direct taxes, rose from something like £2,000 million in 1938 to something like £3,850 million in 1946. If the latter figure is corrected for a 53 per cent rise in prices, it still stands at £2,500 million—that is, the real net income of the wage-earning class has apparently risen by about a quarter.

Secondly, some light can be shed on the trend of consumption by observing what has happened in the various categories:—

PERSONAL EXPENDITURE ON CONSUMERS GOODS AND SERVICES AT 1938 PRICES

	1938	1946	Change
Increases:—			%
Alcoholic beverages	285	320	+ 12
Tobacco	177	236	+ 33
Rent, rates and water	491	514	+ 5
Fuel and light	195	215	+ 10
Books, newspapers and magazines	64	88	+ 37½
Travel	160	226	+ 41
Communication services	29	42	+ 45
Entertainments	64	102	+ 59
Income in kind of the Armed Forces	17	81	+ 376
Decreases:—			%
Food	1,258	1,232	- 2
Durable household goods	234	148	- 37
Other household goods	54	43	- 20
Clothing	446	330	- 26
Private motoring	127	71	- 44
Miscellaneous services	481	424	- 12
Miscellaneous goods	177	152	- 14

This gives a rather different picture. The increases shown in the first half of the table, instead of contradicting ordinary observation—as the blunt statement that the standard of living is back to pre-war apparently does—are in accordance with what can be seen on every hand. It is wholly apparent that much more is being spent on drink, tobacco, fuel and light, books, railway journeys, theatres and cinemas and the like. On the other hand, the statisticians were not, after all, trying to assert that the level of consumption of the big staple items—food, clothing and furniture—had returned to pre-war. So re-defined, the figures become much more credible. They say that the total volume of consumption has returned to the pre-war level but that it is still badly distorted and that the people are spending their money on things they would not want if they could get larger quantities of the necessities of life. The quantity of consumption has recovered, but not its quality.

There is an additional point to be made concerning quality. It is quite impossible to allow, in any price index, for the

deterioration in quality that has occurred in many—indeed, in most—consumers' goods and services. If allowance could be made for such changes in quality, then not even in a statistical sense could it be said that the standard of consumption had returned to the pre-war level. Even so, however, the shortfall would be far less than might be imagined, on the basis of their personal observations, by middle-class observers thinking of the staple necessities of life.

This question of the proper allowance to make for the changed value of money has a wider importance. The White Paper has never attempted to correct its figures, other than those of consumption, for price changes. Year by year, however, *The Economist* has made the attempt, though it has never been pretended that the results are other than indications of probable order of magnitude. These calculations are carried forward to cover the year 1946 in the following table:—

	1938	1944	1945	1946
1. Gross output of the U.K.	5,566	7,153	6,933	6,504
2. Net overseas interest, etc.	175	71	70	54
3. Gross National Product	5,741	7,224	7,003	6,558
4. Overseas borrowings or drafts on Overseas capital	70	471	612	272
5. Gross Available Resources	5,811	(7,695)	(7,615)	6,830
6. Personal Consumption	4,252	3,738	3,938	4,296
7. Government Expenditure	789	3,888	3,236	1,640
8. Gross Capital Expenditure	770	69	441	894
9. Total Gross Expenditure	5,811	(7,695)	(7,615)	6,830

Item 6 is as given in the White Paper. For correcting items 2, 4 and 8, an index of "national cost," derived from last year's White Paper, has been used. For item 7 an index of prices of goods and services entering into Government expenditure has been assumed. For 1946, the index of market prices of consumption goods and services is 153 (1938: 100), the "national cost" index is 147 and the "Government expenditure" index is 142½. It should be emphasised that the two latter indices, especially the last-named, are conjectural.

The method of arriving at these figures is explained in the footnote. It is based on the assumption that prices of consumers' goods and services, which have been raised more by indirect taxes than they have been lowered by subsidies, have probably risen more than the prices of the things on which the Government spends its money or which enter into capital expenditure.

Tobacco Shares Now

THE Chancellor of the Exchequer has grasped the political nettle by increasing the tobacco duty by 50 per cent so that 20 cigarettes will cost 3s. 4d. instead of 2s. 4d. and a popular brand of pipe tobacco is increased from 2s. 10½d. to 4s. 0½d. an ounce. This week's increase in the duty, unlike the succession of increases since 1938, is designed not specifically for revenue purposes, but to secure a reduction of home consumption of tobacco by 25 per cent and a saving in its dollar cost of \$30 million. It is therefore quite different in character from the moderate increase that Mr Dalton was expected to make. His estimates—they are naturally rather tentative—suggest that the limits of exploiting the inelastic demand for tobacco have practically been reached. Very roughly, he estimates that consumers' outlay on tobacco, including the higher duty, will further increase by about 7½ per cent during the current financial year; he has increased the selling price of cigarettes by 43 per cent and is aiming at a reduction in consumption of no more than 25 per cent. This guess can only be confirmed by the practical test of the market. The National income estimates show that personal expenditure on tobacco rose without any semblance of check from £177 million in 1938 to £603 million last year, while home consumption of tobacco increased from 190 million lbs. in 1938 to 250 million lbs. in 1946.

A cut of a quarter in home tobacco consumption would reduce the total from 250 million lbs. to say 190 million lbs.—

If the rise in consumption prices is known—and it is given in the White Paper—the other price indices used cannot be very badly wrong and the resulting figures must be broadly right. This—and the great assistance that it is to have some notion of the real size of the national income—has been the justification, year after year, for publishing them.

But it should again be observed what these figures purport to show. They indicate that the gross output of the United Kingdom, adjusted for price changes, rose in 1944 to 28½ per cent above the pre-war level and that in 1946 it was still 17 per cent above pre-war. Moreover, it would be possible to show, by a little simple arithmetic, that the Government's plans, as outlined in the recent "Economic Survey," envisage an increase in 1947 to a still higher figure.

Again one must ask, is this credible? Is there any sense corresponding to reality in which it can be said that the real output of the British economy is to-day greater by one-sixth or more than it was before the war? Is it really justifiable to use price indices showing increases of only 42½ to 53 per cent when the fact is on record that the average price of British export goods has increased by over 100 per cent? If this latter figure were taken as more truly representative of what has really happened to the value of money, then the national output, instead of being 17 per cent higher than in 1938 would be at least 10 per cent lower. Many people would say that this corresponds more closely to the truth. And yet many of the other indicators contradict this view. More freight is moving on the railways, more steel is being produced, much more electricity is being consumed, no less coal is being burnt, than in 1938; many more people are at work. Is the national output inadequate in volume? Or merely distorted in its composition?

This puzzling question cannot be answered from the statistics of national income. And yet it is the question on which, above all others, such exercises in statistical ingenuity ought to shed light. The experts of the Central Statistical Office, who have already put all students of public affairs heavily in their debt, have yet to crown their labours.

exactly the same figure as in 1938. Table I puts Mr Dalton's target in perspective against the tobacco supplies for the United Kingdom. Total imports of tobacco last year amounted to 433.4 million lbs. of which (as Table II shows) the United States provided 365.8 million lbs. of nearly 85 per cent of the whole. Imports from Empire sources (including Canada, though this is in the hard currency area) totalled 63 million lbs. Thus home consumption last year absorbed less than 60 per cent of total imports; stocks were increased by no less than 100 million lbs. to 380.3 million lbs. The 1946 import figures included a large proportion of the 1945 crop, which was directly purchased by the Government and imported in 1946, and also a considerable part of the 1946 tobacco crop bought and paid for in that year under the resumed private purchasing arrangements.

Purchases of tobacco last year from the United States and Canada (as distinct from imports) absorbed about £47 million in dollars, of which £9½ million should be offset by re-exports—though these are mainly to soft currency areas, they should serve to stimulate the production of commodities to be sold against dollars—and £3½ million for addition to stocks. Taking home consumption alone, therefore, the current rate in the past financial year would probably have cost about £32 million in dollars, and not £56½ million. The former figure is closely related to the estimated dollar saving of \$30 million to which Mr Dalton referred on Tuesday on the assumption of a 25 per

cent cut in tobacco consumption. The dollar cost of tobacco for home consumption will be less than 10 per cent of the first year's drawings on the loans—a very different ratio from the usual idea that one-third of them have been spent on tobacco. The decision last August to permit manufacturers to draw from bond 120 per cent of their basic quotas for use in the home market suggested that the Government was fully prepared to meet the dollar cost of a higher rate of tobacco consumption in the interests both of morale and of the Exchequer. Faced now with the alternative of rationing or a swingeing increase in the duty, the Government has rightly preferred the second course. Tobacco would be a difficult article to ration, and it would provide a welcome opening for new enterprise in the black market.

The figures in Table II show that tobacco supplies from the United States could not be readily replaced by Empire and Oriental tobaccos. An increased proportion of Empire and

TABLE I—U.K. TOBACCO SUPPLIES 1938-1946
in million lbs.

	1938	1945	1946
Total Imports	346.1	369.1	433.4
Home Consumption	190.9	223.8	280.4
Exports	40.5	37.0	54.7
H.M. Forces, Ships' Stores, etc.	23.0	48.8	19.2
Bonded Stock and year (a)	583.1	278.1	380.3

(a) Almost wholly manufactured.

Oriental tobaccos could be blended with American leaf without unduly offending the British palate (which has come to regard Virginian tobacco almost as its exclusive taste), but that policy would require more machinery and a radical improvement in the supplies of oriental leaf. As for Empire tobaccos, Rhodesia might be capable of increasing its output by 50 per cent during the next few years; its ultimate ambition of producing 100 million lb. is impossible for several years to come because of shortage of labour alone. An increase in the consumption of Empire tobacco may now be more difficult to encourage because the price differential (reflecting the preferential duty) between Empire and American manufactured tobaccos is now so narrow as to be scarcely effective.

What does the higher duty imply for tobacco shares and dividends? So far, the leading companies have been able to absorb increased costs of raw tobacco, holding of stocks and increased charges for almost every raw material and grade of labour, because their total turnover has been steadily increasing. If

TABLE II—PRINCIPAL SUPPLIERS
(million lbs.)

	Average 1935-39	Average 1940-44	1945	1946
United States	200.8	168.0	309.9	365.8
S. Rhodesia	15.7	20.2	20.6	23.2
Nyasaland	12.3	13.2	11.6	10.9
British India	19.6	17.8	10.2	17.7
Canada	14.3	7.9	12.1	9.4
Total Empire	63.6	61.6	66.0	63.0
Total all countries	269.3	240.8	369.1	433.4

Mr Dalton's rough estimate of a reduction in consumption by as much as 25 per cent proves to be anywhere near the mark, the profits of even the best tobacco companies might present a rather sorry picture in a year's time. Perhaps a reduction of as much as 25 per cent may not in fact occur but it is improbable that the amount of tobacco consumed will be maintained. Even if demand settles down at some intermediate point, the reduction in turnover is likely to have a significant effect upon tobacco profits if retail prices remain unchanged. The companies can anticipate little relief from the smart rise in the price of both American and Empire leaf tobacco since 1938. A cut in the British demand might have an unsettling effect on American prices but the relief would not be seen in

tobacco costs for some time, owing to the companies' policy of equalising the costs of their leaf supplies.

For tobacco shareholders, therefore, recent prices of raw tobacco are still highly relevant. Empire producers have been receiving 75 per cent to 200 per cent more than their pre-war prices. Canadian flue-cured cigarette tobacco has been costing 35 cents a lb. compared with 20 cents before the war; in Southern Rhodesia, cigarette tobacco has risen from 10d. to 32½d., while in the United States farmers' prices for flue-cured tobaccos have advanced from an average of 23 cents for the years 1934-38 to about 50 cents in 1946.

Ever since the end of the war, the high prosperity of the tobacco industry has been accepted with a certain scepticism by the far-sighted investor. At first the tobacco companies were regarded as enjoying an evanescent boom which might be rudely checked as soon as consumption goods generally were in freer supply. That has not happened on a sufficient scale to make any material difference to tobacco consumption. On the demand side, until late on Tuesday afternoon, it seemed that the industry was as well secured as ever. That assumption has now become fallible. Some fall in consumption seems inevitable, even though it may not reach Mr Dalton's 25 per cent target. On the supply side, the end of the rising cost trend is not yet in sight; the strain of financing the higher cost of stocks, part of which will now carry a 50 per cent increase in duty, will be further increased. This strain has been vividly illustrated in the recent attempt of the Imperial Tobacco company to adjust its ordinary share capital and to replace the short term financial

TABLE III—TOBACCO SHARES AND YIELDS

	1938-39		Latest Year		Ordinary Share Prices†		
	Earned on Ord. %	Paid on Ord. %	Earned on Ord. %	Paid on Ord. %	Pre-Budget (Mon. Apl. 14)	Post-Budget (Wed. Apl. 16)	Yield per cent. Latest Div.
British - American Tobacco (a)	21.1†	20.0†	17.8†	14.7†	142/6	145/-	£ s. d. 1 19 1†
Carreras (b)	60.5	35.0	54.4	35.0	147/6	147/6	4 16 7
Gallaher (c)	40.1	27.5	47.7	32.5	132/6	132/6	4 17 5
Imperial Tobacco, Phillips, Godfrey..	26.2†	25.0†	25.5†	19.25†	140/-	136/3	4 18 1
	11.5	9.0	22.4	15.0	57/6	55/-	8 2 9
							5 10 1

(a) Ord. Cap. increased in 1940 from £23,702,761 to £23,757,761.

(b) Increase in Ord. "B" from £1,228,628 to £2,468,730 in 1939.

(c) Ord. Cap. increased from £1,707,552 to £2,000,000 in 1946.

† Free of Tax. ‡ All £1 denomination except Carreras "B," 2/6.

commitments which the company has undertaken for financing of stocks. Looking further ahead, it is well to remember that taxes have a habit of sticking well beyond the period to which they are appropriate. A tobacco tax at the existing rate when consumption goods were in freer supply or food prices dearer, or employment less full, might well have a devastating effect on demand.

It is hardly surprising therefore that tobacco shares should have been hit so severely by the Budget. Table III shows some representative share prices and yields. Even before the Budget the latter were well in excess of the average return of industrial equities—4.39 per cent at the last calculation of the Actuaries' index. Now there are even deeper uncertainties about future earning power, which may be mitigated by recovery in demand later this year when consumers have become hardened to higher prices and could only be avoided altogether if the companies decided to pass on increased costs to the consumer of cigarettes as they have recently done for pipe tobacco. An increase sufficient to cover the whole of the rising costs of the manufacturers would be a very modest affair indeed compared with Mr Dalton's new impost. It might therefore be prudent not to take too tragic a view of the present position of tobacco shares. The dangers are obvious. Indeed, the greatest danger of all is perhaps the possibility that consumption will not fall sufficiently to satisfy Mr Dalton; if that happened the Government might in a year or two's time be disposed to take even more drastic action to reduce the dollar expenditure on tobacco.

Business Notes

Budget Reactions

In principle, Mr Dalton's third Budget was designed to assist the gilt-edged market and to damp enthusiasm for equities, in practice, the reverse has happened. Gilt-edged failed to benefit from the negative stimuli of the Chancellor's reiterated case for cheaper money and from his increases in the profits tax and in stamp duties, which are aimed very largely at ordinary shares. But equities found Mr Dalton's new burdens less arduous than had been expected, and they were quickly counting the blessings of tax increases which Mr Dalton might have made, but did not. Since the Chancellor confined his new indirect taxation to tobacco, there was a sigh of relief for brewery and cinema shares; since his attack on speculative profits was confined, by implication, to the Stock Exchange and left betting untouched, dog racing shares rebounded; and even tobacco shares, after a sharp fall, rallied appreciably.

These, of course, were impact adjustments to the removal of fear; more refined calculations will be necessary before it is safely established that restrictions of output—and of dog racing—will justify the present levels of many ordinary shares. In its first reaction the market was inclined to argue that the increased profits tax was a good "swap" against the removal of EPT, and was busy on its calculations about the position of companies with a heavy liability for EPT and a moderate capital gearing, for which the new profits tax would leave the greatest margin "to go for." But it is doubtful if such nice calculations at the margin will have very much significance, in terms of prices. After all, the removal of EPT is far from being a new market factor, and the present tendency in some quarters to begin publicising it all over again merely reflects the wish to make the best of the imposition of a new tax and not the unexpected withdrawal of an old one. It would indeed be surprising if the market had not long since capitalised all of the good in the withdrawal of EPT. Its present task is something much bigger than the adjustment of prices to measure the differential effects of two taxes; it is to make some estimate of the consequences, in terms of profits and earning power, of the fuel crisis, which, as Mr Dalton emphasised on Tuesday, will fall with particular severity upon earnings in the fiscal year 1947-48.

The new tax on the "bonus element," with its dubious moral principle of permitting, on payment of a fee to the pardoner, what the Chancellor has always maintained is indefensible, is a matter of general condemnation in the City. Here, certainly, is all the evidence of Bourbonism, which never forgets and never learns. There are many issues which would not, in the ordinary commerce of the market, be regarded as bonus issues, but which are made at a price somewhat below the market price; at the other extreme lies the 100 per cent capital bonus. The cost and complexity of raising new capital, even where the so-called bonus element is moderate, will be greatly increased, and for the "free bonus" the effect will be so punitive that they will be entirely out of court.

* * *

Rallying the Patriots

As for the cool aloofness of the gilt-edged market, that was hardly needed to point the general verdict on the Chancellor's disquisitions on cheap money. The much-trumpeted defence disappointed even the critics. It is not that there is any real disagreement with the general tenor of Mr Dalton's arguments. But he wholly missed the point of the recent criticisms, which in these columns as in other responsible quarters have been based exclusively on wide grounds of economic policy and not at all upon sectional or political grounds. It would be easier to give the Chancellor the benefit of the doubt, and assume that his evasive omission was accidental, if he had not also tried to shift this purely economic issue to a moral plane, with characteristic histrionics. But the question whether a given rate of interest is economically—even socially—advantageous cannot be burked by rallying cries for "patriots." "Is there really a British citizen," boomed Mr Dalton, "who is either too avaricious or too frightened of the future to lend money to his country at 2½ per cent on long-term?" Again, "the faction of whom I speak would enshrine the usurer over all, trample the common man in the dust, and consolidate catastrophe in our national life." Resounding phrases, these; but is this really a British Chancellor in the middle of the twentieth century—or an ecclesiastic in the Middle Ages?

It is small wonder that the City was unimpressed, and interpreted these noisy phrases simply as signs of weakness. But it is a pity, none the less, that the Chancellor declines to recognise that hardly anyone—and none of the serious journalistic critics whom he so regularly attacks—has advocated dear or even dearer money. They object simply to the recent accentuation of cheap money in conditions of inflationary dangers, and particularly to the speed with which the Chancellor has pressed towards his objectives. Their objections are based, not upon any tenderness for the rentier as such, but upon the fillip which such tactics have recklessly given to inflation, with resultant wastage of scarce national resources. Obviously, a low rate of interest at long-term is imperative if the huge burden of debt is to be supportable; but that is not an argument for pushing aggressively to still lower levels, against the natural trend, in conditions of post-war scarcity at a time when the wartime defences against inflation—the physical controls—were perforce being relaxed.

* * *

Real Savings in Interest?

The short-run saving to the Exchequer is in any case small—far smaller than the Chancellor's figures imply. His calculations were of course made on a gross basis, before allowing for loss of income-tax (not to mention sur-tax), but even the reduction in net payments would not measure the true saving to the Exchequer. Without raising afresh the controversial question of the extent to which the "departments" have had to absorb large quantities of long-term securities themselves because the public has been reluctant to accept the Chancellor's terms, it is at least clear that one major consequence of the tactics of the past eighteen months has been to enable the banks to exchange from low-yielding to high-yielding assets. Since August 1945, the month before the cheaper money drive was launched, their investment portfolios have expanded by £329 million while their holdings of Treasury deposit receipts have dropped by £676 million. In effect, upon £329 million of the £635 million of "true" deposits which have been created during the period, the Treasury is paying, say, 2½ per cent instead of the 1½ per cent which would have been paid before, and the ½ per cent which has been payable since, the cut in short money rates in October 1945. The resultant gross loss almost equals the £6½ million gross saving which Mr Dalton claimed on his long-term operations.

But, whether the saving is real or nominal, the policy is to be "resolutely" followed—though what precisely the policy is now is no clearer than it was after the economic policy debate. The public "is to be gradually conditioned to the idea of 2½ per cent as the maximum rate of interest on long-term loans to the British Government"; but the impression that this rate is at present intended to apply to dated stocks such as 2½ per cent Savings Bonds rather than to irredeemables is somewhat stronger than it was. In the circumstances, it is hardly surprising that the gilt-edged jobbers, whom Mr Dalton blamed for the crisis set-back, have so far apparently disappointed his hope that they "would feel stronger to-morrow." At least they cannot be blamed for that.

* * *

Increased Coal Allocation

Revised allocation arrangements were announced last week, after *The Economist* had gone to press, of the extra 100,000 tons of coal to be made available to industry each week from April, 13th to the end of May. Basic allocations to industry will be raised from 33½ to 50 per cent and in addition the Regional Fuel Allocation Committees will continue to make supplementary allocations from their pools. In the North-West Region it has already been announced that all sections of the cotton trade are to receive 75 per cent of their November quota, which gives the industry the same coal ration as steel. This region hopes to make supplementary allocations available to other industries when the new summer coal programme is introduced in June.

The method of allocation, granted the increased supply figure of 100,000 tons, is hardly a matter for controversy. First, all industry must be assured of sufficient supplies to restore the flow of components and semi-finished products through the industrial system. It would be a hopeless and invidious task to attempt to apply a priority allocation system for individual concerns.

Second, the adjustment of quotas between different sections of localised industries is best left to be worked out by the regional committees. There are, however, other key industries for which it is necessary to fix a national quota. Steel and public utilities have been in such a position from the start. The present 75 per cent quota for steel may seem "fair" by comparison with other industries, but unless it is increased the current shortage of steel will become even more acute. The new allocation system will be in operation for a mere seven weeks, for at the beginning of June the summer programme is to be introduced. The first full month of the summer coal production period and the five-day week will then have passed, and some closer budgeting of summer coal production ought to be possible. But the restoration of coal supplies to industry is a painfully slow process, involving delay and diseconomy in production of all kinds. Industry at the end of the third week in April still has no clear idea of the total supplies of coal which it may receive before winter sets in. Realistic budgeting for coal in the summer months and the prompt allocation of supplies are urgently needed if arrears of production are to be overtaken this summer.

* * *

Britain's External Account

Despite the detailed analysis presented in the *Economic Survey*, the latest National Income White Paper gives much fuller information about Britain's balance of payments than has ever previously been made officially available. It also revises the provisional figures of the *Survey*, and reduces the estimate for the overall deficit on current account in 1946 from £450 million to £400 million. This difference is explained by revisions which add £20 million to the adverse visible balance and £70 million to the net invisible income. Whereas the *Economic Survey* showed invisible items, other than Governmental payments, under two net headings only, the new analysis gives the four main categories—shipping; interest profits and dividends; tourist payments; film remittances and other items—separately, and shows the first two on both sides of the account. Interest profits and dividends for 1946 are now put at £80 million, instead of the £60 million in the *Survey*, while the remaining items, which previously were reckoned to require a net payment of £10 million, are now estimated to yield a net credit of £40 million. The revised figures are as follows:

	(£ Mn.)	Receipts	Payments	Net	Receipts
Shipping	150	140	10		
Films	...	...	17		
Tourism	...	25	25		
Miscellaneous	...	...	72		
			40		
Interest, profits and dividends .	150	70	80		

There is also an analysis of the £300 million of net Governmental expenditure abroad, from which it appears that the net cost of Germany was a good deal less than has been generally supposed—only £38 million.

The White Paper continues the analysis of external liabilities of the United Kingdom first given in the Statistical White Paper which accompanied the Anglo-American Loan Agreement; it also presents for the first time a detailed analysis of the capital elements in the balance of payments, showing how the £400 million deficit was financed.

BALANCE OF PAYMENTS			
Capital Account*			
	1945	1946	
Gold and U.S. dollar reserves	— 3	61	
U.S. and Canadian lines of credit	...	—279	
U.S. Govt. Loan (Lend-Lease, etc., settlement) ...	—161	...	
Other loans to H.M. Govt.	— 48	38	
Net sterling, etc., liabilities	—445	—148	
External capital assets*	—110†	—70†	
Subscriptions under Bretton Woods Agreement Act, 1945	...	33	
Other†	—108	— 35	

Total external investment (equal to balance on current account)

* Increases in assets and decreases in liabilities are shown as positive, and decreases in assets and increases in liabilities as negative items.

† So far as ascertained.

‡ Including an allowance for errors and omissions on capital account.

Britain's gross holding of gold and dollar reserves rose by a further £13 million in the last quarter of 1946 to £642 million—

an increase of £61 million during the year. On the other hand, total external liabilities rose from £3,825 million to £4,214 million, of which £2,920 million (against £2,971 million) represented indebtedness to the sterling area. The amount due to North and South America, including drafts on the dollar credits, was £847 million and that due to European countries and their dependencies was £356 million.

* * *

The Problem of India's Balances

It was reported from Calcutta this week, and confirmed in London, that negotiations on the future of India's accumulated sterling balances are to be resumed—probably around the end of next month. The talks in New Delhi in February were exploratory and conducted at the official level; the new discussions will take place in London, and will be on a ministerial level. There is, unfortunately, little reason to suppose that the past few weeks will have significantly narrowed the wide difference between the points of view of the two parties which was plainly revealed in February. But at least the Indians now recognise the extent of the difference and probably well understand the position in which Britain is placed. The hard facts of Britain's balance of payments problem make it virtually impossible for the present arrangements to endure beyond July 15th, when currently accruing sterling becomes freely "expendable" in conformity with the Anglo-American Loan Agreement.

In the earlier talks, the British delegation obviously impressed upon India the imperative need for economy in dollar expenditure, and one apparent by-product of this was the Indian embargo upon imports of bullion. But, although India may be showing a sense of responsibility in its import policy, there is little doubt that it is making net demands upon the dollar pool. In addition, at present India's spendings from accumulated sterling balances are limited only by its capacity to secure deliveries of goods ordered in Britain or elsewhere in the sterling area. Hence, as is well known, a substantial block of British exports has for some time served only the purpose of redeeming accumulated debt to India. After July 15th, however, any accumulated sterling which is available for current expenditure at all, must be equally available for such expenditure in the dollar area. If, therefore, India thereafter retained the present freedom to spend accumulated sterling, it would be able—subject

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

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2

only to "moral" and purely voluntary restraints—to utilise the accumulated balances to place large orders in the United States in addition to the orders in the United Kingdom.

Even the existing strain is greater than Britain's balance of payments can reasonably be expected to bear, and the pressure would become intolerable if the drain upon British exports were augmented by a specific drain upon dollar reserves. Britain, for its part, naturally hopes that it will be possible amicably to reach a comprehensive settlement—possibly for a limited term of years, as in the case of the Argentine Agreement—before, or at least shortly after, July 15th. But if these hopes are disappointed, it is hard to see how the British authorities can avoid imposing some restrictions upon the use of the accumulated balances. Such a step, if taken, would not be a sanction intended to force India into an agreement; it would provide, inexorably, the only means of saving Britain's dollar resources and export potential from an intolerably rapid rate of dissipation. As the Chancellor said in his Budget speech, "unrequited" exports are a "luxury of which we can afford very little for many years to come."

* * *

Liverpool on Shipping

Liverpool shipowners are renowned for their independence, and the annual report of the Liverpool Steam Ship Owners' Association reflects a good deal of the cautious detachment of the North. The report reproduces some calculations and comparisons of the volume of UK exports, which show that by the end of 1946 the volume of 1938 had been surpassed. It goes on to point out, however, that the year 1938 "was itself anything but satisfactory"; that the volume of exports other than coal fell short of 1938 as a whole; that in 1946 exporters were enjoying a sellers' market; and that "there is little ground, therefore, for self-satisfaction in the progress so far made." Examination of the statistics shows two important facts. First, a much larger proportion of cargoes than before the war is being carried in British ships; secondly, the amount of cargo carried per 100 tons net of shipping exceeded that of 1938 by 41 per cent in the case of imports and more than double in the case of exports. This gives an idea of the extent to which economy in the use of tonnage has offset the shortage imposed by war losses, but it must be remembered, as the report points out, that the degree of concentration of British ships on UK trades has been at the sacrifice of participation in the foreign-to-foreign trades which contribute so much in the way of invisible exports. Foreign tonnage, meanwhile, has been able to seek more remunerative employment in trades from which British ships have been temporarily withdrawn.

The Association expresses doubts about the future earning power of British ships. In the first place, there is the inevitable gap between the cost of replacements at current prices and the money made available by depreciation, plus compensation, based on pre-war building prices. Whether in the long run the earning power of a new ship will cover that gap is questionable, in Liverpool's view. A ship's earnings are necessarily depleted by delays in port, and in this connection ship-repairing delays and costs, a favourite target of Liverpool shipowners, are singled out for special attack. A liner to-day, it is claimed, takes not less than 20 per cent longer on a round voyage than before the war, while dry-dock repairs take twice as long and cost 2½ times as much. This is attributed mainly to "failure to give a full and fair day's work"; but little or no allowance is made in the report for the shortages of materials such as timber, steel and paint, the increase in their cost (as much as tenfold in the case of paint and threefold for timber), the demands of reconditioning and re-conversion work as well as postponed overhauls, and the introduction of the five-day week. Nevertheless, whatever their causes, increased building and operating costs, apart from port delays in all parts of the world, are bound to have an adverse effect on a ship's earning power, and the long-term prospects of shipping earnings do not warrant undue optimism.

* * *

World Tin Conspectus

The first meeting of the Tin Study Group opened in Brussels last Tuesday. The Study Group was set up on the recommendation of the Tin Conference which met in London last October, when representatives of eight major tin-producing and consuming countries attended. Its function is to survey the long-term supply and demand position of tin. As with the recent inaugural meeting of the Wool Study Group, only four days were allotted for the Tin Study Group's first meeting and momentous decisions are

hardly expected to emerge within that time. Output of the major producers in 1946 is unlikely to have reached 60 per cent of the pre-war (1936-39) average. Production in Bolivia, Belgian Congo and Nigeria has increased considerably, but only small quantities are yet available from Malaya and the Netherlands East Indies. Rehabilitation in these two countries has been much slower than was expected, owing mainly to shortages of coal and new equipment. Reports from Singapore suggest that plans are in operation for a large-scale change-over from coal to oil in Malaya for both power stations and dredges. But this measure can bring little improvement for some time. The agreement between Siam, the United States and the United Kingdom, whereby 16,000 tons of tin which accumulated in Siam during the war years were released for export, has been renewed for a further three months, and much of the tin has yet to be shipped. When tin output in the Far East does reach pre-war levels and if capacity in both Africa and South America is maintained at current figures, the question of a restriction scheme may be raised. In some quarters it is held that the world shortage of tin will have largely disappeared by the end of 1947. This is indeed optimistic; unless conditions in the Far East improve at remarkable speed, stringency is likely to last well beyond 1947.

One question which merits examination is that of smelter capacity. The operation of the Texas smelter, which was built during the war and is believed to be capable of producing between 50,000 and 100,000 tons annually, dependent on the grade of ore, is an important factor in the world tin situation, particularly if it is intended to run it permanently in peacetime at an optimum throughput. It has also been reported that Argentina intends to increase its smelting capacity from its present low level of 850 tons of metal a year to 2,600 tons. But Argentina has recently concluded an agreement with Bolivia for the annual purchase of 8,000 tons of tin concentrates for a period of five years. If Argentine smelting capacity is not increased beyond the 2,600 tons level, a large stock of concentrates will have been built up by the end of the contract period. Perhaps Argentina also has in mind the creation of a strategic reserve. The main problem for study, however, is the extent to which smelter output will be conditioned by market forces and how far it will be arbitrarily determined by governmental policy. It is estimated that consumption in the United States would be substantially higher if the American Government's allocation of tin supplies between domestic users were lifted. The American motor industry is reported to be using only 2-3 lb. of tin per vehicle compared with 7 lb. before the war. In the United Kingdom home consumption of tin metal in 1946 was 17 per cent greater than the 1935-38 average.

The deliberations of the Study Group are likely to be formal, and most of its time will be taken up in estimating current and prospective production and consumption and perhaps in devising future procedure. It is known that the Belgian Congo producers are in favour of some form of international regulating scheme, and since there will be insufficient time to discuss this policy question in detail, perhaps it will be delegated to a sub-committee. An issue of this importance, however, cannot be taken very far by a Study Group; it is, after all, a question involving the executive authority of governments—to say nothing of the right of the consumers to obtain a full hearing.

* * *

Bank Advances Analysed

The value of the new classification of bank advances grows steadily as each new quarterly return appears, and the latest statement, relating to February last, has the particular merit that it presents the comparative figures for February, 1946, which were, rather inexplicably, suppressed when the first return appeared last November. For the first time, therefore, it is possible to trace the post-war movement of bank advances in detail without the considerable distortion produced by seasonal influences. In view of the extent to which industry accumulated liquid reserves during the war, and of the fact that its borrowings since the war must have been strongly influenced by Governmental disbursements such as EPT refunds as well as the re-opening of the new capital market for essential purposes, the bank advances' figures might not have been expected to afford a very reliable index to the underlying course of business. But, in fact, the pattern which emerges from a comparison over the past twelve months conforms quite closely to that presented by the *Economic Survey* and the industrial scene as a whole.

It is questionable whether the acute phase of the fuel crisis had as marked an effect upon bank advances as had been expected, but in any case the February return was completed before this influence could have made itself felt. The figures—given with full comparisons in the *Records and Statistics* supplement this

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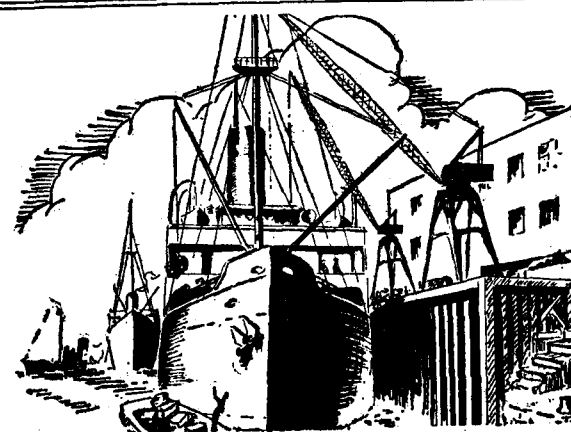
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week—yet reflect the difficulties produced by shortage of fuel and labour at the points of worst bottle-neck; thus, apart from entertainment, the only groups to show a net reduction in borrowings over the year are cotton, which has declined from £7.1 million to £4.8 million; coalmining, down from £8.9 million to £8.5 million; and iron and steel, down from £15.4 million to £14.6 million. On the other hand, the biggest relative growth during the year is shown by public utilities, up from £7.3 million to £13.5 million, and transport and communications, up from £9.6 million to £13.0 million—both of which movements suggest the resumption of re-equipment work. The large proportional increase in wool (from £4.3 million to £9.5 million) reflects an increase in privately-held stocks and advancing prices.

In the total increase in advances during the year, by £178.7 million to £1,027 million, the largest single element was naturally the expansion of the personal and professional group, which has risen by £55.7 million and accounts for 28.7 per cent of the total. Excluding this group, the largest increases have occurred in retail trade, one evident effect of the bigger flow of consumers' goods; "other" financial (i.e., excluding stockbrokers in their professional capacity); agriculture and fishing; and builders and contractors. These four groups, with a further £15 million for "unclassifiable" industry and trade, account for £73 million of the year's growth. Other important groups, though still rising, have in general absorbed a smaller share of the total. Thus the engineering group, which has expanded from £66.6 million to £72.7 million, now represents 7.1 per cent of the total compared with 7.8 per cent twelve months ago. Even so, it has apparently a larger share than before the war, which probably reflects the slower rate of turnover of working capital owing to the dislocations caused by shortages of materials and components. Similarly, the food, drink and tobacco group has expanded by £7 million, but the proportion has dropped from 6.8 per cent to 6.3 per cent. Advances to local government authorities are virtually unchanged over the year, though somewhat higher on the quarter, but the proportion has dropped from 9.3 per cent twelve months ago to 7.7 per cent.

* * *

Savings Statistics Rationalised

The National Savings Committee has started the new financial year with a reform of its weekly series of statistics which is none the less welcome for being so long delayed. Throughout the wartime campaign, as is well known, the Committee regularly published only gross figures (except, necessarily, for savings bank deposits), despite the fact that since about 1944 encashments of savings certificates and bonds have risen steeply, with the result that the gross figures became almost meaningless. The new form of return, which shows gross receipts and repayments separately under each of the three headings, meets all—or nearly all—the recent criticisms. It is worth noting that the new table itself still does not measure the exact net cash contribution from small savers because it excludes the interest portion of the amounts paid out on encashment of savings certificates. The interest disbursement is, however, shown as a footnote. Similarly, the repayments column—which would be better described as "encashments"—excludes redemptions of securities at maturity. Interest accrued on the outstanding total of savings certificates and deposits is separately noted and is not included in the week's gross savings. As formerly, the weekly figures will exclude credits to, and withdrawals from, Service Release Benefit accounts. It would be a valuable improvement of this more realistic statement if comparative figures could be given for the previous year; and a marginal note of the Benefit Accounts would also be appreciated by many statisticians.

The return for the first week, to April 12th, is reproduced in its official form below, from which it will be seen that net savings totalled £14,071,000. To this total, gross sales of new savings certificates contributed £13½ million, a relatively high figure, which suggests that the raising of the limit above the amount for each individual holding, which took effect when the rate of interest was reduced at the beginning of the month, has already produced the expected response from "large" savers. The net cash received during the week, allowing for the interest portion of savings certificates repayments, was £13,791,000.

	Receipts	Repayments
Savings Certificates.....	£13,250,000	£1,400,000
Reference Bonds.....	2,000,000	601,000
Post Office and Trustee Savings Banks.....	16,738,000	15,916,000
	31,988,000	17,917,000

The Committee has found it impracticable to change the established practice of fixing gross targets for the purpose of its local campaigns, but the national target for the current year will be a net figure, of £366 million—a million a day in leap year—as Mr Dalton disclosed on Tuesday, and thus has been framed after an estimated allowance for withdrawals. This is indeed a welcome step towards realism. It is to be hoped that the additional publicity which will now be given to encashments can be turned by suitable propaganda into an incentive for additional saving, instead of being, as the Committee apparently feared in the past, a source of discouragement to local workers. But the new target, which excludes the interest portion of savings certificate encashments, as well as specific redemptions of Defence Bonds of maturity, is £35 million above the comparable figure for 1946-47, and will be very hard to attain except by adventitious aids of the kind so widely sought in the past year.

* * *

Reduced Steel Output

Figures issued this week by the British Iron and Steel Federation show a fall in the average weekly production of pig iron and steel ingots and castings in March for the second month in succession. Average weekly output of pig iron was 123,100 tons, compared with 126,200 tons in February and 147,300 tons in March, 1946. Compared with a year ago, the annual rate of production was reduced from 7,660,000 to 6,400,000 tons, a decline of over 16 per cent. Steel ingots and castings production in March was reduced to an annual rate of 10,190,000 tons, compared with 13,295,000 tons in March, 1946. Weekly average production at 196,000 tons compared with 206,300 tons in February and 255,700 tons in March, 1946.

These results reflect the full rigours of the fuel crisis early in March. Heavy calls were made on pig iron stocks last year, and these would have to be made good if steel output is to be brought into better balance. Oil firing at steel furnaces has already shown its advantages, for without its assistance the steel output figures would have suffered even more than they did in the fuel crisis. The figures certainly suggest that since the industry was receiving on paper in March 75 per cent of its November fuel allocation and could produce only at the annual rate of 10,190,000 tons, there is little hope of regaining the 1946 level of production in the remainder of this year unless the coal allocation is increased well beyond 75 per cent. In addition, supplies of refractory bricks for furnace linings are running short. The hope expressed in the *Economic Survey* that "output for the year will not be far below the 1946 level" seems doomed to disappointment.

* * *

Cotton Amalgamation Moves

A date has at last been fixed after which Government approval may be formally given to amalgamation schemes in the Lancashire spinning industry. From May 1st, five months after the announcement of the "Cripps offer" to assist in re-equipment of the mills, amalgamation schemes may be submitted for official approval to qualify for the grant of 25 per cent of the cost of re-equipment. It is understood that both the master spinners and the operatives have accepted a formula produced by Sir Stafford Cripps which meets their reservations to the re-equipment scheme, and the Master Spinners' Federation has expressed its willingness to assist the Cotton Board in carrying out amalgamation schemes. One or two new mill groupings have been reported this week, and these, together with the large spinning combines which already qualify for assistance under the scheme since they own over 500,000 spindles, will be eligible for the grant.

Some time ago the Master Spinners' Federation suggested to the Board of Trade that where, on amalgamation, machinery and plant may be sold for more than its written down value, the proceeds should be free of tax. The Chancellor went half way to meet this proposal on Tuesday when he intimated that only half the standard rate of income tax would be levied on such transactions—a concession which would cost £2½ million over a period of three years. One more inducement has thus been added to what is freely admitted in Lancashire to be a generous offer. The stage has now been set for the industry to show that it intends to take serious advantage of the scheme.

* * *

Raw Materials for Paints

The paint industry is suffering from the lack of raw materials. Some materials can be partially replaced by substitutes, but production can still be held up through the shortage of a vital

though quantitatively small constituent. Until quite recently, linseed oil has always been considered an essential component for paint, but persistent research has developed a material, styrene co-polymer, which can be substituted for linseed oil to the extent of 50 per cent and gives it a greater retention of gloss and quicker drying properties. This material is being developed as a new ingredient and not merely as a temporary substitute for linseed oil. At the moment, however, styrene has to be imported from America, but it is hoped that production will start in this country next year.

Linseed oil is not the only scarce constituent. Glycerine, which is used as a medium in paint, has as yet no satisfactory synthetic substitute, although work is progressing on the development of a material obtained from soya beans. In 1946, 6,000 tons of glycerine were exported from the United Kingdom compared with 2,300 tons in 1945 and 5,300 tons in 1938. Moreover, only negligible quantities have been imported in the last two years, whereas the pre-war quantity amounted to over 2,000 tons. Synthetic resins are another paint material with a large export, totalling nearly 13,000 tons last year against 3,700 tons in 1945 and 2,700 tons in 1938. Titanium is rapidly replacing lead in paint manufacture. Imports of the ores, which come mainly from Norway and India, totalled 38,000 tons last year, more than double the pre-war quantity. These materials do not exhaust the list, but they illustrate the current position of shortage. Paint is not merely a decorative medium; it is also a preservative. Property in Britain has suffered and is still suffering serious deterioration through the lack of paint. The restriction on the amount used on new houses, affords only short-term relief, as either re-painting will be necessary within eighteen months or the structures must be allowed to deteriorate. If the export of paint materials is necessary on the recent scale to achieve the industry's export target, their cost should include not merely the labour and materials involved, but also the capital cost for deterioration of unpainted property in Britain. And is there not a good case for exporting the finished product rather than the raw materials?

* * *

Petroleum Equipment Exports

Several missions have recently published reports on the prospects for British sales to export markets. The report of the technical mission to the Caribbean, organised by certain members of the Council of British Manufacturers of Petroleum Equipment, is a valuable addition to the series. Apart from its shrewd observations on certain technical problems in supplying petroleum equipment, the report is of wider interest for its emphasis on the need for manufacturers to study overseas customers' requirements.

The Caribbean mission found widespread approval for the quality of British craftsmanship, though criticisms were voiced to the mission on the over-elaborate design of some equipment and tardiness in delivery. Two important gaps in British exporters' contacts with overseas markets were discovered. The first was the failure of manufacturers to maintain permanent technical representation in the area; the second, following from the first, was a certain failure to appreciate the conditions under which equipment has to be transported and assembled and operated in tropical areas. To meet competition from American firms a combination of local technical representatives, attractive sales catalogues and an efficient equipment maintenance service were found to be essential if customers are to be attracted and retained. In this connection, the report of the mission emphasises the need for standardisation, not only among British firms but also to enable British companies

to compete for replacement and renewals orders from firms which have installed American equipment. The primitive state of the transport system in some areas and the fact that much equipment has to be installed and operated by semi-skilled labour are further arguments for simplicity of design and mechanism, robustness of structure, detailed attention to the stamping of small parts and careful instructions about assembly and operation.

The mission's report does not break new ground in export policy. But it underlines certain points for the attention of manufacturers which still call for emphasis. Exports of capital equipment do not "sell themselves"; they need imaginative handling and a keen insight into the problems of the overseas buyer. Such exports in 1947 and after will have to be the spearhead of the export drive.

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America's Demand for Copper

Reports from the United States indicate that the Senate Finance Committee has reported favourably on a Bill suspending certain import taxes on copper, but with an amendment excluding from suspension the tax on all forms of copper sulphate. Although no definite action has yet been taken so far as is known, American industry remains highly optimistic that the 4 cents a lb. duty on copper metal will in fact be lifted. Indeed, it has been reported that American purchasers are placing orders for foreign copper for forward delivery on the basis of slightly less than 23 cents a lb. New York for electrolytic types, approximately equivalent to £127 a ton.

The removal of the US import duty, however, has wider implications falling beyond the American market. Although less scarce than some other base metals—notably lead—copper is nevertheless in short supply. Increased American demand for foreign supplies will certainly tend to increase world prices because American buyers are able and willing to pay, and because their dollars are in great demand. The influence on Britain, however, will be restricted partly by long-term British contracts for domestic supplies or because Britain is the natural market for "sterling" copper. Thus it is unlikely that any large quantities from Rhodesia will find their way directly across the Atlantic, while 75 per cent of the Canadian exportable surplus for the current year has already been purchased by the United Kingdom. This leaves America four possible sources of supply: Chile, the Belgian Congo, Mexico and Peru. Most of the Congo output is naturally earmarked for Belgium, but it may be willing to sell part of it in return for dollars, just as it has been willing to sell for sterling. Chilean production in 1946 amounted to 352,000 tons, and in the current year it is expected to reach about 400,000 tons. Moreover, it is possible that 75,000-100,000 tons will be obtained from Mexico and Peru. Since current American consumption is estimated at over 1 million tons and prospective domestic production at 600,000 tons, it would seem that the US copper account for the current year can be balanced, but not very comfortably.

Even if the majority of British supplies are secured for 1947, contract prices are not firmly fixed, but tend to move in sympathy with the "world" price. Current indications suggest that this price is more likely to move upwards than downwards. The crucial factor in the equation is the continuance of a high level of industrial activity in the United States this year. If this is maintained, the world shortage of copper and other essential materials will be even more marked in 1948.



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Shortage of Containers

One legacy of the fuel crisis has been the growing shortage of containers and wrappers of all kinds, and especially of fibre-board casings. Even before the crisis, manufacturers had been forced to reduce their output to well below normal, a state of affairs indicated early in the year by the acute shortage of kraft paper bags for the cement industry. For some time before February, packers had been almost entirely dependent on current deliveries. Supplies of cartons, paper bags and wrappers were in a poor position, owing to the general wood pulp shortage for all types of paper and cardboard production.

When the fuel crisis came some of the largest users of containers, such as the food manufacturers and distributors, were allowed to carry on without power cuts. But while food production was maintained, food container production was treated as a non-priority industry, and thus deliveries to the foodstuffs and other key industries were further reduced. Electric power has been restored for several weeks, but the limitation of coal allocations to 50 per cent of the November level will prevent packing-case producers from catching up with food production although supplies of pulp and other raw materials are sufficient to increase the output of cases beyond the current rates. Other priority users of packing-cases, such as cigarette manufacturers, producers of medical stores and War Office contractors will also be affected by the shortage.

Since essential foods and supplies must be delivered, materials must be available for packing them. Timber, which is in shorter supply than almost any other material, would have been a possible substitute. But since no relief can be expected from that source, the only solution is to release sufficient coal to enable container manufacturers to meet at least the minimum demands of a schedule of the priority classes—though this is in all conscience far below the output which is required for essential trade. The danger seems to be that the inevitable decision will be delayed long enough to exacerbate the present distribution problem out of all proportion to the saving in coal.

* * *

Retail Sales in 1946

The main feature of retail sales in 1946 was the higher turnover and larger stocks in the shops compared with 1945. A selection of the Bank of England retail sales figures for these two years is given in this week's *Records and Statistics* supplement, but an indication of the increased supplies handled by retailers can be obtained from the indices of sales per selling day given in the next column. Over the year, sales increased by about 18 per cent. The increased turnover in food and perishables was much less spectacular than in other categories. An advance of 12 per cent on the year was dwarfed by the 75 per cent jump in furnishings and 60 per cent in hardware sales.

INDICES OF SALES PER SELLING DAY
(Average Daily Sales in 1942=100)

	1941	1945	1946
Household piece goods	79	86	115
Dress materials	119	125	140
Women's wear	104	117	140
Men's and Boys' wear	102	110	131
Hats and shoes	95	95	111
Furnishings	82	112	196
Hardware	94	125	200

For the year as a whole, daily sales increases ranged from 13 to 17 per cent. The two London areas showed larger advances in turnover, but the divergence between London and the provinces was less marked than in 1945. The continued flow of population back to London in 1946, however, was still sufficient to give the department stores group a larger increase in turnover (30.3 per cent up on the trading year 1945-46) compared with the co-operative societies and multiple shops, which recorded increases of 12.3 and 17.3 per cent respectively. Over the twelve months, stocks of non-food merchandise rose by about the same percentage as sales.

SALES PER SELLING DAY IN 1946-7 COMPARED WITH 1945-6:

(By Areas)§

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Scotland	+ 6.2	+17.1	+17.4	+18.9
North East	+ 7.6	+16.6	+16.7	+17.3
North West	+ 7.5	+18.7	+19.0	+17.8
Midlands and South Wales	+ 5.0	+15.2	+15.1	+18.1
South of England	+ 9.6	+19.6	+19.9	+19.8
London (Central and West End)	+32.1	+41.4	+34.1	+31.0
London (Suburban)	+18.4	+24.1	+17.7	+18.9
Unallocated	+ 7.8	+19.8	+21.4	+21.9

§ Trade years February to January in each case.

Changes are to come into operation in the presentation of the Bank of England retail statistics which will go some way to meet criticisms of the old figures. Sales per selling week will be given instead of sales per selling day, a change which will obviate the rather wide and misleading movements in sales per selling day in months which cover public holidays. It is also hoped to increase the size of the sample and there are important improvements in the classifications of both foodstuffs and other merchandise. These changes, which will incidentally make the figures more strictly comparable with the Board of Trade's returns from independent retailers, will be welcomed by those in the retail trade who use the figures and by the statistician. The statistical value of these new and more ambitious classifications, however, will be dependent on enlarging the size of the sample in many cases.

(Continued on page 603)

COMPANY MEETINGS

GENERAL REFRACTORIES, LIMITED

RECORD RESULTS

The forty-seventh annual general meeting of General Refractories, Limited, was held on the 14th instant, at Sheffield.

Sir Ronald W. Matthews, the chairman, said that last year he had given a comprehensive account of the activities of the company and its many subsidiaries at home and abroad and had informed shareholders of the heavy demand for the company's products in the home market and of the highly satisfactory expansion in their business from all parts of the world.

The problems which had confronted the management in their efforts to take full advantage of that favourable position had not arisen from any terminal difficulties on the change-over from war to peace-time production as they were manufacturing exactly the same classes of goods. The main difficulty was the shortage of skilled and unskilled labour at those works which produced the goods in greatest demand, such as silica and basic bricks for the steel industry and silica bricks for the carbonising industry. It was obvious to the board from the experience of the early periods of 1946 that shortage of man power was likely to persist and in consequence it had been decided to carry out further schemes of mechanisation at the works concerned in order to overcome that "bottleneck." He was pleased to inform them that as the year progressed and the various schemes came into operation output had steadily increased and the results for the year for all works of the group were highly satisfactory.

IMPORTANCE OF RESEARCH

They were building a new laboratory at their Worksop works which, when com-

pleted and equipped, would be second to none in the industry. The work of the research and technical departments was of great significance, enabling the company to offer to the many industries which they served not only a constantly increasing range of new and improved products but also a highly developed technical service to ensure that from those products the best possible results were obtained. There was no doubt that the day of using rule-of-thumb methods in ordering refractories had gone for good and it was essential that all users should avail themselves of the great store of technical knowledge possessed by the industry.

The total turnover of the group for 1946 was a record for the group as consolidated in 1939, both in home sales and export business. All departments and subsidiaries had played their part in that very satisfactory achievement. As the largest producers of refractories in the country, the company rendered a vital service to the major industries of the country and, although the general public still only had a vague idea of what refractories were, it was no exaggeration to say that without refractory materials the steel, gas, chemical and cement industries would find it impossible to carry on their business. It would therefore be appreciated that it was essential, if success was to attend the far-reaching schemes of reconstruction and expansion in those industries, that no obstacles should be placed in the way of refractories manufacturers in maintaining production at the highest possible level.

The trading profit of the group for 1946 amounted to £283,723, a record in their history. The directors recommended a dividend of 10 per cent, less tax. The company was in a sound financial position and every opportunity was being taken to modernise and develop their productive capacity. The reputation of their various products stood higher than ever.

The report was adopted.

CAMP BIRD, LIMITED

SATISFACTORY YEAR

The forty-fifth annual general meeting of Camp Bird, Limited, was held, on the 17th instant, in London, Mr F. W. Baker, the chairman, presiding.

The following is an extract from his circulated statement:

The profit and loss account for the year to December 31, 1946, shows that dividends and sundry revenue received at £36,127 were £12,389 higher than in the previous year and that profit on realisation of investments increased by £57,899 to £152,334. The profit earned by the Camp Bird mine was also considerably higher at £11,020, compared with £1,923. The net profit earned, namely, £186,428, was £74,884 higher than for 1945.

Your directors recommend the payment of a dividend of 10 per cent, less tax at 9s. in the pound, which will absorb net £59,782 and leave £32,635 to be carried forward to the current year, compared with £15,304 brought in. The break-up value of the company's shares at December 31st last was 19s. a share, which compares with 17s. 3d. a year ago. The Camp Bird mine and other of our dollar interests, in particular the Fresnillo Company, not only help to swell the company's revenue, but in a small way add to our country's dollar resources.

Since the year-end an interest has been acquired in Motapa Gold Mining Company, Limited, a company formed in Southern Rhodesia under the aegis of the Gold Fields Rhodesian Development Company, Limited, to work the B. & S. and Fossicker properties situated at Bubi, north of Bulawayo.

Your company is in a sound liquid position and is able to take advantage of any promising opportunities which may present themselves.

The report was adopted.

Shorter Notes

Since last Monday, the new Stock Exchange Daily Official List has been published. This combines the old Daily List of Officially Quoted Securities and the Daily Supplementary List of Securities Not Officially Quoted. Under the new conditions, a quotation is granted at the same time as permission to deal. This ends a practice which marked an interesting tradition but had become increasingly irrelevant to present-day market conditions. New companies will appear in italics until they have been able to make certain statutory declarations necessary under the Companies' Acts. Some relatively inactive stocks will continue to appear in the Monthly Supplement. The layout of the new list has been changed to show information about recent dividends.

The Vauxhall Motors report for 1946, which is dealt with among the Company Notes in this week's *Records and Statistics* Supplement, is noteworthy for the clarity in the presentation of the accounts and the informative content and the broad approach to shareholders and workpeople alike, of the directors' report. The latter includes an analysis of the year's total income into the shares attributable to the different factors of production. Only 0.9 per cent of income went to shareholders, while materials and services took 68.9 per cent and wages and salaries 20.4 per cent. A cautious optimism on output estimates for 1947, the success of the 5-day week and the value of good relations with the workers are among the features of the directors' statement.

The Brussels trade talks between British, Belgian and Luxembourg representatives ended last week. The delegations agreed upon measures to increase exports to the United Kingdom, and discussed the question of imports from Britain and foreign exchange problems. British iron and steel imports from Belgium declined from 219,890 tons in 1938 to 48,581 tons in 1946, and flax imports from 19,611 tons to 9,496 tons. It is hoped that the imports of steel will total 92,000 tons in the twelve months to

March 31, 1948; that flax imports will exceed the 1938 total in 1947, and that other goods, including foodstuffs, will be increased.

It has been reported from the Netherlands East Indies that Java is unlikely to export large quantities of tea at least before 1948. Only four of the 350 tea producing estates and factories in Java and Sumatra are at present working under Dutch control. Many others are, however, operating under the administration of the Indonesian Republic, but no information is available about production or stocks for export.

The 20 per cent war-time discount on private car and cycle policy premiums in the United Kingdom and Northern Ireland will be discontinued from July 1, 1947, in cases of new insurances and renewals. This decision has been necessary owing to the increased volume of traffic and road accidents.

The output of main copper and copper alloy products in the United Kingdom amounted to 29,395 tons in February, the copper content of which was 23,047 tons. This compares with the January output of 64,700 tons having a copper content 50,600 tons. Consumption of virgin copper, which totalled some 33,500 tons in January, declined to 13,000 tons in February, while the use of copper and alloy scrap fell in the same period from 17,200 tons to 10,100 tons.

The Rand gold output for March was 815,157 ounces against 572,720 ounces in February, when dislocation due to the unofficial white labour strike was at its height.

Two new working parties have been set up by the Board of Trade. The first will inquire into the Light Clothing industry and the second into the Rubber Proofed Garment industry.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports also appear in the Supplement: Vauxhall; International Nickel; Canadian Pacific; Associated Electric.

Prices, Jan. 1-Apr. 16, 1947		Name of Security	Price, Apr. 9, 1947	Price, Apr. 16, 1947	Net Yield,* Apr. 16, 1947	Gross Yield,* Apr. 16, 1947	Prices, Jan 1-April 16, 1947		Last Two Dividends	Name of Security	Price, April 9, 1947	Price, April 16, 1947	Yield, April 16, 1947	
High	Low						High	Low						(a) (b) (c)
Other Securities														
103 1/2	101 1/2	Conversion 3 1/2% March 1, 1948-53	101 1/2	101 1/2	£ s. d.	£ s. d.	113 1/2	106 1/2	(d)	Australia 3 1/2% 1965-69	109	109	£ s. d.	
103 1/2	101 1/2	War Bonds 2 1/2% August 1, 1949-51	102 1/2	102 1/2	0 6 3	1 11 3	105 1/2	99 1/2	(d)	Birmingham 2 1/2% 1966-71	100	100	2 10 0	
102 1/2	100 1/2	Exchequer Bonds 1 1/2% Feb. 15, 1950-51	101	101	0 11 2	1 7 10	102 1/2	100 1/2	(d)	Argentine 3 1/2% 1972	101 1/2	101 1/2	3 8 0	
105	101 1/2	War Bonds 2 1/2% March 1, 1951-53	103 1/2	103 1/2	0 11 6	1 14 3	137 1/2	122 1/2	40 c	Anglo-American Corp. 10s.	132 1/2	133 1/2	3 14 6	
105 1/2	101 1/2	War Bonds 2 1/2% March 1, 1952-54	102 1/2	102 1/2	0 15 11	1 18 8	42 1/2	37 1/2	25 c	Anglo-Iranian Oil (1)	142 1/2	145 1/2	2 15 6	
106	103	Funding 2 1/2% June 15, 1952-57	104 1/2	104 1/2	0 13 6	1 19 4	96 1/4	79 1/2	7 a	Assoc. Port. Cem. Ord. Stk. (1)	64 1/2	67 1/2	2 19 9	
108 1/2	103 1/2	National Def. 3% July 15, 1954-58	105 1/2	105 1/2	0 16 5	2 3 7	243 1/2	197 1/2	15 a	Austin Motor A Ord. Stk. 5s.	37 1/2	37 1/2	5 6 8	
109 1/2	103 1/2	War Loan 3% Oct. 15, 1955-59	105 1/2	105 1/2	0 17 9	2 3 10	105 1/2	88 1/2	12 c	Barclays Bank Ord. "B" (1)	86 1/2	87 1/2	3 4 0	
108 1/2	99 1/2	Savings Bonds 3% Aug. 15, 1955-59	105 1/2	105 1/2	0 18 1	2 4 10	29 1/2	24 1/2	8 a	Base Refractory Ord. (1)	205 1/2	215 1/2	2 6 6 1/2	
105 1/2	99 1/2	Funding 2 1/2% April 15, 1956-61	102 1/2	102 1/2	0 15 3	2 7 10	58 1/2	50 1/2	2 1/2 a	British Oxygen Ord. (1)	98 1/2	100 1/2	4 0 0	
109 1/2	102 1/2	Funding 3% April 15, 1959-63	105 1/2	105 1/2	0 1 9	2 7 10	77 1/4	68 1/2	8 c	Courtaulds Ord. (1)	51 1/2	55 1/2	2 14 6	
122 1/2	115 1/2	Funding 4% May 1, 1960-90	116 1/2	117 1/2	0 15 11	2 8 8	47 1/2	41 3/4	3 a	Dunlop Rubber Ord. (1)	71 1/2	72 1/2	5 14 0	
110 1/2	103 1/2	Savings Bonds 3% Sept. 1, 1960-70	105 1/2	105 1/2	0 2 11	2 9 4	49 1/2	40 1/2	7 1/2 c	Imp. Chem. Ind. Ord. Stk. (1)	47 1/2	47 1/2	3 4 3	
104 1/2	99 1/2	Savings Bonds 2 1/2% May 1, 1964-67	100 1/2	101 1/2	0 5 3	2 7 5	55 1/2	47 1/2	10 c	Lancs. Cotton Ord. Stk. (1)	44 1/4	45 1/4	4 7 9	
123 1/2	115 1/2	Victory Bonds 4% Sept. 1, 1920-76 1/2	118 1/2	119 1/2	0 19 3	2 11 4	77 1/2	62 1/2	10 c	Lever and Unilever Ord. (1)	53 1/2	52 1/2	1 18 0	
111 1/2	104 1/2	Savings Bonds 3% 1965-75	106 1/2	107 1/2	0 13 10	2 10 0	84 1/2	78 1/2	(d)	London Brick Ord. Stk. (1)	66 1/2	67 1/2	3 14 0	
108 1/2	104 1/2	War Loan 3 1/2% (after Dec. 1, 1952)	106 1/2	107 1/2	0 15 3	2 7 10	36 1/2	34 1/2	2 1/2 a	L.M.S. 4% 1st Pref. Stk.	80 1/2	80 1/2	4 19 5	
117 1/2	110 1/2	Consols 4% (after Feb. 1, 1957)	113 1/2	114 1/2	0 1 5	2 11 3	63 1/4	47 1/2	12 1/2 b	N.-Eastn. Elec. Ord. Stk. (1)	35 1/2	35 1/2	4 0 0	
115 1/2	107 1/2	Conversion 3 1/2% (after Apr. 1, 1961)	113 1/2	114 1/2	0 15 3	2 7 10	39	35	169 1/2	P'chia J'anson Ord. Stk. 10s	58 1/2	58 1/2	5 0 0	
100 1/2	93 1/2	Treasury Stock 2 1/2% (after 1975)	95 1/2	96 1/2	1 8 6	2 11 9	107 1/2	93 1/4	12 1/2 c	Prudential "A" (1)	37 1/2	37 1/2	1 19 9 1/2	
110 1/2	102 1/2	Treasury Stock 3% (after 1965)	105 1/2	106 1/2	1 5 4	2 11 5	107 1/2	93 1/4	13 1/2 b	"Shell" Transp. Ord. Stk. (1)	59 1/2	60 1/2	4 2 6	
117 1/2	107 1/2	Redemption Stock 3% (1986-96)	111 1/2	111 1/2	1 5 6	2 10 8	147 1/4	118 1/2	10 a	Tube Invest. Ord. Stk. (1)	102 1/2	102 1/2	1 4 0 1/2	
99 1/2	92 1/2	Consols 2 1/2% 1950-53	94 1/2	95 1/2	1 8 9	2 12 4	96 3/4	81 1/2	3 1/2 a	Turner & Newall Ord. Stk. (1)	85 1/2	86 1/2	2 18 3	
							107 1/2	93 1/4	15 a	Woolworth (F. W.) Ord. 5s.	98 1/2	100 1/2	3 10 0	

* To earliest redemption, except § flat yield and † assumed average life 17 years 6 months. Net yields after allowing for tax at 9s. in £.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. † Free of Tax

HONGKONG AND SHANGHAI BANKING CORPORATION

PROGRESS IN THE COLONY

MR A. MORSE'S SURVEY

The ordinary general meeting of shareholders of this Bank was held, on the 28th ultimo, in Hong Kong.

The chairman, the Honourable Mr A. Morse, C.B.E., in the course of his speech said: Gentlemen,—I want to start my speech to-day with a word of sympathy for our people at home in Great Britain. It is indeed hard that after their toil and privations during the war the promising early progress achieved by strenuous efforts in 1946 should be retarded first by adverse conditions which marred the harvest and then by one of the severest winters within living memory. I feel confident, however, that the setback is but temporary and that with the vigorous measures now being adopted and the traditional courage, grit and energy of the British people, the wheels of industry will soon again be revolving with full vigour, with a consequent increasing flow of exports overseas.

The balance-sheet submitted to you this year is on the same lines as before the outbreak of the war with Japan, and I am sure it is a source of satisfaction to you as it is to me that once again we are in a position to produce what may be termed a clean statement of account.

The profit arising from current transactions during the year, after making certain transfers to provisions for contingencies, amounts to H.K.\$9,602,703. I would remind you that last year I stated in effect that until such time as our war losses could be ascertained with reasonable accuracy, no dividend would be paid. I am glad to say that your directors feel that the present position justifies a payment to shareholders, and it is proposed to pay a dividend of £3 per share, which at 1s. 2½d. amounts to H.K.\$7,760,842 and leaves the sum of H.K.\$1,841,861 to be carried forward to next year.

You will be interested to know that we now have 39 offices, including agencies, in operation, while we have recovered possession of two more which have not yet been opened. Seven pre-war offices are still closed. I must confess that it is difficult to understand why we should still, 18 months after the end of hostilities, be refused facilities even to send our men to Japan to try to clear up our books or to take possession of our properties. My feeling is that the importance of this matter is much under-estimated by British official circles both in Tokyo and London.

EXCELLENT TRADE RETURNS

As in past years has been the custom, I will now say a few words about conditions in the areas where we operate. In Hong Kong we can, I think, be well satisfied with the progress made in 1946 as shown in the excellent trade returns, which aggregated close upon H.K.\$1,700 million, namely \$933½ million of imports and \$765½ million of exports. In terms of volume, however, foreign trade is still well below the pre-war mark.

Our relations with China remain of supreme importance, and we have watched with anxiety the trend of developments there during the past year. We welcomed the visit of the governor of the Central Bank of China last December and some very useful discussions then took place. I hope that the exchange of such visits will become a regular practice in the future.

JAPANESE OCCUPATION CURRENCY

At the annual meeting in July last year I said that it was a matter of urgency that His Majesty's Government should take early action to remove the moratorium both in

Hong Kong and Malaya, and to clarify the effects of enemy occupation on the relations between debtors and creditors. It now appears from an announcement made on February 27th in the House of Commons by the Secretary of State for the Colonies that the enactment of legislation is shortly to take place to deal with the value to be accorded to payments in Japanese occupation currency in respect of debts contracted before occupation. This is a serious matter, and, speaking for the bank, I must formally protest against any legislation which would have the effect of adjusting debtor-creditor relationships by the arbitrary validation to any extent of payments made in occupation currency to the so-called liquidators. If I understand the present proposal correctly, it is without justification either in law or in equity in its wider sense. Moreover, the bank has discharged all its obligations to depositors and other creditors, but it has been precluded by the moratorium from collecting the debts owing to it before the war.

PROGRESS IN MALAYA

In Malaya the period of reoccupation has ended and trade and industry are progressing rapidly towards normality, but materials required for the rehabilitation of factories, for the tin-mining industry and for many industrial undertakings are slow in arriving. There is also a shortage of coal and labour troubles have been a serious problem. The rubber industry has recovered steadily. Tin has made less progress, owing to the serious damage to dredges, shortages of fuel and strikes. It looks as if the international control of tin will remain in force until world supplies have increased, but there is a widespread desire for a reversion to an open market with the normal and speedy adjustment of prices to supply and demand. As in Hong Kong, so also in Malaya a settlement of questions affecting debtor-creditor relationships, the moratorium and war damage claims is long overdue.

N. E. I., PHILIPPINES AND INDIA

The political situation in the Netherlands East Indies at present prevents normal trading, but, looking ahead, I am by no means pessimistic about the future prospects of trade in these rich islands.

I must take this opportunity to extend our good wishes to President Roxas and to the Philippine Islands on the establishment of the Republic on July 4, 1946. In spite of many difficulties, the primary products of the islands are recovering and the world demand for Philippines sugar, hemp, coconut and mining output remains vigorous. Our branch in Manila has taken an active part in financing foreign trade in this territory and prospects remain satisfactory.

As regards India, the year 1946 will long be notable on account of the discussions regarding the transfer of political power, which were followed by the establishment of the Interim Government in August. Last month a further momentous announcement was made by the Prime Minister when he stated His Majesty's Government's intention to transfer power into responsible Indian hands not later than June, 1948. Notwithstanding the political uncertainty, Indian trade has been good during 1946 and I am well satisfied with the business done by our offices at Bombay and Calcutta.

Turning to the political situation in China, we must face the fact that in spite of all hopes internal developments during the past year have been a great disappointment.

The report was adopted.

HADFIELDS, LIMITED

OVERFLOWING ORDER BOOK

LORD DUDLEY GORDON'S SPEECH

The 59th ordinary general meeting of Hadfields, Limited, was held, on the 14th instant, at Sheffield.

Lord Dudley G. Gordon, D.S.O. (the chairman), in the course of his speech, said: The directors' report circulated with the balance-sheet and accounts refers to the change-over from armament to commercial products, and the development and modernisation which have been taking place since the last general meeting. Last year I referred to the cessation of production orders for armour-piercing projectiles. Prior to and during the war we were asked to install some Government-owned plant in other sections of our works in order to expand our capacity for further armament work. From the moment that hostilities ceased we have been in touch with the authorities concerned with a view to ascertaining what demands might be made on us in the future.

As regards armour-piercing projectiles, the negotiations have reached an advanced stage, and it is expected that an agreement concerning the maintenance of a nucleus will shortly be concluded. In the case of the Government-owned plant, certain groups have now been removed from our works, but other important sections are still here, and we lack an indication of the Government's policy as regards their future use, which interferes with the completion of the final details of our reorganisation schemes.

MAJOR DEVELOPMENT SCHEMES

The directors' report refers to several major development schemes. The most urgent of these is a modern forging shop in a new position, to be equipped with the latest and most efficient plant. The space so released will provide badly needed extensions for the Millspaugh section of the works. Development in the foundry is well advanced, and certain tests are at present being made which will help to decide the alteration necessary to our steel melting plant. We have also ordered a number of new machine tools, some of them of large size and involving considerable expenditure. Thus we have to contemplate an expenditure of over £1,500,000 spread over the next five years.

We continue to receive a satisfactory volume of orders for our specialities of hardened steel rolls, crushers, equipment for dredgers, tramway trackwork and coal mine equipment. Export trade continues to expand satisfactorily, though in certain directions there are already signs of increased activities by overseas competitors. We are on the point of completing one of the largest orders for dredger spares ever received in the history of the company, whilst other notable orders for dredger parts have been secured, for shipment abroad.

The visits which have already been paid to America will be followed within the next few days by a visit which is to be paid by our deputy-chairman and managing director, Mr Thomas, who will be accompanied by Mr Leetch. This visit will enable Mr Thomas to renew our many valuable contacts in the United States, and also to investigate the possibility of acquiring further manufacturing licences which are under consideration.

THE ACCOUNTS

I draw attention to certain figures in the accounts. In the profit and loss account, the figure of £143,000 for taxation provides for our liability to the date of the balance-sheet and not merely for the fiscal year. We propose to provide in future for the full period. It is specially to be noted that there is no provision for E.P.T. This is due to the fact that though profits in excess of the pre-war standard were earned in the early period of the tax, deficiencies in later years extinguished this liability and we became liable instead to

National Defence Contribution and later on profits tax. Having made no excess profits, we have no claim to the return of 20 per cent. for the period when the tax stood at 100 per cent., and no fund is available from this source to contribute towards our reconstruction expenditure.

The net profit at £158,852 is £47,544 higher than 1945, while the trading profit at £149,053 is £45,710 lower. The balance-sheet shows a surplus of current assets over current liabilities of £1,919,886. This surplus of current assets is based on book values. If market values were taken the surplus would exceed £2,000,000. The reduction in Government securities represents the repayment of debentures. The figure of £140,839 under advances to subsidiaries represents the major part of our investment in Millspaugh, Limited.

The dislocation caused by the coal crisis and the severe weather resulted in a loss of steel production of 10,000 tons. The bulk of our production is special steels which pass on for further fabrication within our works, so this loss is more serious than if we were suppliers of bulk steel. By careful attention to fuel economy and maintenance of the efficiency of plant we hope to make good the greater part of this loss.

MANAGING DIRECTOR'S VIEWS

Mr J. B. Thomas, F.C.A. (Deputy-Chairman and Managing Director), in the course of his remarks, said: The accounts show an increase of profit of £47,544 over 1945, which, however, includes the sum of £224,367 in respect of a claim against the prices fund of the British Iron and Steel Federation for 1945, which after allowing for taxation leaves £112,183. Charged against the profits of 1946 is the sum of £40,205 for the balance of A.R.P. expenditure, most of which would have been recovered if the company had been liable to E.P.T. over the whole period of the tax. After allowing for these items, the profit for 1946 is therefore £86,874 as against £111,308 for 1945.

The following information gives some interesting details of the 1946 results:—

Dividend.—It is again suggested that to calculate the dividend of 17½ per cent. on the issued ordinary stock is misleading. If the capital employed in the business belonging to the ordinary stockholders be taken, then the figure of 17½ per cent. comes down to 5½ per cent., both of course less tax. It must not be forgotten that a considerable portion of our reserves is represented by capital profits, which had nothing to do with our trading.

STEEL BARONS

"Steel Barons."—This and similar terms have been used against the iron and steel industry. The holders in our company are: 66 per cent. with £100 or less, 95½ per cent. with £500 or less, and 98.2 per cent. with £1,000 or less, with an average holding of £124. The balance of 1.8 per cent. is owned by trustees and investment companies. What applies in our case applies to similar companies. Where then are these "Steel Barons"?

General.—This country is facing what is probably one of the greatest crises in its history, which, if not surmounted, will inevitably result in financial chaos from which will ensue wholesale unemployment. A country like our own, which depends for its very existence upon its export trade, cannot maintain its present high level of wages, together with improved social services, against the competition from other countries whose peoples have lesser benefits than our own, unless we produce far more than we are doing to-day. The remedy is in the hands of each one of us, and a nation whose people withstood the perils of the last war can undoubtedly overcome the dangers that lie ahead of us, providing we all work with the same will as we did in 1940 and 1941.

The report was adopted.

UNITED KINGDOM PROVIDENT INSTITUTION

LOSS ON NATIONALISATION

SIR ERNEST BENN'S STATEMENT

The annual general meeting of the United Kingdom Temperance and General Provident Institution will be held on the 23rd instant, at the head office, 33, Gracechurch Street, London, E.C.

The following is extracted from the statement by the chairman, Sir Ernest J. P. Benn, Bt., circulated with the report and accounts:—

THE DIRECTORATE

Two changes have occurred on the board of directors of the Institution. Failing health has impelled the Earl of Strathmore to relinquish the position he has held throughout the whole of the war.

We welcome a new director, the Hon. T. Money-Coutts, whose election is now submitted for confirmation by the general body of members. With a life-long interest in banking and a wide experience in matters of investment, Mr Money-Coutts strengthens our capacity to face the problems of the future.

THE DEMAND FOR LIFE ASSURANCE

The year 1946, covered by the accounts now presented, was a period of exceptional difficulties, enhanced by the general sense of disappointment at the absence of reliefs expected to come from the ending of the war. Our figures continue, on paper, the story of our uninterrupted progress, and as our obligation is to deliver benefits, when due, in pounds sterling the technical position of the institution is stronger than ever. So far as it is humanly possible to foresee, there is not the slightest chance of any first-class life office failing to honour the letter of its contracts. In our case policies effected only 20 years ago now stand at 40 per cent. above their original face value. In addition to the provision of cover for all those years, a U.K. policy has thus proved to be a gilt-edged investment yielding compound interest at the rate of 4 per cent. per annum. Such results, of themselves, are sufficient to explain the demand by the discriminating public for increasing sums in life assurance policies.

The present-day difficulties in finding investments are also stimulating the market, and it is evident that people prefer to employ expert agencies such as the U.K. Provident to take care of their money. With more than a century of experience, and equipped with highly skilled departments in the management of investments and estates, we should do somewhat better than the individual with small resources.

We cannot, for the time being, offer the prospect of such spectacular bonuses as have been our fortune in the past, but we hope to maintain the lead, as indeed we have done even in the course of the war. Our compound system of bonus, coupled with low premium rates, still provides the best obtainable return.

LOSS ON NATIONALISATION

The institution has yet to experience the full effects of the nationalisation policy now actively engaging the attention of Parliament and the Government. We hold between three and four millions of stocks which have been, or are due to be, compulsorily exchanged into what are called gilt-edged securities. In some cases, as for instance coal, it will take time before the loss of income caused by the exchange can be accurately measured. In others, such as railways, it is possible to make close estimates on the assumption that the schemes now before Parliament reach the final stages

without amendment. With gas and electricity we still await the detailed proposals, but when all these risks are added together the loss of income to be suffered by the institution may well be in the neighbourhood of £100,000 per annum. The nationalisation of further industries would, of course, enlarge the loss: £100,000 is 7½ per cent. of our total income from all our investments, including mortgage interest and rents; if quoted Stock Exchange securities are the basis of the calculation, then 15 per cent. is the nearer measure of loss of income with which we are threatened.

The accumulated funds of the institution amount in round figures to £30,000,000, and the sums assured by our policies total £65,000,000. The interest on our funds, added to our premium income, has therefore to provide rather more than half of the total benefits which our members look to receive as and when their policies qualify for claims. It follows that if interest rates fall, rates of premium must rise. The shallow impression that cheap money is only a matter of concern to the wealthy should be corrected by a wider knowledge of the affairs of provident trusts such as ours. The average value of our policies on maturity is £700 and the average personal share in our total funds is seen to be, at the present cash value, a little over £300. The loss of £100,000 a year interest may be thought to be of minor importance to a great life office whose financial position is impregnable, but if that loss is considered as a new tax of a pound a year upon all those thrifty people who in their careful way have accumulated a capital sum of £300, one of the results of the nationalisation of industry becomes easier to understand.

Cheap money, against which I have always protested, has provided us with very considerable enhancement or inflation of capital values but the calculations on which insurance contracts are based are concerned almost entirely with income. A low rate of premium assumes a high rate of interest and vice-versa; a good bonus is contingent upon a good income earning capacity.

BONUS YEAR

This is the last year of another valuation period, and at the end of it the board will review the financial position of the institution and decide what surplus funds may properly be given to the members as bonus additions to the sums assured by their policies. So far as can be seen at the present time, and should 1947 prove equal to 1945 and 1946, the distribution of a good bonus for the three years 1945-47 is assured. Our mortality experience has again been favourable, and by judicious management of the funds the interest yield has been slightly increased. In accordance with our established practice, new policies completed during 1947 will participate in any bonus that may be declared.

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Our subsidiary, the United Kingdom Fire and Accident Company, is growing both in volume of business and in profits. Full advantage has been taken of the removal of the limitations imposed during the war, and our members are becoming increasingly aware of the benefits of using their own office. The convenience of dealing with all insurance matters at one and the same time is appreciated, and experts in fire and general business have been appointed to all our branches.

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(1945 Accounts)

CRAWLEY DEVELOPMENT CORPORATION

The Development Corporation recently appointed for the establishment of a new town at Crawley invite applications for the under-mentioned posts.

The officers will be responsible heads of departments, and will be expected to work as a team under the direction of the Chief Executive Officer. The task is of a pioneering kind and calls for imagination, initiative, resource and proved organising ability of a high order. Applicants should show themselves possessed of this combination of qualities as well as of a recognised professional status.

Chief Engineer (Ref. H.D.100)

Applicants should be corporate members of the Institution of Civil Engineers and/or the Institute of Municipal and County Engineers, and should have had executive experience of large-scale civil engineering works. The successful applicant will be required to take charge of the civil engineering projects to be carried out on behalf of the Development Corporation.

Chief Architect (Ref. H.D.101)

Applicants should be Fellows or Associates of the Royal Institute of British Architects and should, in addition, have had experience of town planning work. The successful applicant will be required to co-ordinate the design and planning work in connection with the development of the town.

Estate Officer (Ref. H.D.102)

Applicants should be Fellows or Associates of the Royal Institution of Chartered Surveyors or of the Auctioneers and Estate Agents Institute, and should have had experience of the management of large urban estates. The successful applicant will be required to supervise the leasing of land, to manage the Corporation's own property, and to advise on all matters of estate development and on the promotion of industry and commerce.

Legal and Administrative Officer (Ref. H.D.103)

Applicants should be Barristers or admitted Solicitors and should preferably have had experience in a Local Authority or Public Utility Undertaking. The successful applicant will be required to act as Secretary of the Corporation and to take charge of the administration and personnel services as well as of all legal questions.

Chief Finance Officer (Ref. H.D.104)

Applicants should be Chartered or Incorporated Accountants or certified Corporate Accountants and/or hold high municipal or other accounting qualifications, with a wide and varied experience in important financial and commercial affairs. It will be of advantage to have been in some branch of public service. The successful applicant will be required to take charge of all aspects of the Corporation's finances.

Applications, in writing, must quote the appropriate reference given above and should be submitted to the Crawley Development Corporation, 11, Grosvenor Square, London, W.1, by the 24th May, 1947, together with copies of three testimonials. Date of birth should be given, as well as particulars of education, qualifications, appointments in chronological order, present salary and salary now required.

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Printed in Great Britain by ST. CLEMENTS PRESS LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 111 Broadway, New York, 6.—Saturday, April 19, 1947.

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THE CUNARD STEAM-SHIP COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the Seventieth Ordinary General Meeting of THE CUNARD STEAM-SHIP COMPANY LIMITED will be held at Cunard Building, in the City of Liverpool, on Wednesday, the 30th April, 1947, at eleven o'clock a.m.

1. To receive and consider the Statement of Accounts and Balance Sheet to the 31st December, 1946, with the Reports of the Directors and Auditors.
2. To sanction the declaration of final dividend for the year 1946.
3. To elect Directors and Auditors in place of those retiring, but who being eligible offer themselves for re-election.

By Order of the Board.

H. J. FLEWITT, Secretary.

Offices: Cunard Building, Liverpool. 17th April, 1947.

SUDAN GOVERNMENT

Sudan Railways require a Qualified Accountant for service in the Sudan for general accountancy and costing. Candidate should possess a recognised professional accountancy qualification and have a good practical experience with a business firm. Knowledge of modern costing procedure and of punched-card accounting would be advantage. Age 25-35 years.

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NATIONAL FARMERS' UNION requires **ECONOMIST**. Sound knowledge of economics and statistics and ability to write essential. Salary according to qualifications, but not less than £500 per annum. Applications should reach the General Secretary, 45, Bedford Square, W.C.1, not later than 10th May, 1947.

AN important national institution requires the services of a Senior Executive. He should have a first-hand knowledge of industry, administrative and some sales experience, and wide cultural interests. The work is interesting and offers considerable scope. The headquarters are in London, and the salary is on a range of £1,000 to £1,300 with a pension scheme. Particulars should be sent to Box 437.

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The Economist

Established 1843

April 26, 1947

One Shilling

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VOL. CLII NO. 5409

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316
ANNUAL POSTAL SUBSCRIPTION £3
BY AIR (U.S. and Canada only) \$24

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

The Battle of Minden

WHATEVER minor agreements may be contrived by the Foreign Ministers at the eleventh hour of their meeting in Moscow, it is clear that a comprehensive agreed plan, either for the present administration or for the future settlement of Germany, will not be forthcoming. The American and British Governments have never made any bones about the alternative course they would have to pursue in the event of just such a failure to agree. They would then regard the fusion of their two zones of occupation, not as a provisional expedient in advance of a fusion of all four zones, but as a more permanent policy. Failure at Moscow ought to mean a more vigorous pursuit of agreed Anglo-American policies in the fused zones. Yet the fact is that the alternative two-power policy is not in very much better shape than the four-power policy that is now breaking down. The project of fusion has reached a point from which something approaching disaster can be seen lying ahead, unless a new path is followed. Failure at Moscow may assist matters, since it will re-direct attention to the problems of fusion and make it urgent to take steps to resolve them. But no good can come of their being taken in a fog of illusion in this country or in America about "progress" being made in Western Germany.

Why, it may be asked, should the position be so serious now, seven months after Mr Bevin and Mr Byrnes agreed on the principles of a merger of the British and American Zones, and three months after the agreement was implemented by measures designed to make the combined area financially self-supporting within three years? To all parties the agreement seemed to promise the revival of German economy—at least in half the country. To the British, it guaranteed that the United States and the largely agricultural American Zone would share the responsibility for feeding the industrial British Zone, and would provide credits for priming the export trade. The price paid by the British was high; it meant a temporary increase in the financial outlay, an agreement to bear half of the German trade deficit over three years and to provide the British share of the cost, if required, in dollars—but no other way could be seen of eventually stopping the drain of British "reparations" to Germany. The merger has not, strictly speaking, failed. More accurately, it has never really taken place. The reason is chiefly to be found in the divergence between the British conception of a Federal Germany, and the American conception of a German Confederation—one with a centralised, planned economy, and the other with a decentralised control in the hands of virtually independent States. Roughly, the divergent trends have also come to be represented by the North German Social-Democrats, and the South German Conservatives, by the Ruhr and Bavaria.

In practice, the merger has resulted in making the structure of government more complex rather than more simple. In each zone, before the fusion, there was the Military Government of the occupying power, acting partly on its own authority and partly on that of the four-power Control Commission in Berlin, and also various German administrations. Both the British and the American zones are divided

into three *Länder* or States and one city (in the British zone, North Rhine-Westphalia, Lower Saxony, Schleswig-Holstein and Hamburg; in the American zone, Bavaria, Württemberg-Baden, Hesse and Bremen). The problem of fusion was to evolve new joint organs, both on the Allied and on the German side.

On the side of the Military Government, the fusion has not brought about such a close integration of British and American authority as was achieved by SHAEF, with an officer of either nationality exercising functions for both. What it has meant has been the appointment of two officers, one British and one American, to every office. It is a happy fact that these officials are working together with the greatest smoothness. Both sides respect the other's ability; both are working for a common ultimate aim. Despite its complexity, this side of the fusion is not a failure; and there is much comfort for the future in that fact. Nor can it be said that the relationship of the Allied Military Governments to the German bizonal executive committees is unsound in its structure, although complications are introduced by the fact that the five committees are situated in four different cities.

The fundamental fault which has led to the present deadlock is to be found in the relations of these German executive committees, set up for the two zones together, to the German administrations of the eight *Länder* or States. This is the point at which the issue of regional autonomy *versus* central planning and control is being fought. The basic question which still remains unanswered is the degree of authority that the German bizonal agencies are to have. The Anglo-American Preliminary Agreement of last September, which decided upon their establishment, implied that they would have legislative powers valid for the combined zones. It was laid down, in particular, that the bizonal Executive Committee for Economics (ECE) would have authority over the principles of German economic law (including penalties for infringements); over economic planning and the control of production and consumption; and over price policy and price control. As a concession to the States, however, they were given the right to veto any act of legislation by the committees, the final decision resting with the Military Government. Before the fusion, the powers granted to the bizonal committees had already been exercised in the British Zone by the German Central Office of Economics. The provisions of the September Agreement, therefore, appeared to mean that principles hitherto followed in the British Zone were to be applied to the two zones.

But this appearance of things was very quickly disturbed by the emergence of a point of constitutional law of the kind in which Americans, in their own country, take so much delight, and by which—or so it seems to the foreigner—they seem to be so often content to allow their own good intentions to be frustrated. What legal authority, it was asked, did the German committees have to legislate? From whom did they derive authority? The Ministers of Justice in the three South German States in the American Zone declared some months ago that none existed; any such authority presupposed, they said, the existence of a legal entity superior to the States, and there was no such entity. Dr. Agartz, now head of the Executive Committee for Economics, on the other hand, maintains that the German Reich still exists, its sovereignty being only temporarily taken over by the Allied Control Council; according to him, the rights which the ECE was originally intended to exercise were withdrawn from the States pending the establishment of a Central Government.

Confusion on this point has led, first, to a fatal division of responsibility and, more recently, to a definite decision that the ECE had no power to legislate. The ECE and the other German bizonal agencies were formed by bringing together the respective Ministers from each of the German State Governments, under an independent chairman. There are thus eight ministers of economics in the ECE, eight ministers

of food in the Bizonal Food Committee, and so forth. As a body, the committees are responsible to the Allied Military Government; but each Minister is also responsible to his own State Government. And in the State Governments, it is local party politics that swing decisions. No Minister in Germany today cares to take an unpopular decision, though the times call for the sternest measures.

The way the land lay was shown at the beginning of this year, when the Executive Committee for Economics issued a decree on a uniform scheme for the control of goods and prices, and it was vetoed by Bavaria. Up to the present, neither this nor any other piece of legislation valid for the two zones together has been promulgated.

Democratic legality and separatism won last month a major victory over centralised planning and control. The highest British and American authorities then issued a decision to the effect that no authority exists in the German executive committees which can issue a law binding in both zones; that they may recommend, but not enact or require the enactment of legislation; that their recommendations must be submitted to the Military Government; and that, if they are accepted, "each Military Government will proceed according to its methods to secure promulgation." The last phrase means that the British will promulgate the law direct, but that the American Military Government will pass it down again to the individual German State Governments in their zone, who can, if they choose, then hand it back to their own *Länderrat*, or Council of States. At the same time, the American Military Government issued a proclamation expressly stating that the State Governments in their zone had full legislative powers in all matters except international treaties, legislation by the Allied Control Council for the whole of Germany, and powers for executing such fundamental policies of the occupation as demilitarisation, the breaking-up of cartels and the like. Only in these fields do the Americans retain their powers of law-making.

It is small wonder that after this blow Dr Agartz, a sick and almost despairing man, bitterly declares that the Anglo-American Bizonal Agreement, instead of reducing two zones to one, has created eight out of two. The forces of German separatism, particularly in Bavaria, indeed seem to be too strong. They find allies in those conservative and liberal circles all over the combined zones who see a menace in the ECE, consisting as it does entirely of Social-Democrats, with strong ideas on socialisation and centralised control. Political prejudices are behind a propaganda campaign which is in progress in South Germany at this moment, directed against the whole fusion agreement and the Anglo-American export plan in particular. It depicts the failure of the agreement as due to the British and the "Government Party," that is, the Social-Democrats, and is indignant at the idea that South Germany should deliver its food surplus to the Ruhr when coal deliveries to the South have not come up to the promised level. Yet one basic cause of the sudden drop in coal production, apart from the appalling winter, was the failure of Bavaria to deliver food to the Ruhr.

The demand for control of the German economy, with centralised pooling and distribution of resources, is no more due to doctrinaire Socialist dislike of free enterprise than were the war-time controls in Britain. It is the hard fact of the extreme scarcity of almost all commodities which makes it imperative. What lack of power at the centre means can be seen from the example of coal. When the Coal Control came under the ECE, the system of allocation was changed; instead of being on a "State" basis, it was put on an industrial basis, the most vital industries being given priority. But since no bizonal control of distribution exists, each individual State authority can allocate the coal to any firm it pleases within the industry—or even to different industries. When the crying need is to stop waste by closing down all but a few of the most effi-

cient producers, permits are being issued right and left, in order to keep everyone pleased with the local authority and his party. Permits are even being granted to new firms to start up, when existing efficient industries are only running to a fraction of capacity. The right to issue such permits in the British Zone was one which was formerly in the hands of the Trade and Industry Division of the Control Commission; now it is decentralised into the hands of the State Economic Ministries, instead of being firmly in the hands of a body which is executing a coherent policy.

The greater proportion of general output—perhaps even as much as 60 per cent of it—is completely outside control. Several conditions make it inevitable that a large proportion of output should tend to go direct from the factory to some form of black market. The first is the low level of production in comparison with capacity; this means that enterprises work at a loss, which can only be made good by selling—or more often, bartering—some of their output in the black market. The second is the artificially low controlled prices, which are coupled with an extremely high rate of taxation, based partly on unreal "assets." The controlled rates of wages are also artificially low, which makes it necessary for the employer to supplement them in kind. The absence of any currency reform, coupled with the knowledge that a proportion of the existing note circulation will sooner or later be cancelled, makes for a plentiful supply of money in the black market. And finally, lack of food drives works managers to barter part of their production in exchange for canteen supplies. In view of this situation, it is small wonder that the German economy and the control authorities are working on parallel lines which never meet.

Democracy or Salvation

Unless some drastic changes are made, the British and American plan to make their "combined" Zones pay their way by the end of 1948 will fail. Already it is clear that there is almost no possibility of reaching the 1947 export target. The export plan suffers from faults of its own. The German economic authorities and the Joint Export-Import Agency form another set of never-meeting parallel lines. The British and Americans, through the Agency, control the foreign trade of the combined zones, but not their internal economy. The position is somewhat that of a board of directors with no control over the management—an arrangement which might work if the interests of the two were identical. In Germany, however, they are largely conflicting. And behind these economic difficulties there lies a similar conflict over political principles. Some form of political fusion of the two Zones is being discussed, and there also traditional American principles, somewhat academically applied, are allied with South German separatism in favour of a very loose confederation of states. Bavarian separatist feeling is, at the moment, undeniably strong and the Americans can justly argue that their policy is strictly democratic, since the German people's will, expressed in elections and constitutions, is being followed. They can also argue that, if there is not a strong Government of Germany, there can hardly be a revival of militarism and aggressive foreign policy, and this argument also, taken by itself, is a valid one. But the fact remains that if, in the realm of economic policy, there is to be no central and coherent policy, but a selfish determination to keep food in the home larders, then Germany—whether it be the whole of Germany or Western Germany by itself—will never climb out of its present sterile chaos or cease to be a burden on the occupying powers. If States' rights, in the United States itself, did not extend to the economics of war, then they cannot be applied with any hope of success to the far more stringent shortages of Germany today.

A new start is now to be made, and a central government of some kind for the two zones—or for three zones, if the French can be persuaded to join in—will now be set up, as a

sequel to the failure in Moscow. Much depends upon whether it has a federal and not a confederate structure. If the new parliament merely reproduces on a larger scale the *Länderrat*, or Council of States, of the American Zone, which is simply a conference of State Governments, with vague powers and a rule of unanimity, then the prospect is bleak. It is not a comfortable position to be urging British views, with a Socialist tinge, on Americans, with their federalist traditions and free-enterprise principles. If it were possible to avoid such a direct clash of national viewpoints, it would be a great advantage, and the British authorities in Germany have made, and are still making, every effort—without very much advance from the American side—to avoid it. But the pressure of inexorable facts is too great. The issue cannot be further deferred, and it becomes the first task of Lord Pakenham, as he takes over Mr Hynd's office, to give the Americans solemn warning that the British Zone will collapse unless there is a coherent and



effective economic policy which is enforced all over the combined zones—and that, with an industrial collapse, the comparative self-sufficiency in food of Southern Germany will not avail it very much or very long. Perhaps the issue can most effectively be stated to the Americans in terms of their own history. Do they really think that the United States could have prospered under the Articles of Confederation of 1777 and without the stronger financial and economic powers that were conferred on the Federal Government by the Constitution of 1787? The whole of American history and law gives the answer. And if some central powers were needed in eighteenth century America, are they not far more necessary in twentieth century Germany? It would be a pity—more than a pity, a disaster—if a temporary and accidental alliance between American academic idealism and Bavarian selfishness were to undermine the only policy that the Western Powers have to set up as an alternative to agreement with Mr Molotov on Mr Molotov's own terms.

The Tory Alternative

AT regular intervals since the General Election, the British Institute of Public Opinion, the local branch of the "Gallup Poll," has been asking the public whether it is satisfied or dissatisfied with the Government's record to date. Last week, for the first time, the results showed a majority of dissatisfied voters. On simple, general political issues like this—questions that the man in the street can understand and on which he has at least a partly-formed opinion before he is asked—the record of the Gallup Poll for accuracy has in the past been very impressive, both in this country and in its native land. The public was not asked whether it preferred the Tories, and if it were, the adverse majority might be much larger. The vote was also taken in the shadow of the fuel crisis and the Labour Government may have a return to favour. But the probability, it must be said, is in the other direction; there is more economic trouble coming; the Government are in no fit state to meet it; and their popularity will suffer as a result. It would be very rash indeed to bet on another lease of power to the Labour Party at the next General Election.

These things are not here stated with any glee. *The Economist* is not a party organ and the opinion is not now stated for the first time that a transfer of power at this moment from the Labour Government to a Conservative Government, or even to a coalition of both parties, would be no improvement and might well be a disaster. The Socialists, whatever may be their defects, have a lot of energy and a few ideas, while the Tories are tired political agnostics. If, at the next General Election, the electors give the Tories a majority, not for the positive reason that there is a Tory policy to believe in but for the negative reason that they are tired of the Socialists, then the country will drift in a political vacuum for another Parliament. If this is the direction in which the political tide is flowing, it is not a cause for any gratification. What would cheer the spirits of even the most neutral onlooker would be if there were any sign that the basic issues of the time were being identified, expounded to the people and put to them for their decision. If that were the prospect for the next General Election, one could look forward to it as an act of history instead of as a choice of evils.

A statement of Conservative economic policy is said to be impending, and it would be unfair to prejudge its contents. It may answer some of the questions that are being asked. Have the Tories, equally with the Socialists, a policy on which they are united, in which they believe, which they would embody in statutes or administrative actions in the first two years after they were returned to power? Can it be stated in unequivocal terms? Is it of a nature to secure the positive assent of the floating middle vote that decides elections?

One preliminary test to apply to the document will be to observe whether it manages to detach itself from the issue of public or private ownership of industry. Very few members of the decisive middle sector of opinion would be willing nowadays to condemn all public ownership as sweepingly as Mr Churchill does. This is an issue on which the Tories would be well advised to be very "progressive." They would do well to confess—what everybody knows—that they will not attempt to unscramble all the present Parliament's nationalisation Acts, or perhaps even any of them. They might even go further and suggest a few more public-ownership projects of their own, and if they can discover one or two that the Labour Party has not yet hit upon—and for which a sound case can be made—they will have proved the sincerity of their claim to be open-minded on this issue.

It is not over the existence of a field for public ownership

that the fight needs to be joined, but over what sort of policy is to be pursued outside that field. The real issue is not whether some industries are to be wholly red, but whether all are to be pink; not whether the state is to have responsibility and control in some trades, but whether it is to interfere without responsibility or purpose in all; not whether there is to be a public sector and a private sector, but whether there is to be any real difference between them, whether the Coal Board and the whelk stall are to be different economic species or merely two branches of the same economic bureaucracy.

To these questions, when they are posed in general terms, every Tory will give a decided answer. But it is much more doubtful whether he realises what his answer means. It is of little use to inveigh against the stultifying effects of trade union dictatorship unless the condemnation is equally extended to the rings and cartels of the employers; neither the one nor the other is the mark of free private enterprise. No one will pay much heed to condemnations of nationalised industries as monopolistic bureaucracies so long as the Tory Party defends its own bureaucratic monopolies. It is no good prating of the need for industrial efficiency without denouncing the agreements, with which industry is riddled, to keep inefficient firms in existence. It will not carry much conviction to demand the end of the price controls if what is meant is that the control of prices should be returned to the capitalists.

The fact is that British industrialists, under the deliberate leadership of the Tory Party in its Baldwin-Chamberlain era, have become distinguishable from British Socialists only by the fact that they still believe in private profits. Both believe in "organising" industry; both believe in protecting it, when organised, against any competition, either from foreigners or from native newcomers; both believe in standard prices for what they sell; both unite in condemning competition, the one as "wasteful," the other as "destructive." If free, competitive, private-enterprise capitalism is to continue to exist, not throughout the national economy, but in any part of it, then it needs rescuing from the capitalists fully as much as from the Socialists.

Here is a task for the Conservative Party if it wants to present a real alternative to Labour Socialism. The real issue of today is not between Capital and Labour, who on so many matters are on the same side of the fence, but between the carrot-and-stick economy and the sugar-candy economy, between the treadmill and the feather-bed, between the principle of "equal rations for all" and the principle of "let the best man win." A vigorous democracy will not exist in this country until the opposing principles are set up for the public to choose between them. At present, because half the Tory Party is debauched by Big Business and the other half is so anxious to be "progressive," one side of the argument goes by default, save for the gallant voice of the Liberals.

If the Tories, after being as progressive as they choose about the public sector of industry, will be wholly immoderate and unprogressive about the need for enterprise in the private sector, and if they will prove their sincerity by a frontal assault on the restrictive practices of their own industrialists, they may lose some of their present paymasters. But they will gain a positive purpose which will some day give them both a majority and something to do with it. If they prefer, on the other hand, to hawk what is merely a bastard brand of Socialism, the public will prefer the legitimate practitioners and the Tory Party will be, for many years, what the Labour Party was between the wars, or what it was itself for a whole generation a century ago, the permanent minority party, coming into transient and embarrassed office only while the majority party takes a rest.

Local Government's Future

THE annual reports of boundary commissions are not as a rule exciting documents. The first annual report, covering the year 1946, of the Local Government Boundary Commission (HMSO, 4d.) is, however, something of an exception. It may prove to be the first step in the creation of a new order of local government. The report itself says nothing very startling, nor has the Commission yet reached a single decision on the numerous claims for changes of local government areas and status that are before it. What is encouraging and significant is the wholehearted spirit in which the Commissioners are approaching their task

to make, so far as is practicable, all local government authorities, both individually and collectively, effective and convenient units.

Although the Commission has fairly extensive legal powers to change the areas and functions of all local authorities, the Government has given it no clear line of action to follow, and its major decisions, those relating to counties and county boroughs, require Parliamentary confirmation. In addition, Mr Bevan has laid it down that no county borough of over 60,000 population or county of over 100,000 population should normally be abolished, amalgamated, or changed in status. The terms of its mandate are such as to deter the Commission from undertaking any surgical operation on the body of local government.

What the Commission can do is to find out the best way of remoulding the local government structure and then ask the Government for a clear mandate to implement its proposals; and this is the course that it appears to be taking. The Commissioners are postponing all important decisions until they have made up their minds on what ought to be the general shape of local government in the future. It will be surprising if their conclusions do not lead them to ask Whitehall to authorise reforms of a far more drastic character than it has so far contemplated.

The present structure of local government is highly unsatisfactory; and the symptom of this—although not necessarily the cure—lies in the numerous claims for the extension of county boroughs and for the conferment of county borough status that are at present before the Commission. In England, nearly every county borough wants to extend its borders, and there are also claims that 33 new county boroughs should be created; by contrast, most of the English counties want nothing of substance except to be left in peace without further dismemberment through the loss of territory to county boroughs. The Commission lists three alternative methods of tackling this issue, without committing itself as yet to any of them. These are to concede these claims in part and permit limited extensions of county boroughs; to concede them in substance and permit

large extensions of county boroughs; or to adopt a third device, described as the creation of new county areas.

The county borough line of argument has much to support it. Many county boroughs consist of overcrowded towns which have long since overspilt their administrative borders so that, as things are, they must rehouse a large surplus population outside their own areas—a very unsatisfactory arrangement. For reasons of planning too, each town or in some cases each "conurbation" of towns, should be developed as a unit. Moreover, it can plausibly be argued that, of all existing administrative units in local government, the all-purpose county borough is the most efficient. Why then should the advantages of county borough status be denied to large municipal boroughs like Luton, or to urban agglomerations that are at present partitioned among minor authorities?

One of the main objections to conceding the county boroughs' case is the resulting effect on the counties. Were the proposals before the Boundary Commission to be accepted in whole, the area controlled by county boroughs would be almost quadrupled and their total population would be increased by about 50 per cent; conversely, the counties would be stripped of about a quarter of their population and rateable value, while Lancashire, for instance, which is the largest of the counties and the plum of local government service, would be shrunk to a shadow of its present self. Clearly, in these circumstances, many—perhaps the majority—of existing counties could no longer function as efficient units. The only way to get over this would be drastically to reduce the number of counties and completely to rearrange their areas. This is no impossible aspiration—the chief bar to it is perhaps the historical and sentimental pull of the present counties, connected with county cricket and the like. But this arrangement would also make the counties far more exclusively rural than they are at present, with baleful effects.

The only alternative to extending a county borough system of government that has so far been considered by the Boundary Commission is one that is intended to solve the special problems of the large conurbations. This proposal has originated from a large urban area in Southern Lancashire which centres on Manchester and contains eleven county boroughs. The idea would be to deprive of their status all the county boroughs within the selected area and thus to establish throughout it a two-tier system. As top tier, there would then be brought into existence a new populous urban county, somewhat similar to Middlesex, capable of providing a unitary control over the whole conurbation. This proposal moves in the opposite direction to the county borough proposals, for it would extend

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instead of diminishing the area in the country for which a two-tier system of local government operates. Its advantage would be to establish, in those areas where they are most needed, much larger units of local government than could be evolved from any expansion of county boroughs. Its disadvantage would be to create an awkward problem over the division of functions between the new top and bottom tiers. What, for instance, would happen to Manchester? Would it be relegated to the position of an outsize municipal borough, would some special status have to be found for it, or would it be best to split it up into several smaller authorities?

The Boundary Commission has got to make its choice among these three alternatives. Merely to permit some modest extension of county boroughs would satisfy nobody—neither county boroughs nor counties—and would do little to solve the present dilemma. It might, however, be possible and also desirable to combine—for all their apparent contradiction—the two more drastic remedies that have been outlined. This is so because, while the old local distinction between urban and rural areas is now hopelessly obsolete, there is need of a new distinction, at the national level, between major areas of the country. For a few of the largest conurbations, the idea of abolishing county boroughs and creating a single large urban county along "Middlesex" lines may well be the right one, in spite of the many tricky points of detail falling to be settled. For smaller or straggling conurbations, such perhaps as Plymouth in the first instance or the industrial area of Yorkshire in the second, a considerable extension of the county borough principle so as to get both larger county boroughs and in some cases more of them might prove a more satisfactory solution. In the rest of England—outside the conurbations—the number of counties will certainly have to be reduced, but in addition, if the counties are to be made efficient units, there is a case for reducing rather than increasing the number of county boroughs, although a policy of this kind need not necessarily prejudice the claims of such county boroughs as are left to extend their areas. Counties

and county boroughs alike should be fewer and larger.

These are highly tentative suggestions given merely to demonstrate that a satisfactory reform of local government, so as to increase the average size of the major units, bring into being better planning areas, and improve the balance between town and countryside, is by no means impossible. The Boundary Commission, by suspending judgment until it has held very full informal discussions with most of the local authorities in the country, is pursuing the right course. But it has also had to make it clear that its decisions, some of which must be given very soon as a matter of urgency, are no more than provisional. No major decision, such as the grant or withdrawal of county borough status, will be made for the time being. The most that can be done is to authorise some enlargements of a number of "blitzed" or overcrowded county boroughs such as Plymouth, whose claims have rightly been given first attention, and also perhaps a suitable reorganisation of the counties in two large rural areas, Wales and East Anglia, which the Commission has singled out for early attention on its own initiative on the grounds that they each contain several counties of less than 100,000 population.

On minor matters of principle, the Commission is already formulating its views. It believes that the distinction between rural and urban districts should be abolished and their functions approximated, that the parish should be kept and its underlying idea perhaps extended to urban areas through the creation of neighbourhood units or the like, and that compensation should cease to be payable from one authority to another consequent upon a rearrangement of areas. However, little real progress can be made until the Commission comes to some conclusions on the major issues of policy that are before it. The sooner this is done, the earlier can Parliament be asked for the fresh mandate which alone can enable the Commission to get to work in real earnest. To prod the Government into an acceptance of the need for drastic reform will be hard enough in any event.

Italy Next

MR BEVIN would be hardly human if he returned from Moscow without the feeling that he must at once turn his hand to a piece of constructive diplomacy. He would not be a good politician if he did not look for some opportunity to meet half-way the critics who have had their hearts warmed and their tongues sharpened by the private and public addresses of Mr Henry Wallace. He must expect the taunt that the tough line won nothing out of the Russians, that he was a mere second in the American corner, and that he would have done better to act as referee and force Mr Marshall and Mr Molotov to break their prolonged clinch. Mr Bevin can produce a good answer—and some bruises—but he will be wise none the less to use an opportunity in which he can negotiate without knocks.

The opportunity will be provided by the visit to London next month of Count Sforza, the Italian Foreign Minister. Unless economic and political planning have in this case got separated—as happens less and less in the reconstructed Foreign Office—the way has already been made easier for him. Last week Italians read in their newspapers substantial evidence of British goodwill. The financial and monetary agreements signed at the Palazzo Chigi on April 17th were notably generous documents. The last British claims to reparations were given up entirely in return for Italian payment of pre-war debts; the account of over £100 million between the two Governments, covering wartime supplies and surplus stores received by the Italians, was settled with a final payment of £8,000,000 to Britain; and all Italian sterling credits—future as well as present—will be transferable to other currency areas

for current spending, save for £10 million to be left on deposit. So Mr Bevin has kept the promise of discussing "hardships" arising out of the peace treaty which he gave to the House of Commons in his last survey of foreign affairs on February 26th. And Count Sforza, after signing the agreements, took the opportunity to say that "free England recognises that free Italy is a factor necessary for the new united life of Europe and is acting accordingly."

Foreign Ministers of the old school like Count Sforza weigh their public utterances carefully, and it is fair to guess that "free" and "united" are the significant words in this comment. A free Italy cannot be dependent on either American or Russian favour; which means that it must be run by a party, or coalition of parties, that can assert itself against extremists of either Right or Left. It has to produce and work the new constitution of a "democratic republic founded on work," plan and carry through economic and administrative reconstruction, and develop a large exchange of goods with other countries. In other words, it has a problem like that of France and so far Rome seems to have tackled its tasks at least as well as Paris. Italian industry is working at 75 per cent of capacity. Italian Communists and Socialists work together better than their French counterparts. A threatening religious quarrel has been stopped by the Vatican's recognition of the Republic and by the Assembly's acceptance of an article in the Constitution regulating the state's relations with the Holy See.

So far, very good. But a government in the stage of development that has been reached by Signor de Gasperi's Cabinet

needs more spectacular results. Once the constitution has been worked out elections will be held and, if Signor de Gasperi is to retain power, he and his party and their allies will have to show the electors wider achievements. It is unfortunate, but inevitable, that the obvious next step towards these achievements is the one most likely to cause divisions and resentment in the Italian people. The peace treaty has to be ratified by their representatives—and by the Allies—before Allied troops leave the country and before Italy can take her place in the United Nations. The temptation must be strong to procrastinate in the hope of first getting some clauses of the treaty modified. The British and Americans, with whom the initiative would lie for revision, must seem vulnerable to such tactics; the Italian Communists must hope that some support might come from the Russians, particularly over their former North African colonies; the French must seem cordial, though they have little to offer save M. Bidault's vote. Situated at such a key strategic position in the Mediterranean, even a defeated nation must feel the urge to bargain.

Here then lies Mr Bevin's first problem: what political and economic concessions can he offer to Count Sforza which will strengthen moderate and frustrate extremist counsels in Italy? The Italian Foreign Minister represents a group of the Left Centre which is dwindling, but which is still the essence of the Republican regime. His visit to London will be closely watched by the Right, which is pro-American and stubbornly opposed to social change, and by the Left, which becomes more pro-Soviet as it becomes less moderate. If he returns empty-handed, intransigent revisionists might oust him and his colleagues from power, which would mean that Italian revisionism might in time become a threat to European peace. In such circumstances Trieste would have all the makings of another Danzig. Mr Bevin has also to bear in mind something that Count Sforza may be loth to tell him: that the British, once the heroes of the day, have become extremely unpopular in Italy. Many leading anti-Fascists have humiliating memories of their treatment by British officers after the liberation; and former Fascists contribute for obvious reasons to the general dislike.

Politically there is little that the country on its own can offer. The future of the North African colonies is for the four Foreign Ministers to settle in the next twelve months. But it should be possible for the British Military Administration there to turn over a new leaf. The atmosphere which has been created in Tripolitania was certainly never desired by the Foreign Office, whatever may be the intentions of the War Office. Too much scope has been given to officials—described by correspondents who have seen them in action as "pseudo-British"—who have gone out of their way to humiliate the Italian population. Count Sforza should receive an assurance that it is not British policy to drive out the Italian colonists in the months of British control that are left. It should also be possible—with French support—to arrange for the Italians to play some part in the future running of their pre-Fascist colonies. Such a generous and reasonable approach would cut the ground from under the feet of the Fascists who are saying that Britain is seeking to make good in Libya the loss of strategic positions in Egypt and India.

Possibilities of giving Italy economic help are of course limited. If only Mr Bevin had his forty million tons of coal to juggle with! So desperate is Italian industry's need for coal that even France—itself short—is paying three hundred-weight of coal for each day's work done by Italian immigrant miners. Much might be done to restore Italian trade with Germany and exchange its coal for Italian food products, hides and non-ferrous metals which are needed there. Credits could be found for purchase of raw materials. And, above all, it should be not impossible for Mr Bevin to persuade his col-

leagues, both in the British and in the Dominion Cabinets, to make some openings for the host of emigrants pressing to leave Italy. With 2½ million unemployed and a heavy birth rate, emigration is a matter of major policy for Count Sforza, and much has been done to improve relations with France and Belgium by the plans to despatch industrial and agricultural workers which were described in *The Economist* last week.

For some time to come Italian foreign policy must concentrate on meeting such economic needs. But already a complex and dangerous political problem faces it in the new Trieste. Count Sforza has realised from the first that the settlement worked out by the Foreign Ministers will break down unless his government's relations with Yugoslavia are kept at an even temperature. In seeking to conciliate Marshal Tito, now and in the future, he is liable to rouse nationalist excitement of the kind which the revisionists have been mobilising. And if—as is always possible in view of his public denunciations of the Trieste settlement—Marshal Tito does not come half-way to meet Count Sforza, the latter will need the constant support of a firm and tactful British policy. But this is all the small change of diplomatic transactions. There is nothing here with which the Italian Government could hope to capture the enthusiasm of their people and give them a sense of security and international respectability. One must return to Count Sforza's references last week to a united Europe.

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Sooner or later Mr Bevin will have to examine more closely and expound to his colleagues the various ideas under this title which recur in conversation all over Europe. Many Frenchmen advocate closer association with their neighbours; the planners have long talked of "integrating" French with British—and German—industrial planning. The Belgians and the Dutch have it in mind as, with Luxemburg, they work out their customs union. It is often discussed in western Germany by men who seek an ideal. Mr Bevin's Socialist critics in the House of Commons favour a European economic and political group which—they say—could hold the balance of power between the United States and the Soviet Union. Mr Attlee has said that Europe must federate or perish. Now an Italian voice joins the chorus. The British Cabinet should forget the association of these ideas with Mr Churchill and examine them on their merits. Certain risks have to be run. Any such scheme will be attacked as either anti-American or anti-Russian; in a sense it is bound to be both. For by next year Europe will probably have arrived at a turning point in its affairs. By then it should be known, not only whether a third attempt to settle the economic future of Germany with the Russians has failed, but also whether the Americans have been able to offer at Geneva sufficient inducements to bring the great trading nations into line with their commercial policy. Both efforts may fail. Mr Bevin and Sir Stafford Cripps should therefore have alternative policies ready; just as Mr Bevin last year prepared the economic fusion of the British and American zones of Germany in case economic unity of all four zones should prove unattainable.

The economic future of Europe has been more than once on the agenda of the Cabinet; British persistence and loyalty have contributed a lot to the success of the existing European economic agencies. What is needed, to provide Mr Bevin with his alternatives, is not a revolution in thinking, but some solid research and painstaking diplomatic inquiry. The lull between Moscow and the next Foreign Ministers' meeting is an obvious time to begin. And Count Sforza's visit will be an excellent opportunity for finding out what an experienced European statesman of the Left Centre means when he aspires to a place for Italy in the "new united life of Europe." What Mr Bevin—also of the Left Centre—says in reply might be momentous for the future.

NOTES OF THE WEEK

Life of Service

"The use of the Princess in a dignified capacity is incalculable"—so would Walter Bagehot have commented on the celebration of Princess Elizabeth's twenty-first birthday in Capetown last Monday. A piece of pageantry and symbolic family business of the strongest interest to the British people was reserved for the men and women of the youngest Dominion. For Princess Elizabeth sincere congratulations have to be mingled with sympathy. She faces a full life of strenuous, boring and testing routine, of which she has been given a foretaste during the last three years. She has to keep herself informed—as a future monarch—of every aspect of public affairs, which have never been more complex, more technical and more contentious. She has to prepare for headship of a society which, for the most part unconsciously, assumes in the successor to the throne, virtues, habits and religious views which it has long ceased to impose on its own recruits.

It is curious, and quite uncharacteristic of the age, that there are no republicans in this country, that there is no seriously argued criticism of the monarchy or of its place in the constitution and public life. No one is surprised to read that Mr Attlee signs a birthday message to Princess Elizabeth "your humble and obedient servant"; no one would be indignant to learn that the King had exercised his right to disagree with his Prime Minister's choice of colleagues. The planners have not yet thought of an overall scheme to cover the monarchy. To quote Bagehot once again:

When there is a select committee on the Queen, the charm of royalty will be gone. Its mystery is its life. We must not let in the daylight upon magic.

Princess Elizabeth seems to enjoy her public rôle; she certainly plays it with charm. May the magic long go on working.

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Cabinet Changes

Once again, Mr Attlee has carried out a minor reshuffle of his Government instead of the thorough reconstruction that is periodically rumoured. The changes announced at the end of last week are mainly confined to Labour peers, and will, in fact, hardly alter the composition of the Front Bench in the House of Commons. Lord Pethick-Lawrence resigns the office of Secretary of State for India and Burma on the grounds of age—he is 75. One cannot, however, feel confident that the advantage possessed by his successor, Lord Listowel, in the matter of years will make up for the loss of Lord Pethick-Lawrence's experience. The transfer of power in India and Burma will call for outstanding statesmanship, but Mr Attlee seems to have subordinated India's needs to his personal inclination to promote the faithful.

The promotion of Lord Pakenham, Under-Secretary of State for War, to be Chancellor of the Duchy of Lancaster is better merited, for recognition of his qualities has for some time made him one of the chief Government spokesmen in the House of Lords. He will now take over from Mr Hynd the duty of administering the British zones in Germany and Austria, but the final responsibility will remain elsewhere. Hitherto, it has rested with the Secretary of State for War; it is now to be transferred to the Foreign Office, a logical step since conditions in Germany are largely dependent on foreign policy, but it adds to the heavy burdens Mr Bevin already carries.

It is presumably because the main work of government is carried on so few shoulders that Mr Attlee has added to the number of non-departmental Ministers by appointing Lord Inman Lord Privy Seal and a member of the Cabinet. Lord Inman was given his peerage last year for political and public services, and the conventional phrase sums him up pretty well. But as a policy-maker he is an unknown quantity. Mr Greenwood, formerly Lord Privy Seal, becomes Minister without Portfolio, a change of name but not of responsibilities or function. Other changes in the House of Commons, consequent upon the shuffle in the Lords, are the appointment of Mr Hynd to be Minister of Pensions and of Mr Paling, hitherto Minister of Pensions, to be Postmaster-General in succession to Lord Listowel. The Government Front Bench will also, in the near future, be strengthened by the return of Mr Morrison, whose robust personality has been greatly missed.

No Smoking

At one time it seemed likely that the new tobacco tax would involve the Government in the same sort of trouble with its own back-benchers as it has run into over conscription. But although there is undoubtedly considerable grumbling in the country among Labour supporters because the heavy increase will hit "the masses" more severely than "the few"—grumbling which was voiced by Labour speakers in Monday's debate on the Budget resolutions—it looks as if the political storm that was brewing has subsided.

There are probably two reasons for this. The first is the merits of Mr Dalton's case, which are probably grasped by Labour MPs even if his arguments are lost on their constituents. The increase in the tobacco tax is intended to achieve two mutually conflicting aims: to reduce dollar expenditure and to act as an anti-inflationary measure. The more successful it is in the first aim the less successful it will be in the second, for the purchasing power saved on tobacco will be diverted elsewhere. If, instead of increasing the tax, Mr Dalton had placed physical restrictions on tobacco consumption, through a reduction in imports or through rationing, as he was urged to do by the Opposition and some Labour members, he would have ensured the saving in dollars he wants, but at the expense of his anti-inflationary policy—apart from the undesirable administrative and social consequences that would have arisen in the shape of queues and a black market. As it is, he can still hope for a reduction in tobacco consumption of 25 per cent, which would save \$30 million, and to net an extra £75 million for the Exchequer. But, in addition to his arguments in justification of the increased tax, Mr Dalton turned away much wrath in Monday's debate by his promise to consider the case of old age pensioners, that strong political force in the Labour lobby. The difficulties are considerable, for probably at least half of the four million or so of old age pensioners do not smoke, that is, the great majority of old women. To whom would the concession to grandmothers be passed on?

The second reason why the threatened storm subsided was, however, probably more decisive, and that was the attitude of the Conservatives. By declaring their opposition to the increased tax, and by championing the cause of the working-man smoker and the little man tobaccoist, the Conservatives undoubtedly prevented the Labour discontent from becoming an embarrassment to the Government. It remains to be seen whether their reported decision to oppose the National Service Bill, now that the period of conscription is to be reduced from eighteen months to twelve, will have the similar effect of rescuing the Government from what might have been an awkward political corner.

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Return from Moscow

Two days ago the visiting Foreign Ministers in Moscow sent for their trains and their planes. Three long closed sessions had taken them no nearer agreement either on Germany or on Austria. Mr Marshall has begun to talk of referring the Austrian question to the United Nations, which shows how hopeless the outlook must seem. Nobody yet knows what are the Russians' exact claims to German assets in their zone of Austria, which makes the dispute about defining them a little unreal. But every Austrian is convinced that the real battle is over the future control of the Zistersdorf oil fields, free use of which by Austria would tremendously enhance its importance as a trader and an ally. Further delay in restoring the country's economic unity and in removing the troops of occupation will have serious economic consequences; if there is no sign of progress towards a treaty by the time the Foreign Ministers meet again—perhaps in July in London—then Mr Bevin will obviously have to consider fusing the three western zones and making the best of a bad job.

Neither on Germany nor on Austria has the Moscow conference been a complete failure. The chief and deepest differences existed before the conference started; they were unlikely to be overcome unless Soviet relations either with the British or the Americans took a new and more cordial turn. This did not happen—indeed, the eruption of the Truman doctrine after the first week of the conference made it impossible that it should happen. If there was fundamental confidence between the three Foreign Ministers at any point, but particularly about the future economic organisation of Europe (including Germany and Russia), most of the Moscow differences would quickly disappear. A tremendous

amount of hard committee work by deputies and delegations has brought order into the differences and the agreements and into the instructions to be given to the Control Council in Berlin.

Diplomatically the most curious feature of the conferences has been the part played by M. Bidault. He came to Moscow with the Dunkirk Pact in his pocket. He had a strong case on coal, to be argued with the British and Americans at will, and a strong case on the Ruhr and the political future of Germany—both matters on which the French must always be listened to. Mr Molotov should have seen that the French Foreign Minister was in a good position to play an independent game. But, once Mr Stalin had given his private audience to M. Bidault, Mr Molotov seemed to go out of his way to push the French statesman into the "Anglo-Saxon" camp. If M. Bidault is assailed by the French Communists for returning to Paris with nothing more than the agreement on the distribution of German coal, all he needs to do is to publish a selection of Mr Molotov's criticisms of French points of view.

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Ruhr Hopes and Fears

To ensure that M. Bidault should not return to Paris from Moscow empty-handed, the British and Americans have indulged in the dangerous game of counting their coal before it is hacked. They have fixed with the French the proportion of all coal produced in their three zones of Germany which is to be available for export to other European countries—or rather for allocation to them by the European Coal Organisation. A sliding scale of exports as percentages of production covers the months July-December, 1947.

When daily output for the Ruhr-Aachen and Saar mines reaches 280,000 tons a day the proportion allocated to export goes up to 21 per cent. How far off is this figure? At the moment production from the Saar is 33,500 tons a day; from the Ruhr, during the week ended last Saturday, average daily production was 222,800 tons. In other words, production has to be increased by 26,000 tons a day before exports can be increased. In the Saar they reckon they can put on 6,500 tons a day; in the Ruhr they should be able to reach 20,000 tons a day more by July. So the chances of France and other countries receiving increasing proportions of German coal are quite good.

But there is the threat of further protests and disorders hanging over the Ruhr. For reasons that are described this week both in a leading article and in a special despatch from Düsseldorf, the food situation offers no hope of improvement and there exists in the fused zones a first-rate administrative and political crisis. If the miners strike again—and so far they have shown remarkable restraint—they may take more trouble to make their action effective. Already they have given a headache to those who drew up the estimates of coal production for the first half of this year. From the peak daily production figure of 237,065 tons reached in the third week of March, there has been a decline to a daily average of 206,000 tons in the first week of April, followed by a rise to 217,495 tons in the second week, and to 222,800 tons last week. It will take six or seven weeks to recover from a bad drop in output caused by discontent and demonstrations.

It is curious to think that the Ruhr miner bears on his shoulders one of the main planks of Anglo-French and US-French understanding. Handled properly he might become one of Mr Bevin's main foreign assets; badly handled he can do irreparable harm. Lord Pakenham, the new Chancellor of the Duchy of Lancaster, should get to know him.

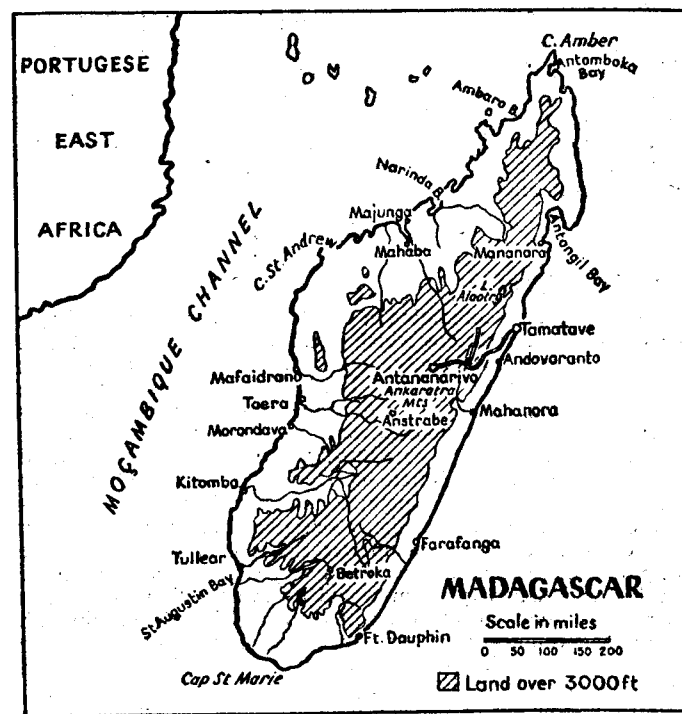
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Madagascar Shakes M. Ramadier

It is becoming clear that the revolt which began on March 29th in Madagascar is—or was, for it is all but subdued—neither so well organised nor so costly to France as its counterpart in Indo-China. It amounted to an effort by the former feudal ruling class (now calling itself the Malagasy Renovation Party) to forget its one-time readiness to join the French Union, to exploit some local economic discontents, and to strike for full independence at a moment when France was embarrassed elsewhere. But next week, when the topic reaches the French Assembly, it seems more likely even than the Indo-Chinese affair to upset M. Ramadier's shaky coalition. Coming second in time, it may prove the more potent threat to his cabinet's "solidarity." For that cabinet is fundamentally split on the question of how best to handle a recalcitrant empire. On the issue of whether or no to send troops to Indo-China, the Communists temporised—the ministers voting one way with their cabinet colleagues, the party voting the other. Can

they, and do they want to, do the same again next week? They will then be called upon to decide whether or no it was constitutional to arrest the Malagasy deputies to the French Parliament for complicity in the revolt. For this is what the Governor-General of Madagascar has done. The delicate constitutional issue he has raised is that deputies are immune from arrest without the consent of the Assembly unless caught in the act of committing a crime, and that unless flagrant acts can be cited, consent will, in the case of four out of the five Malagasies concerned, have to be retrospective.

The cabinet, less the Communist ministers, has approved the arrests. The Communists walked out of the meeting which gave this approval, but have not otherwise commented on its decision. Broadly, the problem before the cabinet majority is: for how long



is it compatible with the dignity of government to continue to work with ministers whose party is openly working against cabinet decisions? This behaviour, which obviously plays into the hands of General de Gaulle and all other enemies of Communism, is causing much impatience among the MRP. But the Communist leaders too are in a dilemma. How long can they afford to go on acquiescing in the majority decisions of a cabinet which practises what they have always been taught to call naked imperialism?

Over Indo-China, both groups hesitated to plunge the country into a cabinet crisis because to do so while the Moscow conference was sitting was to impair M. Bidault's bargaining power. That deterrent has now ceased to exist. In place of it there is General de Gaulle's renaissance, which is prompting all good parliamentarians to pause before upsetting the Government or shaking the constitution. It is still an open question, therefore, whether the push, if it comes next week, will be given by the MRP or by the Communists.

* * *

Prospects in India

Indian affairs have faded out from the British political scene since the debate on the Government's last public declaration of policy; the initiative now lies with the new Viceroy in New Delhi. Since his arrival he has been working hard at his task of mediation between the two Indian points of view which still appear irreconcilable. Most of the negotiation is naturally going on in private, and it would be unfair to be too impatient for results. But while the talk drags on, time does not stand still in those parts of India afflicted by communal rioting, and there is no sign of a cessation of these disturbances, even since the joint Gandhi-Jinnah appeal for a communal truce. Every communal outburst produces appetites for revenge and thus leads on to more bloodshed of the same kind unless order is at once strongly and impartially restored. From the beginning of the year to the middle of April at least 2,400 persons are known to have been killed in communal riots, the great majority of these in the Punjab. Fear

of the future is widespread, and many Indians have been migrating, even at serious economic cost to themselves, from areas where their community is weak to places where they feel safer.

It is against this background that Mr Nehru's Gwalior speech must be judged. This speech has been hailed in some quarters as a constructive contribution and a conciliatory approach to the Moslem League, because he spoke of "facing realities," declared that no part of India would be compelled to join the Union against its wishes, and that the Punjab and Bengal would have to be divided. On the other hand, he took up a threatening attitude towards the States by saying that any of them which did not join the Constituent Assembly would be "regarded as hostile States and would have to bear the consequences of being so regarded"; he also said that the Constituent Assembly would go on with its work whether the Moslem League came in or not.

But how is the framing of a Constitution for all India by the Constituent Assembly compatible with the promise that no part of India is to be brought into the Union against its wishes? There is as yet no sign of any understanding between Congress and the Moslem League on basic issues, and without such an understanding attempts to divide the Punjab and Bengal territorially on communal lines are more likely to intensify the present bitterness of feeling than to allay it.

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Imperial Migration

The debate on emigration in the House of Lords on April 17th was one of those occasions which justifies the Second Chamber in its claim to take the long view and to rise, on topics of great moment, superior to party. Lord Tweedsmuir's memorable speech, appealing for an imaginative and far-sighted policy towards migrants both inward and outward from the British Isles, was matched by an equally statesmanlike pronouncement by Lord Addison, the Secretary of State for Dominion Affairs. On the face of it, of course, there is something paradoxical in the encouragement of emigration—and a highly selective emigration at that—in the face of a hampering manpower shortage at home. But the manpower shortage is relative, and a very slight downswing in the world-wide inflationary boom would do away with it overnight; whereas the Commonwealth and its needs and its relationship with the mother country constitute an enduring fact, of paramount importance on any long-term historical view. To have recognised this is the merit of all the participants in the Lords debate.

Possibly, however, a stronger appeal might have been made to the Dominions to take a share of the displaced persons now eagerly looking to the Anglo-Saxon world for a new start in life. With all due respect to the Huguenots, the Flemish weavers, and other past contributors to the genial and fortunate mongrelism of the British people, it is possible to overtax the digestive and absorptive capacity of any national society. That of a new country is, as America has shown, particularly strong; and it should not be impossible for the Dominions to absorb, along with the British migrants whom they are eager to receive, a proportion of new citizens from other sources. Great Britain should not become, ethnologically speaking, the Empire's milch cow and wastepaper basket combined, sending overseas the cream of each generation and receiving and retaining on humanitarian grounds whatever European flotsam the Dominions may reject on grounds of economics or prejudice. This might still be possible were the British birthrate to return to what it was at the time of those great outward migratory tides to which Lord Tweedsmuir referred—that is to say around twice the average of the last ten years. But that is unlikely. It could hardly be claimed as yet that Great Britain has done too much towards absorbing refugees; in its own interests it could do more; but it could do far more yet if seconded by the Commonwealth to whose long-run advantage it is so willingly subordinating its own immediate needs.

* * *

Fruit Imports Anomaly

The protest addressed to the Ministry of Food by the fruit and vegetable importers' organisation draws attention to a very nice instance of control without planning. The protest is concerned less with prices—though the importers believe that the removal of the remaining controls would raise prices, if at all, only slightly and temporarily—than with the compulsory channelling of trade through an unnecessarily elaborate and uneconomic sequence of middlemen. The "first-hand salesman"—generally the *alter ego* of a wholesaler—formed during the war part of a pool which handled regional allocations to the wholesale trade. His function, in the importers' view, is obsolete; but controls maintain him in

being. Anyone can now import fruit and vegetables—except for bananas, citruses and apples—without licence or restriction. But having imported them he is legally bound to sell them, not to a freely chosen wholesaler, not to a retailer, not (unless he is a Breton onion boy) to the public, but at a fixed price to a privileged intermediary, the first-hand salesman. The latter sells at a fixed margin to the wholesaler, the wholesaler to the retailer, and the retailer at last to the public.

Were the first-hand salesman a genuinely independent link, this curious sequence would merely represent a certain wastage of manpower and a tax on final consumption. There would be no impediment to free competition among importers, and the field would be genuinely open, as it legally appears to be, to all comers. But he is not independent; he is, as often as not, part of an importing-cum-wholesaling concern which, nominally open to competition as an importer, is sheltered as a wholesaler by the impenetrable armour of licensing regulations. And this composite concern can draw on the three profit margins to which it is entitled to outbid the "pure" importer on the foreign market. The "pure" importer may or may not be correct in claiming that foreign sellers would lower their prices if the "composite" importers were able to bid no more than the "pure"; such market judgments are fallible. What is quite obvious is that neither efficiency in the public interest nor equity within the trade is served by this survival under government protection of a mechanism which has outlived its wartime usefulness. And a Government which has just sealed the doom of the well-tried and highly competitive Liverpool Cotton Exchange can hardly defend in principle the maintenance of superfluous distributive machinery.

* * *

UN Secretariat under Fire

American newspapers have recently given voice to complaints about the integrity of certain members of the United Nations Secretariat, with reflections even on the impartiality of the Secretary-General himself. It is alleged that the work of the Commission sent by the Security Council to investigate conditions on the northern frontier of Greece has been hampered by the partisan activity of persons in the Secretariat who have been representing the official attitudes of their countries of origin instead of performing their proper function as servants of an international organisation. It is difficult to discover how much, if any, truth there is in the particular charges which have been made, but the fact that they are made at all raises questions about the steps which have been taken to secure for the United Nations the services of a competent body of permanent officials detached from national loyalties.

It cannot be said that the present position is satisfactory. The Secretariat is that part of Uno which is supposed to be genuinely international as distinct from inter-governmental; the delegates to the Assembly and Security Council are, of course, political representatives of their Governments from whom they take instructions; but the members of the Secretariat are not nominees of Governments, and in theory devote themselves to the service of Uno alone as international civil servants. On appointment they take an oath of allegiance to Uno, and bind themselves not to "seek or accept instructions" from any national Government. But something more than such a promise is required if Uno officials are really to be detached from national Governments, and an impartial *esprit de corps* is to be formed. The Secretariat has to be recruited from ordinary human beings who have to make provision for their future; they cannot be free from hopes and fears about employment in their own countries unless they have a high degree of security of tenure. So far a job with Uno has offered no such security. The longest contracts for a very few of the highest officials have been for five years, but the vast majority of the staff have been working on monthly contracts. Under these conditions it is impossible to expect men and women, especially those who come from countries where any dissidence from official policy or publicity is liable to be regarded as treason, to be indifferent to the possible consequences of getting on the wrong side of their national Governments. If Uno is to render the world the services which it can render within the limits of its Charter, an increased security of tenure for its Secretariat staff is one of the first essentials.

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The State of Denmark

By the death of King Christian X Denmark has lost a sovereign whose sagacity, high sense of duty, and ease of manner

endeared him to his subjects. The Crown Prince becomes King Frederik IX, and once again a Frederik succeeds a Christian. On a comparison of the state of Denmark with the state of the world at large—or more particularly with the plight of Greece where his kinsman, Paul, has similarly just succeeded to the Throne—the new king has little cause for dissatisfaction with his inheritance. The present Danish Government of Mr Knud Kristensen, which appears to be losing ground slightly, has surmounted a series of crises since its formation in October, 1945. As it is a minority régime of right-wing Liberals (*Venstre*) with only 38 seats in a Parliament of 148 members, it is likely to be faced with more. Although outnumbered by the Social Democrats with 48 seats, and their allies the Communists with 18, it has when in difficulties the support of the 26 Conservatives and 11 Radicals.

At the General Election in 1945 and the municipal elections last Spring, the Social Democrats, who had for long held power, had considerable losses. Some of their more radical supporters went over to the Communists. Other supporters, doubtless seeing the resemblance between their nationalisation plans and German control, swung to the Right and voted for the Liberals' "return to economic freedom" and, though perhaps to a lesser extent, their proposed revision of the Danish-German frontiers. But these policies have lately begun to look more difficult or more unreal, and there has consequently been a slight, though significant increase in the strength of the Social Democrats. At the end of 1946 it was estimated that the party membership had increased during the year by 11,000, giving a total of 260,000 out of a population of 3,500,000. The voting earlier this month for the elections of one-half of the elected three-quarters of the Upper House confirmed this estimate. Although the Government vote increased, so did that of the Social Democrats who seem now to be emerging from their eclipse.

The constitution of the Upper House makes it impossible for this tendency to have any direct quick results. The Prime Minister, however, announced as soon as the results of the poll were known, that he expected the Social Democrats, encouraged by the shift in the electorate's mood, to intensify their efforts to force a new election to the Lower House. This would normally not take place until the end of 1949. As long as the Conservatives and Radicals go on rallying to the Government in its difficulties, it is unlikely that the Social Democrats will be able to advance that date, even if their prospects of returning to power improve.

* * *

The Domestic Profession

The opening of the National Institute of Houseworkers, headquarters of the Government's domestic training scheme, may or may not herald a new era for housewives and their helpers; probably not. The minimum wages suggested for adults (£2 1s. 6d. resident, £3 11s. 6d. non-resident) are too low compared with those for juveniles (£1 11s. and £2 13s. 6d. respectively) to make domestic service appear a "skilled" trade, let alone a profession. And the stipulated 48-hour week bears no relation to the nature of household activities and to their spread through the day. They range from the heavy manual labour of floor-scrubbing through the concentrated artistry of cooking to sitting in an armchair replacing buttons, with one ear open for the baby; and while 48 hours of the first category is too much for anyone but an Amazon, 48 hours of the last is not a working week at all. What the Institute's 48 hours will mean in practice will depend on the one hand on the housewife's ingenuity and ruthlessness in concentrating within its compass all the most skilled and strenuous labour, and on the other on the employee's *ca' canny*. For the tiny minority employing several domestics and so able to arrange shifts, no difficulty arises. But to those who most need help—the elderly or invalid with an old-fashioned house, the mothers of young children, and that total misfit in the social system the professional woman with a family—the diploma-ed and clockwatching product of the Institute will be about as useful as an odd shoe to a barefoot traveller.

The truth is that no practicable improvement in pay or hours is likely to make resident domestic service attractive, as a lifetime profession, to any normally alert, sociable and ambitious young woman. On the other hand it is, more than any other occupation, an education in the basic technique of what is still most women's vocation—that of home-making; and thus an admirable way of spending some part of the seven or eight years between school leaving and marriage. Similarly, full-time non-resident work—cycling or tram-riding from job to job, finding everywhere an accumulation of the grimmest floors and the grasiest dishes, and with one's own housework to do before or after—hardly looks as attractive as work in shop, office or factory; but to the childless wife or woman whose children have grown up it offers, as more

organised occupations do not, a handy part-time source of income. Altogether, the Institute, by recruiting a few more to a much under-staffed field, will help matters, even if they go, as, owing to the provision about hours, they mostly will, where they are least needed. Any real solution to the domestic problem, which is part of the problem of the family in society, must come through something both more far-reaching and less definite; a change in public opinion, a change in private personal standards. Possibly the greatest value of the National Institute of Houseworkers will lie in its indirect effect on these.

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Believe: Obey: Work

To the official mind, it would seem that there is something inherently shocking in the public receiving any item of information from official sources otherwise than through the recognised channels; even then the information should be released sparingly. Social surveys of various kinds are conducted by various bodies, from the Ministry of Food's own survey on food consumption to the BBC's continuous investigation into the preferences of the listener. The information so collected may have come from public sources; it certainly concerns public activities and is paid for with public money. The natural official reaction is at once to mark it "confidential." Information released is dangerous. It can be misused, distorted and misunderstood. It may even suggest further questions that may be put to embarrass hard-working officials. There is a lot to be said for a poster campaign. The amount of information which you need give varies inversely with the size of the sheet you use to disseminate it.

Accusations made in Parliament last week have illustrated the advantages and disadvantages of this attitude of mind. Clearly there would be little to recommend in the giving of advance information of a budgetary nature to a selected few, to enable those few to profit by a rise in the prices of Courtaulds or British Celanese shares. On the other hand, it is clear that a more open approach to the release of information might have avoided the suggestion that parliamentary journalists are compelled to haunt the bars of the Palace of Westminster in the hopes of finding some MPs in their cups. It is, of course, only fair to add that the Central Statistical Office strides happily on down the middle of the road, handing each month to those who can understand them (and to those who cannot) the basic data from which a true picture of the country and its activities can be constructed.

Yet, even where information is given, can it be said that it is given in a form that translates it into concrete images in the mind of the man in the street? The Government has now launched a new publicity campaign for output—"a campaign of explanation and fact-giving, not of exhortation." But even this, much more desirable, method of publicity is not likely to get home unless it is successful in awakening interest. If the man in the street is to absorb any facts at all, he must first be made interested in the subject to which they relate, and so receptive to facts concerning that subject. It may be that interest in the indiscretions of a bibulous MP is not the best form in which concern for public affairs can reveal itself, but, then, have MPs any conception of how dull some of them can be when they are sober?

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The Arab League and French North Africa

The Arabic equivalent of "coo-ee" is ringing along North Africa. Last week the Sultan of Morocco, on a visit to Tangier, spoke of his "ardent desire to acquire full rights" and of his "firm ties with the eastern Arab countries." At once, Azzam Pasha, the Egyptian Secretary-General of the Arab League, replied by telegram that the Sultan could count on full League support in his demands for independence. The League has for some months been sponsoring better organisation of the North African Nationalist parties. These hope to entrust the independent Arab states with the task of appealing on their behalf to the United Nations. How do these new developments affect the League and the Quai d'Orsay?

Arab League statesmen are delighted. Not being at one on all internal Middle Eastern issues—for instance, on Egypt's wish to question Sudanese rights before Uno—they seize with satisfaction upon a diversionary and non-controversial topic. The liberation of fellow Moslems from western tutelage is a situation with which they are familiar and which they know to bind them in unity and harmony. They are unlikely to let the subject drop.

Frenchmen see the matter differently. They encourage their protégé the Sultan to pay Tangier his first visit, because the greater his influence in the two non-French zones of his domain, the better it suits the principal protecting Power, which is France. But they did not expect him to speak as he did. Indeed, it was—to say the least—unfair to the quality and quantity of France's contribution to his prosperity that he should make no mention of ties with her and should speak of the future as if it lay exclusively on an east-west, or Arab, axis. He knows, and admits, that he must rely on his French friends for defence purposes. The French have also, in thirty years, brought under the control of the Maghzen or central government, turbulent Berber areas which it would have had no hope of controlling without their support. They have poured, and are still pouring, money into the country. They are proud, and with reason, of their effort. They have just embarked on a programme of political and social reform. Is a ruler who owes most of his power to them to be able to cut the painter just because he wants to keep abreast of an independence party, and now thinks that France rules too directly?

Were North Africa developing in a vacuum (as, indeed Algeria developed in its day) Frenchmen of all parties could and would no doubt work to induce all three territories to see the economic value and the security of accepting the place that France desires them to occupy in the French Union. But, swept as the area is by outside influences, its future is unlikely to develop so simply. For if Morocco binds itself to the Arab League, Tunisia—always more malleable and more open to Egyptian influences—is bound to move in the same direction. Only Algeria, where at least half the educated Moslems wish to retain a link with French culture and French politics, may hesitate to follow suit. A pointer to the future will be obtainable when the new Algerian constitution, now in draft, comes before the French Parliament. There, fifteen Algerian Moslem deputies, duly elected by Moslem electors, will have their chance to speak out. And of the fifteen, eight are assimilationists wanting closer union with France.

The Geneva Negotiations

The meeting of the Preparatory Committee on Trade and Employment at Geneva has got to grips with its first essential task, the negotiation of tariff and preference reductions, rather more quickly than at first seemed possible. The early start of these negotiations appeared to be threatened on two counts. First, it was found that considerable differences separated the British and American views on the procedure to be followed in the negotiations. The Americans, fearing that the other countries at Geneva might tend to line up against them, suggested that the negotiations be kept multilateral throughout, and that all countries represented should have access to information about the course of each set of bilateral deals. The British and Commonwealth view was that to follow this course would be to give away considerable bargaining advantages to other countries who would be given a pre-view of others' potential concessions before they made their own offers. This issue appears to have been decided against the United States, and every delegation has been left free to decide whether or not to pass on to third parties information about its negotiations with the various countries represented. The second threat of delay came from the fact that a number of the member countries were not prepared to begin negotiations immediately. They pleaded lack of adequate warning, but beneath this excuse could be seen a wish to "test the market" and see what other countries were prepared to do before they themselves made their own offers and bids.

In spite of these difficulties a real start has been made with the actual task of tariff negotiations. The most crucial of these negotiations, that between Great Britain and the United States, began on Wednesday, when representatives of the two countries exchanged lists offering tariff concessions. Lists of their respective demands had already been exchanged some time ago. Tariff talks have also begun between the United States on the one hand and Canada, Czechoslovakia and France on the other. France has also set in train negotiations with China, Canada and South Africa. Of the 120 scheduled bilateral tariff negotiations, dates for starting them have been provisionally fixed for as many as 96. Of these, 24 will have been set in motion by the end of April, 48 in the first half of May and 24 in the second half of May. The United States, with their considerable command of manpower, have negotiating teams available to meet every country represented at Geneva, and are providing the principal stimulus to rapid progress. The prevailing feeling in Geneva is that the negotiations now begun will appear to stall for a considerable time, but that progress, when it begins, will be fairly rapid. It is,

however, regarded as unlikely that the log jam will break much before the end of May, and the hopes that this part of the task of the Preparatory Committee might be finished before the end of next month appear to be doomed to disappointment. This does not mean that discussion of the charter will have to be postponed, but that the closing stages of the tariff negotiations will certainly impinge considerably on the second part of the Geneva discussions.

Prison Labour

In 1933, a Departmental Committee on the Employment of Prisoners summed up its findings with the words "prisoners became adept at wasting time unobtrusively." During the war, however, as the two reports, recently published, of the Prison Commissioners revealed, their work was very different. The demand for prison labour, from the Services and elsewhere, introduced an entirely new outlook, and the prisoners' output proved to be remarkably satisfactory. In the Young Prisoners' Centres and Borstal Institutions where the prisoners were working on sub-contracts, there was "a marked improvement in industry and discipline," and the farmers who employed prison labour, working under only nominal supervision, generally found it the best emergency labour they had.

Is there now to be a return to the pre-war position, when prison employment merely meant that prisoners became confirmed in the habit of half-hearted work? In the past, prisoners were only allowed to work for the prison service or for Government departments. The prison authorities, therefore, dared not speed up the work in case the contracts would not last out. With the extension of the Government's activities, it should be possible to increase and vary the contracts without infringing this principle. But is the principle itself really justifiable? After all, the effect on industry and the labour market as a whole is the same whether prison labour is employed on making mail bags for the Post Office or sacking for industrial firms. The important thing is that there should be no under-cutting, a principle which was maintained during the war when contractors paid the Prison Commissioners for the work done on the same basis as applied to their own factories.

No doubt, the increased output during the war was partly due to a genuine patriotism. If another stimulus is needed in peacetime, it could be provided by an extension of the earnings scheme. The paltry sums the prisoners can earn at present, never more than 11d. a week and often only 4d., cannot have any effect on their work or outlook. From the prisoners' viewpoint, the increased cost of living is almost entirely a matter of the increased cost of tobacco, and, even before this year's Budget, he could only earn about one cigarette a day.

It is impossible to read the Prison Commissioners' reports without realising that a genuine effort is being made to ensure that a prison sentence should educate and reform the offender. In their 1942-44 report, they admit that it was perhaps the first time that the section on employment was appropriately included under the heading of training. Nothing could be more likely to undo the efforts that are being made than a return to the pre-war system of discharging men and women who have not learnt to do a proper day's work.

The Regent's Park Terraces

The Gorell Committee, set up to consider the future of the Nash Terraces surrounding Regent's Park, has reported* in favour of preserving all or a majority of the terraces with their original façade and as residential units; with this conclusion the Government declares itself "in sympathy." There are, however, serious practical difficulties. The houses are now in a very poor condition with dry-rot almost universal. The Committee in effect censures the Commissioners of Crown Lands for having left the work of repair to their tenants and the Government for taking so few steps to prevent the recent deterioration of the many derelict or bomb-shattered houses. Moreover, 212 out of the 374 terrace houses have already been taken over by the Ministry of Works for temporary use as government offices, an arrangement made in secret immediately before the Committee's appointment and one which it finds undesirable. The superficial repairs now being carried out by the Ministry will be of little assistance towards the proper rehabilitation of the terraces, which will in any event be an uneconomic proposition; by contrast, complete demolition and rebuilding on modern lines should be a profitable commercial investment. Finally, the length of life of the rehabilitated terraces might not be long—perhaps no more than fifty years.

* Report of the Committee on the Regent's Park Terraces. Cmd. 7094. H.M.S.O. 1s.

Despite these difficulties, the Committee are certainly right. These terraces are one of London's greatest architectural glories, and it would be stupid as well as tragic to destroy them at a time when the nation has decided to foster the art of town-planning and when a satisfactory new school of British architecture is still very much in the making. On a purely commercial basis, their value as examples to students and as attractions to tourists are considerable. Rather should the present opportunity be used to improve the access to the park from surrounding areas and to replace some unsatisfactory buildings with the Music Centre and the hostel for university students which have been suggested. Accommodation for students, which is badly needed and would be ideally sited in this area, might be best provided by an interior conversion of one of the terraces.

The estimated cost of rehabilitation, at existing prices, would be high, but not unduly so. It would vary from £1,350,000 to £4,250,000, according to whether the houses were simply restored or were partly reconverted into flats. An Exchequer subsidy would be unavoidable, but there seems no good reason why—as the Committee recommend—differential rents should be fixed to enable some poorer tenants to live there. The tenants would be subsidised in any event, and the taxpayer should not be asked for more than is needed to let the houses in good condition to those who attach special value to living on this site. If the terraces are not to go to rack and ruin, it is now up to the Government to display greater understanding and energy than it has done to date and to make wise use of its own temporary tenancy.

Shorter Notes

In a Note on "Further Education" in *The Economist* of March 29th, page 449, the statement was made that the Education Act of 1944 demanded that "compulsory part-time education should come into being three years after the raising of the school-

leaving age." Actually, the position is more complicated. Within these three years local education authorities become liable for the duty of establishing and maintaining county colleges. An Order-in-Council was recently made placing the responsibility upon them, and a circular has been issued directing them to prepare schemes for county colleges. But the circular states that the Order-in-Council has no reference to a possible date for the completion of the provision for county colleges nor to the date on which compulsory attendance at them is likely to be imposed.

After a wartime period of stability, the inevitable increase of rates is now getting into its stride. The average rate in county boroughs rose by only 1s. between 1939-40 and 1945-46; it was increased by 1s. 5d. for the year just ended and for the coming year it has been put up by 1s. 8d. The new average level of 18s. 7d. compares with a pre-war average of 14s. 6d., an increase that is still very modest when contrasted with the fall in the value of money; but the increased outlay on some services, in particular on education, that is now beginning to be felt will make increasing demands on rate income in the coming years.

The demands made by the swollen Civil Service on accommodation in the London area are illustrated by a parliamentary answer given on Monday, when it was disclosed that Government departments hold on requisition in the London civil defence region no less than 40 hotels, 854 large houses, 409 small houses and 1,479 flats. Another answer on the same day stated that in the present year permanent and temporary office space will be built for Government departments in London to the extent of 190,000 square feet and 428,000 square feet respectively (plus 70,000 and 2,380,000 square feet elsewhere than in London).

Letters to the Editor

The National Income

SIR,—In the first two tables in the article on the National Income White Paper in your issue on April 19th you give certain figures in brackets which you state "cannot be deduced from this year's White Paper" and "have required some interpolation or estimation by *The Economist*." Unless I have interpreted the figures in the National Income White Paper incorrectly, all the categories which you give in brackets except those for "net receipts of interest, etc., from overseas" and consequently for the "gross output of the United Kingdom," can in fact be obtained from the figures in this year's White Paper as follows:—(The main numbers refer to those used in the Main Tables of the White Paper itself, i.e., Tables 15, 16, 17 and 18.)

	£ million	1944	1945
Gross Available Resources	10,820	10,965	
(Item 7+8+9+56)			
Gross National Product	10,161	10,090	
(Gross Available Resources less item 10)			
Gross Capital Expenditure at Home	97	631	
(Item 9+56 or Item 60)			

These figures are slightly different from those given in your article.—Yours faithfully,
ELY DEVONS
Department of Economics, University of Manchester
[Mr Devons is quite right. We had failed to notice one item.—EDITOR.]

The Budget

SIR,—It seems a great pity that the Chancellor of the Exchequer has once again missed the opportunity to offer effective inducement under PAYE.

Voluntary absenteeism arises mainly because the standard rate of tax, even after allowing for earned income allowance, is too high to offer inducement to work. And indeed anything over, say, 6s. should not be charged until high levels about the sur-tax level are reached. There is no doubt that the present high level cannot be continued indefinitely.

Something, however, could have been done. In 1945-46 the effective standard rate of 10s. less one-tenth, that is 9s., was not reached until £272 had been earned by a single man. It was the young single men who chiefly absented themselves. £272 is one-tenth earned income relief plus £80 plus £165, and represents £5 5s. a week.

In 1946-47 the standard rate of 7s. 10½d. (9s. less one-eighth) was reached at £269 (one-eighth earned income relief plus £110 plus £50 at 3s. plus £75 at 6s.), which equals £5 3s. 6d. a week.

Now it is to be the standard rate at £282 (one-sixth earned income relief plus £50 plus £125), which equals £5 8s. 6d. a week, the standard rate being 7s. 6d. (9s. less one-sixth).

This will not encourage extra work. If a workman is earning 25s. a day, he reaches full rate after working four days a week, and the concession now given will not make an extra day's difference.

Had Mr Dalton restored the reduced rate to £165 at 6s. (if he could not afford to give £50 at 3s. and £115 at 6s.) the standard rate would not be reached till £330 had been earned, which is £6 7s. a week. £330 is arrived at by taking earned income relief one-sixth plus £110 plus £165.

Is it too late to amend this?—Yours faithfully, H. H. BARKER

Saxby, Southbourne, Bournemouth

The Eastern Frontier

SIR,—I agree fully with the author of your note on "The Eastern Frontier" in your issue of April 12, 1947, that Russia has robbed a territory which was "more Polish than Russian," and I would like to add that of the 12,012,000 people who lived in this territory in 1931 there were 4,794,000 Poles but only 120,600 Russians.

I cannot, however, agree with the statement that in compensation the Poles now want to rob a "still weaker" neighbour—the Germans.

First of all, the territory claimed by the Poles was once Polish. In the eleventh century the rivers Oder and Neisse were Polish

frontiers and west of them lived not Germans, but Slavs. For centuries this territory was robbed—to use the author's own expression—by the Germans who applied the same methods as those which roused the indignation of all the civilised world during this last war; and, if a great part of the British—and even more the American—public agree with the historical claims of the Jews to a country which they left, flying from persecution, 2,000 years ago, why not admit Polish claims which are more than twice as recent?

Then, one must not forget that this “weaker neighbour” attacked Poland deliberately, killed 5,500,000 people, destroyed at least 50 per cent of the total national property and more than 75 per cent of all Polish cultural works. Is it immoral to claim indemnities for such damages and should one wonder that the retribution has been as great as the harm inflicted? The territory conceded to the Poles has to be big enough to permit them not only to increase their population, in 30 to 40 years, by the 5,500,000 they lost during the war, but also to the level which they would have reached in this time if there had been no war—and the Polish birthrate was much higher than the German. If this were not done, the Germans would attain their principal war aim—to prevent the pacific development of the Polish nation. Would it be moral?

And—last, but not least—it is necessary to remember that in consequence of the Yalta and Potsdam agreements, in which the Poles were never even consulted, the new Polish territory is to-day inhabited by 5,000,000 Poles and less than 500,000 Germans. Of this Polish population 80 to 90 per cent are people forcibly expelled by the Russians from their homes in eastern Poland under the most inhuman conditions one can imagine, or persons who, cruelly displaced by the Germans for slave labour in Germany, could not return home, but were compelled by the Russian-dominated Warsaw government to settle down in this new country. All these unhappy men, persecuted without reason during seven years of war, deprived of all their property, separated from most of their relatives, were thrust into a devastated land without any other help than their own hands and their will to work. And now, after they have rebuilt this land amidst such hardships and by superhuman labour, hoping to find one spot under the sun at least where they could live in peace, why should they be displaced again? Would it be moral, would it be human?—Yours faithfully, **TADEUSZ FELSZTYN**

Foxley Canadian Camp, near Hereford

Czechoslovakia's Trade

SIR,—In your Prague correspondent's report on Czechoslovakia's export trade (April 12th) he referred in a paragraph (which you headed “No Place for the Middleman”) to a plan adopted by the Government of that country to develop a system of direct sales from factory to retailer.

Trading in that country has always suffered from a lack of the services provided by the bona-fide stock-carrying wholesaler. When making a special survey for my members in 1936 I found that there were practically no wholesale textile houses such as we have in Britain.

It is perhaps interesting, therefore, in view of the additional emphasis Czechoslovakia now proposes to place on direct sales, to quote some of the points I noted at that time.

There was a very definite body of opinion among the business community which believed that a system of wholesale distribution would prove beneficial to the country. There was a high percentage of retail failures, inevitable when the trader is deprived of “wholesale protection.” Large numbers of manufacturers' travellers forced big orders on retailers when they did not know their seasonal requirements. There was no “buffer” range of stocks between supply and demand as in Britain. Representation of their products cost manufacturers an uneconomical sum because each could only show his own limited range. According to Czechoslovakian calculations shown to me, English manufacturers dealing through their wholesale distributors had an advantage of 3 per cent over the Czechoslovakian producers who had to freeze their capital in providing extended credit facilities for retailers instead of investing it in bulk quantities of raw materials.

In view of all this it will be interesting to see how Czechoslovak trading economy fares now that the present Socialist administration is still further carried away by the “no middleman” fallacy.—Yours faithfully,

W. T. CAVES,

Secretary, The Wholesale Textile Association

75 Cannon Street, E.C.4

Jewish Camps in Cyprus

SIR,—In the letter you published in your issue of April 19th, on the subject of Jewish camps in Cyprus, the writer, Mr Podhorzer, seems to forget or to ignore the following points.

(1) The persons concerned were caught while attempting illegally to enter Palestine.

(2) The traffic in illegal immigrants is on a vast scale and highly organised by Zionists whose activities are either condoned or actively assisted by the various authorities in control of the areas of Europe whence these immigrants are recruited.

(3) The appalling conditions in the refugee ships is thus the responsibility of the organisers alone.

(4) The conditions in the camps are the result of the behaviour of the immigrants themselves. The camps are equipped on a scale of lavishness undreamt of by the British soldier serving in the Middle East, and yet within a few days after occupation by these immigrants, partly by deliberate sabotage and partly by complete indifference to or ignorance of the elementary rules of hygiene, these camps are reduced to a filthy shambles.

(5) All reports concur in saying that most of the immigrants are young and active persons of both sexes. While it might be possible to make a case out for relaxing the immigration regulations in respect of the aged and infirm, there is no reason why the young, strong and healthy should not be able to find full employment and ample opportunities in Europe to-day.

I submit, therefore, it is nonsense to refer to such illegal immigrants as “the desperate survivors of Hitler's concentration camps.”—Yours faithfully,

PATRICK COGHILL

Bengeo Hall, Hertford

From The Economist of 1847

April 24, 1847

ON THE TEN HOURS' BILL
To the Editor of THE ECONOMIST

SIR,—You are probably aware that it is the opinion of some persons that an equal quantity of work will be accomplished in eleven or ten hours per day as has been effected in twelve hours per day. If so, the Ten Hours' Bill will be of undoubted advantage to the factory occupiers, as it will secure a considerable saving in light, fuel, etc.

I need not inform you that the effect of the Ten Hours' Bill will be to limit the labour of adults to ten hours a day, although this point is not distinctly stated in the Bill; for everyone acquainted with the factory system will know that the moving power will cease when young persons and children are driven away by Act of Parliament, as machinery cannot be longer profitably continued running, either for the owner or the operative.

Allow me to state what I believe to be an almost invariable principle, that the interest of the employer is identical with that of the employed; that is, we cannot have prosperity and full employment, and the operatives not partake of the benefit. Neither can the labouring classes suffer through want of employment and consequent low wages and, at the same time, the factory owners and occupiers enjoy the benefit of prosperity. Neither is it in the power of one party or the other to regulate wages. Wages will at all times vary with the variations of supply and demand. Therefore the inference is that the employer is no more praiseworthy for giving high wages during a season of large demand and under supply than he is blameable for giving low wages during the season of small demand and comparative large supply.

The Ten Hours' Bill, when it comes into operation, will at once reduce the hours of labour in all those factories fully employed. There will, therefore, be an immediate loss to the employers or employed, or both. If it fall on the workman, it operates as a tax on his only property—that is, his labour. If the employer gives more wages for work done, he must, of necessity, lay the additional cost on the goods manufactured. But there is another description of cost which he cannot avoid, viz., the rent, interest of outlay, insurance, watchmen, overlookers' and clerks' salaries, with nearly the same amount of dilapidations, which remain the same, whether subject to Ten or Twelve Hours' Bill. Then there is the waste of water-power . . . of one-sixth, or equal to two months' use during the year. All these losses will materially enhance the cost of goods, rendering the competition of foreign manufactures successful, to the ultimate loss of a considerable part of our foreign trade. . . .

I remain, Sir, your obedient servant,

A CONSTANT READER

Huddersfield, April 20, 1847

Books and Publications

A Liberal Super-Squib

“The Little Less. An Essay in the Political Economy of Restrictionism.” By A. S. J. Baster. Methuen. 161 pages. 7s. 6d.

THIS is a lovely little book; Mr Baster's deadly and economical assault suggests a skilled matador confronted with—let us say, stall-fed oxen. He must have enjoyed writing it, and his enjoyment is infectious. With meticulous attention to chapter and verse, restrained indignation, and an elegant but irreverent style, he analyses the economics of the Lunatic Years between the wars; the grand structure of private and public devices for producing less, growing less, working less, transporting less, and trading less. Not Professor Hayek himself could make more comprehensive hay of his victims; but the emphasis here is decidedly different from that of “The Road to Serfdom.” Mr Baster objects far less to Socialism, though he regards it as a poor and possibly dangerous second-best, than to the restrictionists' arthritic and emasculated capitalism.

His own alternative is a militant liberalism designed to restore—or rather to bring about for the first time—the necessary conditions of a really free price economy. Redistributive taxation, particularly on inheritance; expanded statistical and technical information services, designed to give producers and consumers something like the knowledge assumed by textbook definitions of competition; an educational war on gullibility; the root-and-branch abolition of the private power to “create” credit, and the setting-up of a Government “pool” of standard commodities to stabilise cyclical fluctuations—these are the chief items in his programme. Interests now vested in the unreal economic values evolved under the policy of the “little less” should be assigned a fair cash value and then be extinguished over a term of years—the restrictive practices concerned ceasing immediately.

While applauding Mr Baster's general onslaught, one feels that he sometimes proves too much. If food subsidies wrongfully interfere with consumers' free choice, what about the education services? Is there absolutely no room for restrictionism in remedying the discrepancies between individual and public time-horizons, nor in short-circuiting a mutually destructive competitive struggle? (This latter argument has been used in support of some far from competitively minded transactions, but misuse alone should not invalidate it.) Nor is one altogether convinced that his commodity buffer stocks, especially on a merely national basis, would really suffice to tame the cycle. But over-comprehensive attack and over-summarised remedy are natural, almost inevitable, ingredients of the pamphleteer's work; and it is as an extended pamphlet rather than as a cut-down treatise that “The Little Less” should be read. One is the sorrier to note from internal evidence that it took some sixteen months to go through the press. Possibly a compositor, dutifully “going slow” during last winter's semi-strike, noted the chapter on Working Less and vowed that the trade union movement should, in this case at least, have the last word.

Job Security

“The Guarantee of Work and Wages.” By Joseph L. Snider. Harvard Business School. 191 pages. \$2.75.

JUDGING by the comparative output of books on the subject, the American public is more interested than the British in the problems and techniques of industrial management; a fact which may partly explain the acknowledged superiority of American managerial methods. Dr Snider's “The Guarantee of Work and Wages” is a typically American recipe-book of job stabilisation, addressed primarily to business men and trade unionists. Typical, too, is the insistence that the demand of American workers for security must be met in the first instance and for the most part by private industry, with Government action as a residual remedy only. Dr Snider does indeed touch in his later chapters on Government trade cycle policy, but his treatment is perfunctory. The real core of his work lies in the private sector, the action taken by different firms (Hormel, Nunn-Bush and others) to give security of status and annual earnings to their employees.

He offers no single scheme as a model; but certain standards

of success do emerge. A scheme must be actuarially sound; a guarantee offering more security than is indicated by the firm's record and reasonable prospects means bankruptcy for the firm or default on the guarantee. It must, on the other hand, offer a real increase on existing security, or it will be meaningless. It should have a specific reserve fund to tide it over lean periods. Above all, it must be worked in a spirit of thoroughgoing co-operation by both sides. Indeed, the impression left both by Dr Snider's studies of individual schemes and by his general conclusions is that the benefits of the guaranteed wage are chiefly indirect and psychological. Management, faced with a certain target of stability, moves heaven and earth to spread peak loads, find off-season work, make special deals with suppliers and customers, dovetail the activities of different departments, and choose workers for their versatility; all highly profitable improvements, but no less so if undertaken independently of a guarantee scheme. Workers, no longer fearing dismissal or short-time, refrain from job-spreading, recognise their community of interest with management, improve the quality of their work, and so increase both earnings and profits; again, an improvement which intelligent self-interest could make independently. However, any device, even a mere incantation, which sets management and labour thinking constructively and jointly about a difficult and often disruptive problem of their relations is well worth while.

The London haulage strike showed how important is a clear understanding, on both sides, of what the guaranteed work week entails. Dr Snider throws little light on such difficulties of interpretation in America; he touches on them here and there, but only in terms so diplomatically general as to be meaningless. This over-delicate diplomacy, and a certain haziness of theory surprising in a specialist on industrial fluctuations, are the weak points of a book whose interest to all concerned in industrial relations is certainly not limited by the Atlantic.

Quick Disillusionment

“The Covenant and the Charter.” Henry Sedgwick Memorial Lecture. By J. L. Brierly. Cambridge University Press. 1s. 6d.

IN the lecture now printed as a pamphlet Professor Brierly, who holds the Chair of International Law at Oxford, has made a comparison of the League of Nations Covenant and the United Nations Charter which is severely to the disadvantage of the latter. He points out that the League Covenant sought to “create a system of co-operation between states, which were to retain their sovereignty but to agree to do and not to do certain things in the exercise of their sovereign rights”; the League was always “they” and not “it.” The United Nations Charter, on the other hand, has tried to move from a co-operative to a corporate system, towards what the American Constitution calls “a more perfect union.” The United Nations “confer on the Security Council primary responsibility for the maintenance of international peace and security.” The trouble is, of course, that the Great Power veto prevents the Security Council from discharging this responsibility, and as the Member States have hardly any definite obligations apart from the decisions of the Council, there is even less “collective security” than there was under the League.

Professor Brierly exposes the basic contradiction between the Charter's professed purpose “to take effective collective measures for the prevention and removal of threats to the peace and for the suppression of acts of aggression” and its admission of a veto right which “has made it impossible that enforcement measures should ever be taken against a Great Power.” This contradiction is so obvious that one can but marvel how such a system came to be solemnly accepted by the world. Never was so much humbug sold to so many by so few. That it was successfully put across was due to the intensity of the hope of mankind for a real international order, a hope which was ready to gulp down any patent medicine. But disillusionment has come quickly this time and, as Professor Brierly remarks, “it is something that we should face the future, as I think we now do, with a fairly general realisation of where we stand.”

AMERICAN SURVEY

Emergent Policy

(From Our US Editorial Staff)

PUBLIC concentration on the combative aspects of what Mr Baruch calls the "cold war" now in progress should not obscure the fact that behind the Marshall "tough line" is a new phenomenon. Contrary to American habit, a foreign policy seems to be emerging which has both shape and direction.

The action which implements the policy may seem at times both over-brusque and over-eager, but those are novice's faults. At least it has got past the stage of timid fumbling. When Mr Truman asked for the repeal of that vestigial skin of isolationism, the Neutrality Act of 1939, he sought not only to get rid of detritus, but also to recommend new legislation more in keeping with present circumstances. When Mr Vandenberg pinned verbal orchids on the 57th birthday of the Pan-American Union he talked to the whole hemisphere, and not merely to that portion of it lying below the 49th parallel. The inverse effect of Mr Wallace's criticisms on the Greek-Turkish aid bill, the State Department announcement that negotiations of the American-Soviet Joint Commission in Korea had broken down and that the United States would therefore act independently, the current trade activity in Geneva, the attempts to find a basis for dealing with Mr Perón which shall satisfy Argentina and mollify those American critics who remember his history—all these point, as do Mr Marshall's daily disagreements in Moscow, to a congruent line of action wherever American interests are deemed to lie.

That policy is driven by three motors—impatience with the lack of progress in peace negotiations among former allies (and in particular with what looks to some people like intentional non-progress), distrust of the effects of exported Communism, determination to strengthen the United States against real or fancied aggression by putting into effect a modern version of that recipe for victory ascribed to a general in the war between the States—"to get there fustest with mostest men." That in some instances it is literally men while in others it is money, machinery, the loan of industrial and scientific "know-how" is in accord with modern strategic practice. The attitude of the military mind toward long-term planning is very different from anything which comes to the mind of an economist or a politician when he hears that word. Its influence on American foreign affairs in the present administration is far from being a figment of the imagination, and cannot be usefully discounted by any reliance on the previous American habit of preferring to go diplomatically in flannels.

During a single week the policy has led the United States into plans for action north, south, west and east, as well as at home. Mr Truman's request for the repeal of the Neutrality Act of 1939 was made on the ground that the ammunition control sections of that law were "particularly ineffective in dealing with current problems." He did not state which problems he had in mind. In asking for a new and different control law to take its place he said—and no surer measure

of the difference between 1939 and 1947 exists—"We have committed ourselves to international cooperation through the United Nations. If this participation is to be fully effective, this Government must have control over traffic in weapons which will permit us to act in accordance with our position in the United Nations and will be adaptable to international conditions." It was not until the end of the next paragraph that he brought in "the security interests of the United States," and not until the end of the Message that he paid his respects to the bogey which had done so much to inspire the original Act, the international arms brokers.

Mr Vandenberg's gesture northward in inviting Canada to take her seat in the chair which has been waiting for her since the Pan-American Union building was erected in 1910 might be shrugged aside on the ground that his language was birthday oratory. Yet observers noted that only a month earlier the Canadian Deputy Minister for External Affairs, Mr Pearson, had made a speech in New York City in which he supported Pan-Americanism within the framework of the United Nations. At least one division in the State Department is said to be working on studies designed to relate the Pan-American Union closely to the United Nations, and there are those who believe that a formal invitation to join the Union may be extended to Canada at the coming Bogotá Conference.

Southward, the policy apparently calls for eating a rather tough crow. If ways can be found, without too great indigestion, for disposing of the policy towards Argentina which Mr Braden initiated in 1945, and if at the same time Argentina can be persuaded to comply with the promises she made at Chapultepec and has been disregarding ever since, the Bogotá Pan-American Conference may usher in a new and broader version of the hemisphere co-operation which Mr Roosevelt made so important and which Mr Truman has left to wither to such dangerous unimportance. On the result of the Bogotá Conference will depend the much-postponed Rio Conference on hemisphere defence. Whether negotiations will proceed to the point where military equipment and experts will be sent south no matter what the political colour of the recipient is a question which is being watched with rather bitter interest by those who do not trust Mr Perón as much as Ambassador Messersmith might like.

Moving west, across the international date line the policy stiffens. To free Korea has been a declared American intent since 1943; to free it in the American way became difficult when Japanese forces in the north surrendered to the Russians and split the country in two. In 1946 a Joint US-Soviet Commission was appointed to set up a provisional Korean democratic government, but it bogged down in arguments over what "democratic" meant in terms of Korean politics. Mr Marshall now informs Mr Molotov that "the United States, mindful of its obligations under the Moscow Agreement, sees no alternative to taking without further delay, such steps as will advance the purposes of that agreement."

Mr Wallace's speeches on the eastern side of the Atlantic are affecting the new policy, though not in the direction which Mr Wallace would prefer. Not only do they raise the blood pressure of his enemies in both political parties; this week they stirred those enemies into a positive enthusiasm for the Bill to extend aid to Greece and Turkey. The inverse galvanic effect of the Wallace crusade was a decisive Senate vote for the President's policy.

Ironical though this action may seem, the Wallace evangel

cannot be taken too lightly. Whatever his offence against political etiquette—an offence shared by Messrs Churchill and Laski—Mr Wallace still holds the key to the conscience of the American liberal. That he has not always used it wisely does not save them from a sense of sin when he chooses to stalk and talk as a prophet. Many of them believe that the policy of amity which he is preaching has been tried and has failed, but that he should continue to advocate it makes them newly aware of the dangers to an irritated world that lie in the policy of hard realism which has taken its place. Whether he can capitalize on this sensitivity for his own political advantage is more dubious; but the discomfort he is causing his friends may make them look more closely into the potential perils of the course he is attacking.

Meanwhile the costs, at home and abroad, of the emergent policy of expansive defence are beginning to attract analysis. Representative Herter of Massachusetts has introduced into the House a Bill calling for a committee on foreign aid to consider relating the foreign expenditure of the United States to its resources and objectives. Exclusive of the Bill for aid to Greece and Turkey, which calls for \$400 million, there has already been allocated, in goods or money, \$16,788 million for foreign spending, a figure which is eloquent even in the United States. Food prices have already risen in reply, cartoonists see the scrawny curs of inflation sniffing in the national dooryard, economists discuss the reallocation of resources which will be necessary if American wealth is to be spread so far and

hence so thin. And Mr Baruch, dedicating his own portrait in the South Carolina legislature, calls on the nation to work harder and for longer hours "if we are to regain our heritage; if we are again to be the missionaries of hope and to be rewarded for our effort . . . Until we straighten out and solve our own problems of production, and have internal stability, there is no basis on which the world can renew itself."

The cost of the new policy abroad, in terms of influence and durable friendliness within the United Nations and with individual governments, remains to be assayed. Indications that the policy is any more successful in persuading Russia to co-operate than was the less militant policy it replaced are hard to find, but there is no indication that the converse is true. Russia stirs her great bulk only after the last card has been played, and that moment has not come. As for Britain, the problem is more complex, and whether the Labour government will choose to regard the nascent military republic as bulwark or competitor in Western Europe is a vital choice that is yet to be announced.

Meanwhile the power of the motor force presently at work may be gauged from a sentence in the report which Mr Marshall (then General Marshall) made to the President in 1945 in his capacity of Chief of Staff. "We may again elect to depend on others and the whim and error of potential enemies, but if we do we will be carrying the freedom and treasure of this great nation in a paper bag." The work of providing luggage which shall be less vulnerable is now under way.

The Vanishing Chinook

(From a Correspondent in Oregon)

PACIFIC salmon are born on clean gravel in the clear waters of mountain brooks. Early in life the baby fish get into the current and slide backwards to the sea. They remain in salt water until maturity, four years later, when they return to the place of their birth, spawn, and die. Later their rotting bodies serve as food for their own offspring *en route* to the sea. The salmon one buys in tins were adult fish caught in fresh water on their way to the spawning beds. So long as some salmon are permitted to escape and spawn, the runs usually continue year after year unabated, for most salmon eggs in the natural course of things serve as food for trout and other enemies; when the egg crop declines, they decline.

Most tinned salmon comes from Alaska. But the choicest of the five Pacific salmon tribes is the royal chinook, which runs in commercial numbers chiefly in the Columbia River, and the life cycle of the chinook is being disrupted. It has been argued by fishermen that the decline in the run is due to construction of dams, but this contention cannot be proved with present evidence. A minor fraction of the run was probably lost with the building of Grand Coulee dam, 550 feet high. But few salmon ever went as far inland as that. At Bonneville, only 150 miles from the Columbia's mouth, fish ladders were built beside the dam.

The ladders are a 60-foot climb at low water. They are narrow at the top, so that all fish coming up can be counted. During the first season 271,799 chinook went up. Next year the number was 286,217. But since spawning salmon are four or five years old, it could not be known until the fourth year whether sufficient salmon were getting up past the dam, and sufficient fingerlings coming down unhurt, to maintain the run. In the fourth year, 1941, the count was 461,548. In the fifth year 401,998. In 1945 the run was 445,718.

The commercial season usually opens in April and runs to November, with a brief summer closure and weekend closures throughout the season. The greatest run comes in September. The runs are erratic. In one three-day period 149,661 fish passed Bonneville, more than a third of the total 1942 run. It is a sight for tourists—salmon, weighing from 20 to 50 pounds, crowding up the ladders. Sometimes these peaks occur during

closures. Millions of chinook are caught. For instance, over 16 millions were caught on the Oregon side of the Columbia in 1941. The catch in other streams ran the total to well over 20 millions.

Clearly Bonneville dam is no bar either way. And yet the catch of fish is declining. In the past, the commercial pack, the only available yardstick, has been as high as 400,000 cases. The largest pack in recent years was 328,000 cases, and in 1945 it was down to 132,000. Nor is this due to any lack of demand. Commercial fishermen, using gillnets, catch as many as they can, and most of the fishing is done below Bonneville because fish are fattest when taken nearest the river's mouth—mature chinook never eat after entering fresh water.

Why is the run declining? Choked brook mouths and covering of eggs by silt due to logging are factors. The escapement of fingerlings into irrigation ditches is another. Stream pollution takes its toll. These can be combined into one word—industrialization. Can the chinook salmon survive civilization? The deleterious factors mentioned are being corrected, for the chinook salmon is worth a minimum of \$10,000,000 annually to the state of Oregon. But no student of the problem believes these measures will restore the runs. Whether hatcheries will reverse the trend remains to be seen. Hatcheries currently release more than 20 million chinook annually. Many fingerlings have been tagged when released, and few tagged fish caught. But this proves very little. Last year, experiments were started in clipping fins in different ways, with the fingerlings released in batches at different times. Answers are sought to the questions: Are the fingerlings held in the hatchery too long, or not long enough? Are fingerlings reared in a hatchery on a diet of animal viscera under ideal conditions sufficiently rugged to survive the journey to the sea, there to grow and eventually to return?

Many people believe that if healthy fingerlings can be got to the sea, the problem will be solved, for adult fish always return to the stream of their birth. But will it? About the time the decline became alarming, albacore tuna appeared in great numbers off the Oregon coast, saving many a fisherman from

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

bankruptcy. That tuna live on young salmon is unproven. And that the stupid tuna could drive the fighting chinook from their mysterious pastures in the sea is doubted by every man who has ever hooked—or failed to hook—a chinook.

Is it then just civilization? The chinook is a primitive creature, refusing the tastiest of baits, yet striking furiously at a bit of flashing metal in the water; a creature that will fight with the last ounce of strength to reach a particular spawning bed, making unbelievable leaps up swift rapids on the way. Yet big chinook will swim for hours in the top pool of the fish ladders at Bonneville before crossing the two-foot white painted submerged board at the counting station. They approach the board, turn away, seek a less exposed passage, come back to the board, turn away again. They take the ladders in their stride, but shrink from that split second exposure on the flash board. Dead fish which have not spawned, found later below the ladders, indicate that some prefer death to this exposure. Or was the climb up the ladders too much? Nobody knows.

American Notes

Pilgrims' Progress

By the decisive vote of 67 to 23 the Senate on Tuesday approved the \$400 million Bill for aid to Greece and Turkey. The measure now goes to the House, where every indication suggests that approval will be given by an equally substantial majority vote.

It is noteworthy that in the Senate the Republican Party gave a more than two-to-one vote for the President's policy—35 for and 16 against. Thirty-two Democrats supported the majority and seven voted against the Administration. A number of Senators, however, made reservations in expressing their decision to vote this time with Mr Truman. Senator Taft, for example, said that national prestige alone compelled his assent. To Senator Vandenberg was left the task of dealing with Senator Johnson, Democrat from Colorado, whose sustained and vigorous opposition to the Bill was based on the allegation that such a step was equivalent to a declaration of war. Senator Vandenberg declared that Congress was asked to support the independence, and not the monarchy, of Greece; that without support both Greece and Turkey might become "totalitarian satellites"; that the United States could not afford to be isolated by possible "chain reactions" from the loss of these countries as independent units, and that, finally, the United Nations could no, at present, give the necessary lead.

The very substantial Congressional majority, however, does not conceal the fact that many Congressmen are profoundly uneasy—and altogether perplexed. A major criticism is that President Truman made an abrupt reversal of tactic by failing to consult fully with Senator Vandenberg and thus reinforcing opposition by the omission, for example, of Mr Vandenberg's clause covering Uno authority over US policy. As on earlier occasions, it does seem to be quite true that Mr Henry Wallace has succeeded only in giving reinforcement to the policy which he is now opposing. Far beyond Mr Wallace, however, is the plain and unescapable fact that Moscow regards every possible attempt to pave the way for European reconstruction as no more than "dollar diplomacy." The threat to freedom has become so plain that only a modest minority in Congress believes that there is any practical alternative to the "Truman doctrine."

* * *

Congress Looks at Geneva

In his efforts to secure a successful outcome to the Geneva discussions on world trade policies, Mr Clayton enjoys the general support of the commercial press, and unquestionably of a wide

section of industry. In general, official statements by such spokesmen as Mr Clayton and Mr Clair Wilcox, who took the lead as head of the US delegation in the opening discussions, assume that within the terms of their authority there is ample room for agreement and for decisive concessions in the interests of trade freedom.

Congress, however, seems still to be in a far more suspicious mood. Mr Daniel Reed, as acting chairman of the House Ways and Means Committee, has complained that an air of secrecy surrounds the Geneva discussions, and he has called upon the President to supply his Committee with a daily progress report covering all commitments made. In general, Republican Party spokesmen seem to hold the view that President Truman "gave nothing away" in his recent Executive Order which guaranteed the provision of "escape clauses" in new trade agreements, and that effective control of the machinery will rest, as has been true since 1934, with the State Department.

So far from being willing to witness further concessions, a majority on the Ways and Means Committee, in fact, holds that tariff cuts under the Hull programme have already exceeded reasonable limits. So soon as budget and labour legislation are completed, the Committee plans to issue a "declaration to foreign nations" that any agreement at Geneva "will be subject to Congressional scrutiny in 1948." In the Senate the Republican chairman of the Finance Committee, Senator Milliken, plans to submit to the Geneva delegates a general Congressional review of tariff and trade plans in order to forestall "unalterable commitments."

Even those Republicans who are most vociferous in their attacks on the Geneva Conference concede that the present Congress would almost certainly not override a Presidential veto on any attempt to upset existing tariff agreements. But they believe that a general process of bludgeoning inside and outside of Congress will put severe limits on the scope of new concessions. It cannot be said that the State Department is showing any particular concern over Republican opposition. Probably officials recall that the Republican Party, despite its overwhelming votes against the grant of authority in tariff matters to the State Department under the 1934 Act, was in 1944 obliged to give that Act a conditional approval in its election programme, and they are fully aware that the majority party is by no means united on this issue. But in the light of electoral prospects for 1948 smaller nations must find considerable room for discouragement in President Truman's failure to bridge the gulf between the parties on foreign trade policy. The *New York Journal of Commerce*, which declared recently that Mr Truman's Executive Order on tariffs went beyond Republican demands "in curbing the powers of the State Department," now declares that full employment at home and uncertainty concerning the fate of the Trade Agreements Act are "two solid reasons for rushing negotiations." The *Journal of Commerce* has consistently supported the cause of trade freedom, but this statement, however well-intentioned, will scarcely reassure the weaker nations that Mr Clayton's commendable zeal reflects a permanent American policy.

* * *

Wage Agreements

Industry has given, in the main, a generally favourable reception to news of the wage agreement between the United States Steel Corporation and the United Steel Workers. This is a key month for wage negotiations, and the steel contract is always regarded as a pointer to probable results in other major industries. The full advance, estimated at 15 cents an hour, is certainly as high as US Steel wanted to go, but the contract averts the threat of a lengthy strike at a time when operations are at a very high rate, and when profit margins are certainly substantial. A statement on behalf of US Steel declared that the corporation "hoped" to absorb this wage advance without adjusting prices. An encouraging feature of the contract is that the union has agreed to cancel the so-called "portal" wage claims. Despite the discouragement given to such claims both by Congress and the courts, industry is only too willing to secure formal cancellation.

The removal of any threat to steel supplies is a good pointer for a number of major industries, some of which have still to settle wage claims. The recent settlement between General Motors and the electrical workers provided for an increase on about the same scale as that secured for the steel workers, when allowance is made for other benefits received, and there now seems to be a general belief that this key automobile company will accept a similar award for other workers. The United Automobile Workers have been perhaps the most aggressive union body in their persistent claim for a wage advance of 23½ cents an hour. Last week, General Motors made a formal offer of 11½ cents

for UAW men; on this basis, 15 cents is perhaps the right level for a bargain. Following General Motors, Ford and Chrysler contracts must be settled, but industry is now taking a definitely hopeful view.

The situation, however, is not precisely unclouded. The railroad "brotherhoods" are known to be seeking considerable wage concessions, plus new "feather-bedding" rules that could bring a damaging rise in operating costs. They are financially strong, and are well-organised. Additionally, they are known to resent deeply the emergency action by which President Truman defeated their claims rather more than a year ago. Beyond the railroad stands Mr John L. Lewis, and the continuing, though still muffled, threat of a new stoppage in the bituminous coal mines.

Organised labour, of course, is still keeping a very wary eye on Congress and the progress of labour legislation. The House of Representatives seems to have been infected by the foreign policy of the White House with belief in the virtues of a "tough line." At the close of last week, it passed by an overwhelming majority—308 votes to 107—the Hartley Bill which would impose bans on industry-wide bargaining, the closed shop, and welfare funds, and would permit court injunctions where strikes involved "national paralysis." It seeks also to limit union fees, and to "outlaw" mass picketing, "feather-bedding" and jurisdictional strikes. On this vote, the House could quite clearly override a Presidential veto. The Senate, however, is fortunately holding to the more responsible mood which defeated President Truman's hasty demand for emergency treatment in 1946, although it is also demanding a ban on the closed shop, and new authority for the injunction process. Here, the dispute has opened a bad breach in the Republican Party, with Senator Taft in furious opposition to a coalition majority on the Labour Committee. His main grudge is the absence of any ban on industry-wide bargaining in the Senate version of the labour bill, though he is demanding a much wider revision of the measure.

* * *

Commodity Exchange Controls

The recent burst of speculative trading in commodity markets has brought widespread demands for revision of the existing controls. These demands now have the formal backing of Mr Clinton P. Anderson, the Secretary of Agriculture, who declared

last month that speculation had been "talking loudly in the Chicago grain market," and that the time had come to curb further excesses by corrective action. It can scarcely be said that the Administration has acted vigorously, since the panic liquidation that developed in the cotton markets last autumn (and enforced the closure of the New York, New Orleans and Chicago markets for several days) was followed by an investigation that showed all too clearly the fragile nature of the resources behind the move to "drive cotton to 40 cents."

At no time during the last decade has there been any general revision of the regulations for the Commodity Exchange Administration. Its nominal controls cover all main commodity exchanges, and the regulation of future trading and speculation. It has authority to register brokers and merchants, to limit "speculative transactions" and open commitments, to prevent manipulation, and to "eliminate fraud, deceit and issuance of false information to influence prices."

Under recent pressure, however, CEA has found a certain lack of weight in its authority as thus defined. The re-emergence of three-dollar wheat during March, for example, brought down upon the Chicago grain market a CEA request for minimum margin requirements of 25 per cent in grains, and produced some impressive evidence of abnormal trading on the part of small operators. But CEA held no authority to enforce these margin requirements, and the Chicago market authorities did not meet the full CEA demand, though margin rates were raised quite substantially from the entirely nominal levels prevailing at the beginning of the month. CEA now wants direct Federal authority for margin rates.

In cotton, CEA did move to limit speculative commitments following the October break. Apart from hedging operations, a limit of 30,000 bales was put on speculative holdings of future positions. Operators, however, could then cover to this limit on seven future positions, and in three separate exchanges. From the beginning of the month the 30,000 bale limit applies to all future positions in any one market. New regulations may, of course, go beyond due curbs on speculative excesses and impair the flexibility of the commodity exchanges. Traders are already voicing such fears. But with the security markets so rigidly confined, and with the present weight of money seeking appropriate outlets, the time has come to review the scanty authority possessed by CEA.



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THE WORLD OVERSEAS

Northland of Canada—I

New Elements in Strategy

(From Our Ottawa Correspondent)

IN the past quarter of a century, the attitude of Canadians to their sub-arctic and arctic areas has profoundly changed. Between 1920 and 1939 the underlying cause of the new interest was mainly economic: since 1939 a still more compelling interest has arisen from strategic reasons. The discovery of oil, gold and uranium ore within the north-west territories, the rapid evolution of transportation and warfare by aircraft, the invention of rocket and guided robot missiles, the Japanese success at Pearl Harbour, and the subsequent occupation of Kiska and Attu in the Aleutians, the possibility in 1940 that the Nazis might hop from northern Norway to Iceland and to Greenland—these happenings have transformed Canadian thinking about this vast, largely barren, area, which stretches between the inhabited areas of the Dominion to within a few hundred miles of the North Pole.

Before 1920 Canada's Northland was chiefly interesting because of the romantic names connected with its exploration—such as Samuel Hearne, Alexander Mackenzie and the ill-fated Sir John Franklin—and because of the valuable fur trade, which yielded several million dollars' worth of fine pelts every year. The population of the north-west territories in 1921, including whites, half-breeds, Indians and Eskimos, was just under 8,000. The area (excluding the Yukon) as given in official Canadian publications is 1,309,682 square miles, which is well over one-third of the total area of Canada.

Oil and Uranium

The new economic era began in 1920 with the discovery of oil on the banks of the Mackenzie River. In 1930 came the spectacular discovery—to which the successful fission of the uranium atom in 1939 gave vastly increased value—of pitchblende-silver ores at Great Bear Lake. The Yellowknife gold field was located in 1934-35; a major gold rush resulted in the development of six producing mines by 1941, before the increasing gravity of the second world war discouraged further development. When hostilities were over prospectors and promoters surged back into that territory. During the past two years there has been a wide extension of the search for gold. Also, with a minimum of publicity, a broad programme of prospecting for additional uranium ores and other strategic metals and minerals has been under way.

This new activity in Canada's Northland has caused auxiliary developments in air, water and road transport, and in the supply of power, fuel and food. To provide hydro-electric power for the new settlement at Yellowknife, the Canadian Government have undertaken a development on Snare River, about 80 miles north-west of the settlement, which will provide about 8,000 h.p. Surveys for additional power sites are in progress. A road link between the railway system of Alberta and the water transportation of the north-west territories is being created jointly by the governments of Alberta and the Dominion in the form of a 307-mile all-weather highway between Grimshaw, Alberta, terminus of a line of the Northern Alberta Railways, and Hay River settlement on Great Slave Lake. Navigation conditions along the Mackenzie River are being improved. Improved landing fields equipped with weather stations have been constructed at a number of the larger settlements in the Mackenzie district.

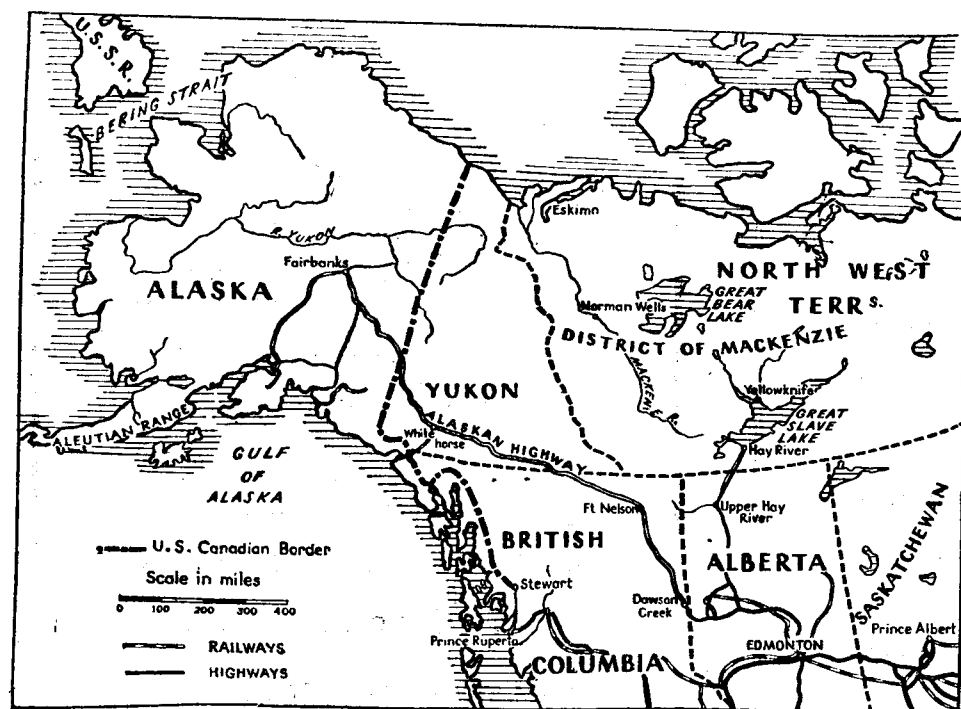
During the war a number of military or semi-military aids to transport were established by the Canadian and US Governments which will continue to serve economic development, though most of them lie on the west or north-west margin of the area in which most of the new economic activity is apparent. Early in the war the Canadian Government built a line of airports linking Edmonton with the Yukon (the North-west Staging Route). Japan's attack on the United States, which offered a threat to Alaska and Canada's north-west coastline, was followed by the rapid construction of the Alaska military highway from the end of the railway at Dawson Creek, British Columbia, to Fairbanks, Alaska. The Canol Project linked a valuable source of oil at Norman Wells with the Pacific seaboard. Landing fields between Edmonton and Norman Wells were built, and a number of winter roads constructed. Some of these projects have little post-war value: but the airfields and the Alaska highway, as well as the winter roads, have served to open up a large new area for commercial exploitation.

Exercise Musk-Ox

A series of Canadian and American military exercises in the past two years have added to the topographical and climatic data about the new Northland. These included "Exercise Lem-

ming" of March, 1945, from Fort Churchill into the barren lands north of the timber line as far as Eskimo Point and inland to the native settlement of Padlei, using American Weasels, American M-7s (half-tracks with skis) and Canadian-built snowmobiles; "Exercise Musk-Ox," which was "Exercise Lemming" on a much grander scale; the US Operation "Frostbite"; the US Army's midwinter tests this past winter in Alaska and in the Aleutians; exercises "Eskimo" and "Polar Bear," the first a "dry-cold" and the second a "wet-cold" test of men and equipment, the former into north central Saskatchewan and the latter in the Cariboo and coastal ranges of northern British Columbia.

The new strategic importance of the far north affects the defence of the United States. On February 12, 1947, Ottawa and Washington simultaneously announced "an honourable partnership" in security plans for that area. It was described as a "limited collaboration" and a practical working arrangement, which either country could terminate at any time, since no treaty, executive agreement or contractual obligation had been entered into. The Canadian Prime



Minister, Mr Mackenzie King, used the opportunity to deny that the United States had asked for bases in the Canadian North. Talk of Maginot Lines or large-scale defence projects were, he said, all unwarranted, and much of the talk was "fantastic." Canada's new interest was expressed by the Prime Minister in the following language:

It is apparent to anyone who has reflected even casually on the technological advances of recent years that new geographic factors have been brought into play. The polar regions assume new importance as the shortest routes between North America and the principal centres of population of the world. In consequence, we must think and learn more about those regions. When we think of the defence of Canada, we must, in addition to looking east and west as in the past, take the north into consideration as well. Our defence forces must, of course, have experience of conditions in these regions; but it is clear that most of the things that should be done are required apart altogether from considerations of defence. We must know more about such fundamental facts as topography and weather. We must improve facilities for flying. We must develop better means of communication . . . our primary objective should be to expand our knowledge of the north and of the conditions necessary for life and work there, with the object of developing its resources.

The statement was made, in part, to allay international concern. A further step of this nature was taken a few days later when the Canadian Minister of Defence (Mr Brooke Claxton) invited the military attachés of ten countries to go to Churchill on Hudson Bay, to see what truth there was in charges made in Moscow and elsewhere that large numbers of US troops were stationed in Canada's northern outposts and that experiments were being carried on with jet-propelled aircraft. The invitation was extended to, and accepted by, the Soviet military attaché.

Early last month the Canadian Government announced that within the next three years nine new weather stations for long-range weather forecasting will be built above the Arctic Circle. They will be operated by Canadians, but the United States will pay a portion of the cost of establishing them. A few days later the Secretary of State for External Affairs (Mr St. Laurent) disclosed some details of a US-Canadian agreement to set up a chain of long-range navigation stations (Loran) to serve Alaska and the Canadian Western Arctic. The first chain will be located at Port Brabant, the Arctic outpost of the Mackenzie River system, at Cambridge Bay on Victoria Island, 600 miles or so east, and Point Barrow, Alaska, several hundred miles west.

(To be concluded)

German Votes and Grievances

[FROM A SPECIAL CORRESPONDENT IN DUSSELDORF]

EACH of the three *Länder* of the British Zone elected its parliament, or *Landtag* last Sunday and 8½ million Germans went to the polls. Any satisfaction the average German may have felt inside him at this first opportunity for years to vote freely to a German parliament was more than outweighed by the gnawing anxiety about where he would get his next meal. In the prevailing atmosphere of deprivation, despair and disillusionment it is remarkable that the British Zone has returned a strong anti-Marxist majority; Socialists and Communists together can be outvoted by the Christian Democrats, provided the latter get the support of the three smaller, middle parties which polled 18 per cent of the votes cast. They almost certainly will.

The Social Democrat Party, generally regarded by Germans as the British Government party, may feel some satisfaction at the results, if the three *Länder*—North Rhine-Westphalia, Lower Saxony and Schleswig-Holstein—are taken together. The Social Democrats polled 3.1 million votes against the CDU's 2.7 million; the Communist vote was nearly 900,000, the Centre Party vote nearly 600,000, and that of the Free Democratic Party nearly 570,000. In the free cities of Hamburg and Bremen, where elections were held last year, there are already Social Democrat majorities.

The Centre Holds the Balance

The situation in the industrial *Land* of North Rhine-Westphalia is naturally the most interesting. Here the Communists increased their strength considerably—their vote rose to 14 per cent. The CDU remains the strongest single party with 91 seats. None the less their proportion of the votes—37.6 per cent—shows a fall on the 46 per cent they won in the *Kreis* elections last year.

Of the smaller parties in the middle, the Centre Party has 20 seats against 12 in the previous *Landtag* and the Free Democratic Party has 12 against eight previously. So the outcome in this key *Land* is that Social Democrats and Communists together command a majority over the CDU alone, but not over the CDU plus the Free Democratic Party which has hitherto thrown in its weight on the side of private enterprise and against socialisation. The Free Democrats are definitely conservative in economic and social matters although radical on cultural matters; the Centre Party, on the other hand—once predominantly Catholic but now without definite religious affiliations—will vote with the Left on economic issues but tends to be conservative in cultural affairs. So in this *Landtag* the Centre Party literally holds the balance between Right and Left. There is a similar situation in the *Land* of Lower Saxony, where the Social Democrats and Communists combined have a clear majority over the Christian Democrats only if the latter are not supported by the Lower Saxony Party which, surprisingly, polled as many votes as they did.

It is difficult to say yet whether the election results will much affect the present alignment of forces in North Rhine-Westphalia. But there may well be a change in the *Landtag* attitude towards socialisation. The Social Democrats had urged full socialisation of heavy industries and had proposed a referendum on the question, to be held at the same time as the elections. The Christian Democrats and the Free Democratic Party combined to defeat this proposal, the former proposing instead that heavy industries should be run by private and public ownership in co-operation. Now that the Christian Democrats can be outvoted by the Social Democrats with the help of the Centre, the socialisation question will arise in urgent form.

Explosive Mood in the Ruhr

This and other issues raised in the election programmes have aroused little interest in the ordinary voter. Food is all that matters to him, and no party can promise more than any other a remedy to a situation which is still getting worse. But the poll was higher than was expected—an average of two-thirds over the three *Länder*—and would be very creditable even in an adequately fed country with a longer democratic tradition. If only the theoretical daily calory level of 1,550 for basic consumers could be maintained and honoured, then the miseries of cellar life and overcrowding and shortage of goods would matter much less. Only half this level is being met at the moment, and for the four weeks ahead the bread ration will be cut by two-fifths, from 92 ounces to 55. As nearly half the bread grain to be received in the next two months consists of maize—which makes a heavy and indigestible loaf—and as most families living in the towns can eat hardly anything but bread, there is great hardship ahead. To honour the official bread ration, 5,000 tons of grain daily must be imported, and the deliveries planned for May fall far short of this figure.

As for the rest of the diet, the fat ration nominally stands at seven ounces every four weeks; in fact, only two or three ounces were received on the last ration. Because of shortage of meat, fish and sugar have been substituted for two-thirds of the current meat ration. Families who were not lucky enough to lay in stocks of potatoes last autumn are now completely without them; even in the miners' canteens, which receive special issues, potatoes are often short. In these conditions it is not surprising that the mood of the people since the recent demonstrations has been explosive. A further strike of the miners to protest against the shortages is expected soon. If it comes, the effect on German exports and industry will be very serious. The recent one-day strike cost about 300,000 tons of coal, but the long-term effects on daily production are still being felt.

It is well known among the population here that their troubles are partly due to the bad working of the fusion arrangements between the British and American zones. For example, in March Bavaria should have delivered 2,387 tons of meat instead of the 330 tons actually sent. Bavarian fat deliveries are also below quota. Feeling generally against the farmers who will not deliver their harvest quotas and hold back their livestock is very strong. In North Rhine-Westphalia new schemes are being introduced for punishing and encouraging farmers. After July 1st, farmers who reach or exceed their quotas will be rewarded with coupons giving them priority in the purchase of agricultural machinery, implements and fertilisers which are in short supply. Farmers who fail to meet their quotas may have implements, livestock, even farms, taken away. But there is no confidence that stern measures taken in this province, where the town population is politically strongest, will be copied in other *Länder*.

Ten Year Plan for Northern Rhodesia

[FROM A CORRESPONDENT IN LIVINGSTONE]

ONE of the most important effects of the 1940 Colonial Development and Welfare Act, which provided for grants to the Colonial Empire totalling £120 million over ten years, was the way in which it forced colonial governments to prepare some kind of centrally co-ordinated development plan. Production of such a plan was, in effect, a condition of eligibility for grant. In Northern Rhodesia the response was what has been described in the colony's recently approved Ten-Year Development Plan as "the first major effort at long-range planning." In February, 1943, the Government called for the preparation of provincial and district plans of development throughout the colony. This led to the collection of a mass of ideas and information. The next step was the appointment of a development adviser. In late 1944 and early 1945 Mr G. F. Clay, the joint Northern Rhodesia-Nyasaland development adviser, carried out investigations. His report was accepted by the Government as giving the general principles on which planning was to be based, and the heads of the social and economic departments were then asked to draw up plans for the minimum necessary expansion over the next ten years.

When it was announced in November, 1945, that Northern Rhodesia's share of the London fund (subject to Colonial Office approval of individual schemes) was to be £2,500,000 plus a share in the £1,000,000 allocated jointly to Northern Rhodesia and Nyasaland, it was clear that the departmental plans had overestimated the amount of assistance to be expected. The programmes were reconsidered, reduced and eventually submitted as a whole to the Legislative Council.

The revised allocations of expenditure for the ten-year period are as follows:—

1. Social Services (Health, Education)	£ 3,384,000
2. Economic Services (Agriculture, Forestry, Livestock, Game, Fish)	2,108,000
3. Rural development	1,500,000
4. Communications	1,820,000
5. Water development	970,000
6. Economic development (agricultural, marketing, secondary industries)	500,000
7. African housing	1,000,000
8. General building and public works	1,300,000
9. Loans to local authorities	250,000
10. Unallocated balance	168,000
	£13,000,000

This expenditure is to be financed as follows:

Colonial development and welfare allocation	£ 2,500,000
Loan	5,000,000
Surplus funds approved in Legislative Council ...	3,000,000
Surplus balances, 1945-49	2,500,000

The plans for economic services were left almost intact. The reductions in the original plans were achieved by drastically cutting the allocations for social services and rural development. The Health Department's plan was reduced to about 81 per cent of its original, the African Education Department's plan to about 64 per cent and the rural development plans to about 70 per cent. The total saving from these cuts was in the region of £1,909,500. It might be deduced from the healthy state of the colony's balances that the cuts were unnecessary and that this sum could have been financed from revenue. The 1947 estimates expect a surplus balance of £6,332,168 at the end of the year. The balances in 1945 and 1946 (latest estimates) totalled £1,149,000. Yet the total allocation from balances for the period 1945-49 is only £2,500,000. The 1945 surplus, however, was partly due to a shortfall in expenditure arising out of the shortages of staff and materials—and only partly to unexpected revenue from increased industrial prosperity. The 1946 surplus was almost entirely due to an underestimate of revenue prospects, which is unlikely to recur. On the assumption that the full programme of normal expenditure estimated for 1947 is achieved, and that copper prospects continue unchanged, there is no reason to expect an appreciable revenue surplus this year. Similar considerations apply for 1948 and 1949. Hence from a total surplus of perhaps £6,332,000, the development plan draws £5,500,000.

It might be argued that the cuts were made in services which could ill afford them. This is certainly true of the health plan, for the original represented "the minimum at which to aim if the health services of the territory are to be considered satisfactory." The reduction in the African education plans, while proportionately heavier, is not such a disaster. It is true that a provision after ten years, for 120,000 children to Standard II, 17,000 to Standard IV, 3,750 to Standard VI, and only 600 to receive any government secondary education at all, is pathetically limited for a total school population in the region of 314,000. But no one who knows the incredibly low standards of the education at present provided can doubt that the Director's insistence on "the need for consolidating and improving existing facilities for elementary education before embarking on any large schemes for further expansion" is fully justified. Similar arguments could be used to justify a temporary reduction in the plans for rural development. There is a real case for proceeding cautiously and for not committing too large a proportion of the colony's resources to projects which might prove unworkable.

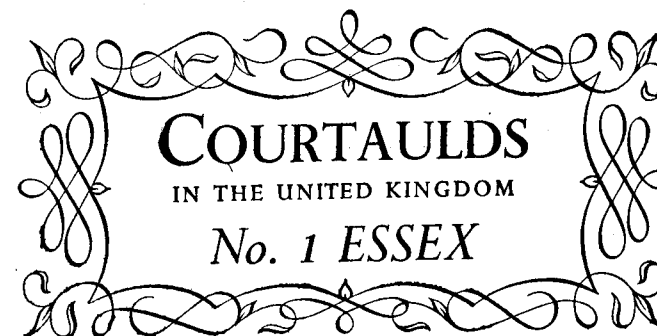
Development Centres

As originally explained by Mr Clay in his memorandum, the idea was that basic development plans, instead of emanating from Lusaka and spreading thinly over the territory, should be concentrated at a few focal points, or development centres, from which they could be gradually extended over wider areas. The objective was an attempt "to give the Africans of Northern Rhodesia reasonable health, education and agricultural (including veterinary) facilities, all within reasonable distance of their villages." But there is a great deal more implied in the proposals. The main function of a centre will be to train subordinate European and African staff for development work in the districts to which they will be posted; but the high-grade European staff of the centre will also be engaged in planning basic development for the zone surrounding the centre in conjunction with the provincial team of the province concerned. Each centre is to be equipped with a hospital, a community centre, lecture rooms, chapels, and full provision for research and demonstration, on local problems, such as farm land, livestock, etc. Each will turn out a succession of trained African teams consisting each of a teacher, a dispensary assistant, a sanitary assistant, and a rural assistant, who will carry forward the centre's work of "permeating the rural areas and acting as the main agents in rural reconstruction."

The unofficial section of Northern Rhodesia's Legislative Council received the original development centres plan with some scepticism. One centre needs a staff of 16 European officers, many of them senior high-grade officials and most of them technical experts in short supply, plus an auxiliary African staff. It involves an initial capital expenditure of £80,000. To set up five of these centres, as originally proposed, without any initial trial, might involve a considerable wastage of trained staff and valuable equipment. The final plan establishes one centre in the first instance and a second if that proves successful.

The more cautious approach has much to be said for it. The success of development centres must depend largely on the enthusiasm of the participants—both Africans and Europeans. It is probably fair to say that no one, as yet, knows exactly what the centres can achieve, and how they are to set about their work. There will be much initial fumbling. On balance, therefore, except in respect of the health department's plans, Northern Rhodesia's development programme does not seem to have suffered irreparable harm by this enforced austerity.

So little is known as yet of the actual potentialities and needs of the colony that it is premature to plan for a period of ten years ahead in any but the most tentative fashion. Indeed, even the total population is unknown, and the lack of information on technical problems shows up throughout the report. In all spheres there is an urgent need for more research, and one of the first tasks of those engaged in putting into effect the development programme should be to consider and report on the most profitable and urgent avenues of research. It is already clear, however, that unless the financial position of the Northern Rhodesian Government improves, either through increased industrial prosperity or through increased taxation, the present allocation of £2,500,000 is not enough to provide for a satisfactory programme of development for the next ten years. It does provide a fair start for an imaginative but cautious series of experiments in colonial development planning.



IT was in the North of Essex that Courtaulds' business was founded. In 1816 at Panfield Lane, Bocking, Samuel Courtauld set up his first premises midway between the great silk centres of Norwich and London. Nine years later his two brothers joined him in partnership as silk throwsters, and soon they were making crape on an extensive scale with factories at Bocking, Braintree and Halstead.

At these mills from 1906 onwards Courtaulds' earliest viscose rayon yarn was woven, dyed and finished into dress and furnishing fabrics, linings and shirtings. Local men and women, whose ancestors had made the ancient bays cloth of the Essex yeomen, applied their traditional weaving skill to creating new techniques for using a revolutionary textile fibre.

These mills have long since used more rayon than any other material, yet during the war their experience of silk saved lives; they produced many millions of yards of silk and nylon parachute cloth and helped others to do the same.

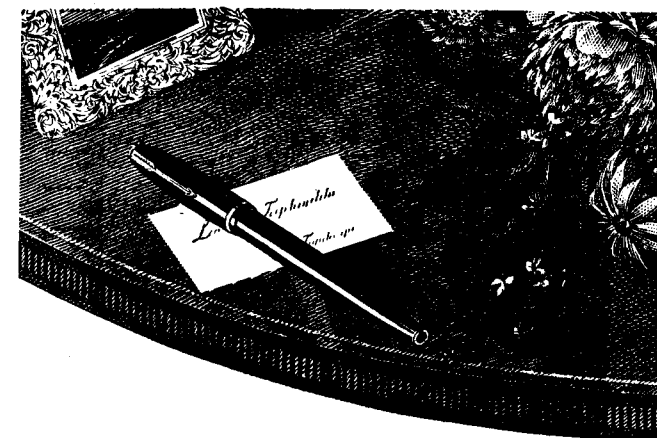
Today at Braintree mill, rayon is processed, woven and knitted; there, the new British knitting machine, fastest in the world, has recently proved itself. At Bocking, fabrics are dyed and finished, and furnishing and other fabrics are woven at Halstead.

Out of a total of over 20,000 people employed by Courtaulds in the United Kingdom, the Company's Essex mills employ 1,600 local people in regular work—approximately half as many more women as men.

There is an urgent need for many more employees than this if these three mills in North Essex are to fulfil their share of the world demand for British rayons.

The purpose of this series of statements is to inform the public of some part of the contribution made by Courtaulds' industrial enterprise to economic well-being in various districts of the United Kingdom.

Issued by Courtaulds Ltd., 16 St. Martins-le-Grand, London, E.C.1.



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The Yorkshire Post
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TF.47



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20

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THIS ENGLAND . . . *Number Seven*

OUR English weather is never as summery or as wintry as it used to be. Our Springs are perfect in January, and our Autumn rains are hailed sardonically as the last dose of Summer. No wonder we breed philosophers . . . those who, lighting a pipe as they shelter from a midsummer hurricane or a quiet cigarette as they bask in a midwinter Spring, find that in the smoke clouds of *Balkan Sobranie* they can weather any weather and enjoy an atmosphere so delightfully and so exclusively their own.

SOBRANIE LTD. LONDON, E.C.1.

How much do YOU know about British films?

A survey on British films was recently carried out by Research Services Ltd. among top-ranking business and professional executives. (Some idea of the type of person approached will be gained by the fact that the principal papers read by them are *The Times*, *The Observer*, *The Economist*, *The New Statesman and Nation*, *The Spectator* and *Tribune*.) The survey revealed that many of these people were by no means accurately informed about the nature and activities of the J. Arthur Rank Organisation. For example, 21% of the informants said that the Rank Organisation did NOT produce feature films.

In fact, the following feature films are among the many made in recent years by producing companies associated with the Rank Organisation:

HENRY V • BRIEF ENCOUNTER
ODD MAN OUT • THE SEVENTH VEIL
GREAT EXPECTATIONS
IN WHICH WE SERVE
A MATTER OF LIFE AND DEATH
THE WAY TO THE STARS
THEIRS IS THE GLORY
CÆSAR AND CLEOPATRA
THE RAKE'S PROGRESS • THE OVERLANDERS
I KNOW WHERE I'M GOING
THE CAPTIVE HEART
MEN OF TWO WORLDS
SCHOOL FOR SECRETS
THE WICKED LADY • THE WAY AHEAD
THE LIFE AND DEATH OF COLONEL BLIMP
HUE AND CRY

J. ARTHUR RANK ORGANISATION LIMITED

THE BUSINESS WORLD

The Capital Budget

CAPITAL budgeting, so widely advocated before the war, has assumed a new importance in these post-war days of full employment, large Government expenditures, and inflationary pressure. In pre-war years, the idea of the capital budget was, in essence, a device for making deficit expenditure acceptable; it was a means for making good any deficiency in investment activity in the "private sector" (that is, on the part of industry and private individuals) by appropriate expenditure from the Exchequer. To-day, the emphasis on the capital budget has changed its direction, but none of its importance. Capital budgeting has become an essential adjunct to the "ordinary budget" because the latter, being merely a device of Treasury tradition and accounting expediency, provides no measure of the impact of the total effect of state expenditure on the behaviour of the economy as a whole. The state claims the right and duty, through its own programme of investment expenditure, to command an increasing volume of physical resources and services for public "capital formation." It should be the function of a capital budget to relate these claims to those of the "private sector," and by combining them, to show the amount, or the proportion, of the national income which is to be devoted to the creation of new assets. This when added to the amount used by the Government and the public for current consumption, minus any borrowing from abroad which may be needed to meet an excess of consumption and capital formation, will equal the national income.

There is nothing formidable in these ideas of the compensating balance between consumption expenditure and investment expenditure. But the technique of applying them has not yet advanced very far. There is no capital budget, in any formal sense, and official opinion seems to be hardening against one. Yet the policy implicit in capital budgeting was reflected in several passages of Mr Dalton's Budget Speech last week—in its explanation of "below the line" expenditure items, and in his recognition of the dangers of an inflationary break-through overwhelming the physical and financial controls. Information about the rate at which physical capital and stocks are rebuilt is not needed merely to measure whether there is to be open inflation or not: it is needed quite as much to measure the progress of British industry towards a higher level of efficiency. There is little doubt that industry was investing before the war too small a proportion of the national income year by year to expand and improve its equipment. There is no doubt whatever that the making good of arrears of new investment and maintenance which accumulated during the war would absorb the energies of the British economy for many years to come.

This is a field in which accurate information is scanty. "It is not possible," declares the National Income White Paper, "to provide an exhaustive analysis of net capital formation at home." A few weeks earlier the "Economic Survey for 1947" had pointed out that statistics are not yet sufficiently comprehensive to enable the investment expenditure to be estimated with great precision, and it resorted to the general statement that the scale of the programme at which the Government is aiming in 1947 (apart from housing) should be at least 15 per cent higher than for a normal pre-war year. It further

suggested that in 1947 capital equipment and maintenance would absorb 20 per cent of the gross national income, towards which 7 per cent would be contributed by depreciation funds set aside from current income. Perhaps the more convenient way of looking at these figures is to say that 13 per cent of the net national income is put forward as this year's capital investment target. A capital budget, therefore, is still largely a matter of hopeful guesswork. The following table shows its movement in 1938, 1945 and 1946:—

COMBINED PUBLIC AND PRIVATE CAPITAL ACCOUNT

£ mn.	1938	1945	1946
Private saving	323	1,528	877
Less Excess of accruing tax liabilities over payments	+ 16	— 91	— 156
Public authorities' dissaving	— 89	— 2358	— 705
Provision for depreciation and maintenance	450	510	600
War Damage payments	...	167	131
E.P.T. refunds	...	...	167
Gross Savings	700	— 244	914
Gross capital formation at home	770	631	1314
Debit: Net borrowing abroad	70	875	400
Gross capital formation	700	— 244	914

Source: Cmd. 7099, Table 18, with minor changes.

This table is expanded by a lengthy note in the National Income White Paper. The gross capital formation at home (£1,314 million in 1946) is composed of total expenditure on fixed capital works, together with changes in the value of stocks and work in progress. But it is based originally on a figure, shown in the main table on the national income, for net capital formation at home, which itself is arrived at by difference and depends on the accuracy of six other estimates. To this net figure (£714 million) has been added the estimated sum set aside for depreciation and maintenance (£600 million); these provisions are known to have increased sharply last year owing in part to the introduction of the Income Tax Act of 1945. If the figure of £600 million for depreciation is considerably out, however, it would mean that the gross capital formation figures would be correspondingly out too. If the figures are taken as they stand, they show that the private sector saved £1,477 million gross, of which £156 million represented taxes paid by drafts on accumulated tax provisions and £407 million (net, after the receipt of £298 million in War Damage payments and EPT refunds) for financing the dis-saving of public authorities. This left a figure of £914 million for net saving. But gross capital formation at home exceeded savings by £400 million, which was made good by overseas borrowing.

To estimate the pattern for 1947, and thus to resolve the question whether the Chancellor's financial policy as a whole is inflationary or not, is an uncommonly hazardous task. But some indications of the total claims of the Government sector were given by Mr Dalton last week. Expenditure on roads is put at £10 million. EPT refunds this year will require £60 million, and the total estimate for war damage payments is £330 million. Some part of these two items will be saved

by the recipients, if only because physical plant and resources will not this year be available to meet them; nor perhaps will the total of £70 million for the further paying off of post-war credits to older people be wholly spent. Direct capital expenditure will be involved by the advances of £50 million to the National Coal Board, £200 million from the Local Loans Fund to local authorities for housing and other capital schemes and £90 million for temporary housing. In addition the Exchequer will, in effect, have to re-borrow the amount of tax reserve certificates surrendered in payment of taxes. This item absorbed £118 million net last year, and might be put at, say, £150 million this year. These items give a gross figure of £960 million for the Government's financial requirements, of which perhaps £160 million might result in additional private savings (£30 million from post-war credits, £100 million from war damage value payments and £30 million from EPT refunds) leaving a net total of £800 million. Against this, the Government might expect to obtain £70 million from the growth of the unemployment and national health funds. The question, therefore, is whether, and if so how, the net financial requirements of the Government for capital or "below the line" items, are to be matched by savings and balanced against the capital requirements of industry.

In the "Economic Survey," the proportion of the national income to be set aside for capital equipment and maintenance in 1947 was put at 20 per cent gross, of which 7 per cent would be provided from depreciation reserves. The corresponding proportions in 1946 were 16½ per cent and 7½ per cent of a national income estimated at £8,000 million. In 1947, the national income may fall—by how much it is impossible to guess, but possibly within the range of 5 to 10 per cent. If the middle figure of 7½ per cent is taken and a national income in 1947 of £7,400 million is assumed, the capital targets set in the "Economic Survey" would involve £1,500 million or rather less for new equipment and maintenance, and a total depreciation provision of £525 million, leaving a net capital formation estimate of say £975 million. Perhaps the national income estimate of £7,400 million in 1947 errs on the low side, but even if its money value were the same in 1947 as in 1946, the net capital figure would not exceed £1,050 million. Against this sum of £975 million, the requirements of the Government and the local authorities will claim approximately £725 million, on the estimates of the preceding paragraph, and leaving industry with £250 million, in addition, of course, to its depreciation provision. Industry's net share would be largely met from undistributed profits, which were put last year at £210 million.

Thus, there is a rough symmetry between the Government

and the private sector in the 1947 capital budget. Industry should cover its apparent share—roughly £775 million gross—by using £525 million from depreciation provisions and £250 million from undistributed profits. This estimate, however, makes no allowance for the urgently needed rebuilding of stocks, which could easily absorb another £200 million or more. On the Government side, the £725 million would be offset by £366 million net from small savings, plus overseas borrowing. The "Economic Survey" declared that it would be unsafe to borrow more than £350 million net this year. But last week Mr Dalton showed that the overseas deficit might be "a good deal higher" than last year's total of £400 million unless vigorous action was taken to reduce it. The hard currency deficit, in particular, is likely to be substantially higher than it was in 1946. The conclusion, provisional though it must be, suggests that if the capital expenditure programme in 1947 is non-inflationary, it will be so only by increased reliance on overseas borrowing, coupled with close restriction of new capital activity in the private sector and an almost total abstinence from rebuilding the stocks of industrial raw materials, which are now run down to the very limit.

Obviously, there are plenty of "ifs and buts" in estimates of this sort. Nevertheless, they raise the important longer-term issue of the future relationship between consumption and saving, and the speed at which the British economy can hope to make good the depredations of war, given its limited resources, and given the fact that accumulated small savings equivalent to nearly one year's personal consumption could, in the absence of restraint, be used for current purchases. Mr F. W. Paish, in a recent bulletin of the London and Cambridge Economic Service, has sketched the cost of the possible reconstruction commitments during the post-war decade, on the assumption that war-time losses are made good that three million houses are built, and that industry as a whole, including nationalised concerns, meets its capital requirements from undistributed profits. These are, in some respects, draconian conditions; but they demand, on Mr Paish's estimates, that savings should be more than doubled and probably nearly quadrupled. The country, if it is to restore its losses and undertake its hopeful construction targets for the next ten years, will have to save £300-£700 million a year more than it wants to save at present. In the event, a good deal of the programme may have to be pruned. But the essential minimum will still be large enough to call for a greatly increased national income, of which a higher proportion is saved either by personal savers or by the Government acting on their behalf. The alternative is progressive austerity and industrial enfeeblement. It is here that a long-term capital budget could set out the facts and make the challenge.

Power and Planning

THE annual report of the Central Electricity Board is always an informative grand inquest of electrical progress. This year, unfortunately, there is a corpse for post-mortem examination, for the Board, whose pre-war planning was directed to the provision of abundant and cheaper electricity at wholesale, has been forced by shortage of generating capacity and coal to cut supplies to the retail consumer. It has become, through no fault of its own, the instrument for planned shortage, instead of planned plenty. The 142 selected generating stations which it controls were, on 54 occasions last year, unable to meet the load. On December 16th, it had to shed 10.4 per cent of the load on its system, and on that day 16 per cent of the plant was out of commission, owing to breakdown, overhaul, or unsuitable fuel, compared with an average of about 6 per cent before the war. The total installed capacity at the end of the

year amounted to 11.6 million kilowatts; the estimated peak demand on December 16th (since exceeded in January by a million kilowatts) was 10.1 million kilowatts; on last December's figures alone, the gap between available capacity and peak load was as much as 1.2 million kilowatts. The legacy of the war years, during which no new generating capacity was installed, could hardly be more graphically recorded.

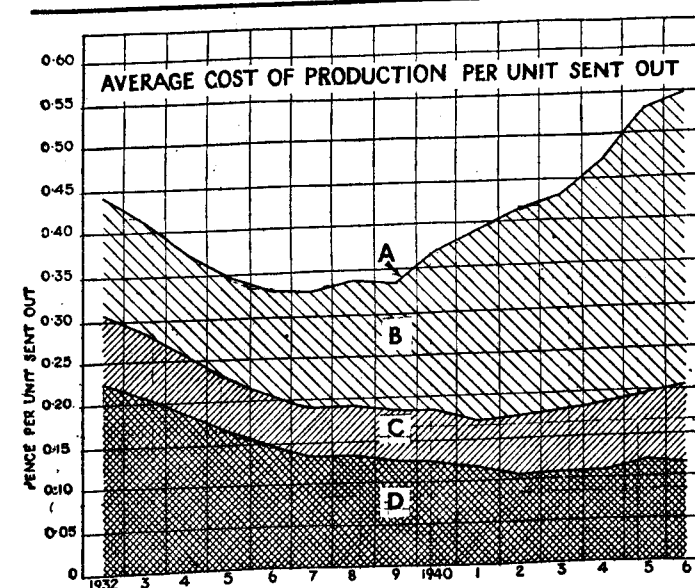
The Board has recently made no secret of the fact that electricity supplies during the next year or two will still be below potential demand. Last year, the projected programme of new generating plant was 992,600 kilowatts; in the event, only 221,500 kilowatts were brought into service, together with 83,500 kilowatts under the 1944 programme. But withdrawal of old plant reduced the net addition to capacity to 272,375 kilowatts, and the programme for 1946 in arrear amounted to

over three quarters of a million kilowatts. The plant programme can be summarised thus:—

GENERATING PLANT PROGRAMME 1947-50		
Submitted in	For Completion in	Kilowatts
1944	1946	771,100
1944	1947	1,040,100
1944	1948	1,155,000
1945	1949	1,394,000
1946	1950	1,532,500
Total		5,892,700

At the end of last year, work was in progress on the plant included in the 1946-48 programme and on part of that for 1949, while arrangements had been completed with authorised undertakers for two-thirds of the 1950 programme. Clearly, no charge of lack of anticipation could be brought against the Board, but equally there may be further delay before these developments are in operation. In addition, the Board having given preliminary consideration to the 1951 programme, began negotiation for a new station, only to find that owing to "the uncertainties surrounding the future of the industry"—a delicate reference to nationalisation, indeed—the authorised undertaker in the area was unwilling to proceed, and the Board have therefore decided to construct the station themselves. This is a new and significant development.

The report clearly holds out little hope for a balance between capacity and demand during the next few years. But lack of plant is not the only handicap under which the Board labours. The comments on the coal situation are coldly factual, but they have a sharp sting. For several years past, the Board have drawn attention to the grave position of coal supplies at the generating stations. In pre-war days, they used to aim at autumn stocks equivalent to 10 to 12 weeks' winter consumption. But the stations last autumn had succeeded in building up their stocks to little more than three weeks' supply, despite the warnings which had been given to the Ministry of Fuel and Power that widespread interference with supplies was likely to occur as a result of coal shortage. Nor was shortage the only factor. The flat rate increases in the price of coal which have occurred during the war—and have raised the average delivered cost from 20s. 3d. per ton in 1938 to 45s. 3d. per ton last year—"have led to the anomalous situation that the pithead price per unit of heat supplied to the generating stations now increases with the increasing ash content of the coal." In 1944, the freight and handling charges involved in

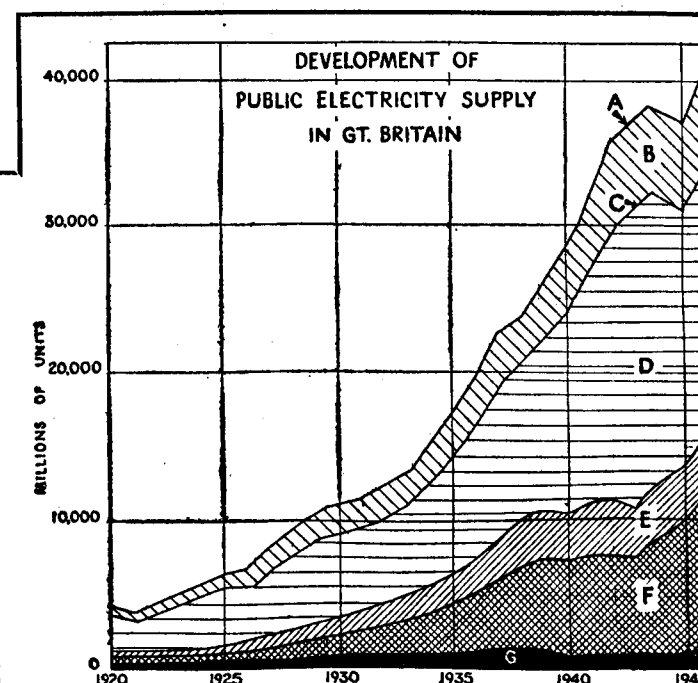


A. Average cost of production at steam stations operating under the Board. B. Fuel. C. Fuel handling, salaries, wages, maintenance, etc. D. Management, rates and capital charges.

hauling this incombustible matter from pit to station cost over £2 million, and in the two succeeding years the burden was undoubtedly greater. Moreover, bad coal means poor boiler efficiency, and at times during 1946 the loss of output capacity from this cause rose to as much as 380,000 kilowatts. "A heavy proportion of the coal allocation is unsuitable"; it follows that the improvement in thermal efficiency of electric plants which was so marked before the war is being retarded. Waste of transport, waste of coal, and waste of generating capacity have resulted from the failure to deliver coal of the right quality at the right price.

Equally shrewd are the Board's comments on the place which electricity must be given in any effective system of planning. It is no secret that the Board has failed to secure the approval of the Ministry of Town and Country Planning to several of its projects, and it points to the serious consequences which result from the withholding of consent to develop a site when one is found with difficulty. Power stations are large, but not necessarily ugly, buildings, but they generate heat as well as light—as this week's outburst over the proposed Bankside station has shown. On this occasion, Mr Silkin has so far resisted the critics, and has underlined, perhaps, the Board's comment that "during the year the departmental planning procedure has been revised."

At many points, the story of the Central Electricity Board last year is the same story of strangulation and frustration which has affected so many parts of the British economy after the great efforts of war and the precipitate demands of peace. Too much is being demanded of electricity in too short a time. It continues to use outworn plant because it cannot be replaced by new—cannot even be taken out of service for necessary repair. Because old station sites cannot gradually be made over for modern stations, the Board has had to concentrate largely on finding new sites, and has met immense difficulties in doing so. It has had its share of shortages, resulting in the steady growth of arrears of new transmission lines and sub-stations. But it would seem, from data published from other sources, that the electricity industry last year was well supported by the equipment manufacturing industry, for the latter produced generating plant with a capacity of 810,000



A. Total units generated by authorised undertakers. B. Units used at stations in transmission and in distribution (less purchases from non-statutory sources). C. Total sales to consumers. D. Sales to industrial consumers. E. Sales to shops, offices, public buildings, etc. F. Sales to domestic and farm consumers. G. Sales to traction and public lighting authorities.

kilowatts, of which 540,000 kilowatts were delivered to power stations (many of them, of course, outside the Board's domain) while the balance was exported. The electrical engineering industry has top priority for steel supplies required for public generating plants, and there is little need for any panic diversion of output from export to home use. Much has already been done in the direction of standardising boilers and generating machinery, and a considerable increase in output could be obtained from the producers of generating plant if they had more labour and more materials. An annual output of, say, $1\frac{1}{2}$ million kilowatts of capacity would meet the requirements of the programme for the next five years and still leave a valuable margin for export.

In its nineteen years of operation, the Board has shown great accuracy in anticipating the growth of demand for electricity. To be sure, the steady secular trend of growth in the load made such estimation easier than some other types of economic forecasting. But the character of demand in recent years, illustrated in the second chart, shows that the major part of the growth in sales is now arising from the continued expansion of domestic and farm demand, whereas last year sales to industry increased by no more than $1\frac{1}{2}$ per cent. This suggests that the major part of industrial electrification has already taken place. In 1935, the largest industrial consumers of electricity were the mines, steel, engineering and shipbuilding, chemicals, paper making, electricity undertakings themselves, and building materials. All these industries, with the single exception of paper making, have priorities for fuel and materials; but full employment for them may not mean any great increase in their electricity load. Looking ahead, beyond the time of immediate shortage, however, it seems likely that the pattern of demand for electricity is likely to be more complex than in the past. The present demand for electricity is, in some part, an inflationary phenomenon. Power is cheap and

convenient. But the rising trend of coal costs and the inflated capital expenditure now needed for new capacity must find their reflection, sooner or later, in electricity tariffs. The "Grid's" own tariff takes this increased capital cost into account, by making provision for a satisfactory surplus in the next year or two in anticipation of higher costs to follow. The reaction of increased prices on demand might have significant consequences for the future trend of sales. In the present quinquennium, it is unlikely that the programme, if completed to time (which is perhaps improbable) will run ahead of demand, for the 5.9 million kilowatts to be installed represent the gross addition to capacity, without deduction for plant which should be taken out of service as soon as possible.

The Board's assumptions in estimating demand presume that transition to a full peace-time economy will not be completed until 1950, that rationing and controls will continue until that time, that solid fuel supplies for non-essential industry will be maintained, and that industrial production will steadily expand. But there are no assumptions about monetary policy, which might exert a significant influence on domestic demand. Nor are the other assumptions in any respect certainties. The Board has shown in the past that it knows its business, and there is no reason to suppose that its estimates of future demand on the domestic side are likely to be wide of the mark. But at least it can be said that, after two awkward winters, capacity should be restored somewhere nearer total demand. It follows that the diversion of capacity for the manufacture of generating plant exclusively to home needs, as some critics have demanded, would be a fatal error—fatal certainly for the export trade, and fatal in all probability for the smooth expansion of the electricity industry at home. The Board has made out a sound case for the 1946-50 programme, and it should be possible to satisfy it without any stampede diversion of manufacturing plant from export to home orders.

Business Notes

The Borrowing Programme

Twelve months ago the Chancellor declared that he would not need, in 1946-47, to borrow "from the City of London and the money market, any very large sums of new money." This year, he is both more cautious and more specific: "all further internal Government borrowing will be either for replacement of maturing debt, which is always occurring, of course, or for definitely new capital development." It is rather questionable, however, whether even this more cautious forecast will be fulfilled—except, perhaps, in a purely book-keeping sense. Consider first, the position of the ordinary budget. Not only has Mr Dalton's £270 million surplus no real significance in the context of inflation, but it will not even correspondingly relieve his effective borrowings. The "clawing back" of the proceeds of unspent votes will, indeed, produce a reduction in nominal debt, but as most of the funds must certainly be already lent to the Exchequer in the form of book credits or holdings of internal floating debt, their recapture will have no real effect. It is only to the extent to which they are at present held outside the Exchequer, in banks at home or abroad, that the operation can provide any finance for the Treasury's current outgoings, and the amount so held is presumably small.

On the other hand, a significant portion of the actual tax revenue included in the estimates has already been received by the Exchequer in the form of subscriptions to Tax Reserve Certificates, of which £118 million on balance were repaid in 1946-47, and a substantially larger sum (of the £529 million still outstanding), will certainly have to be redeemed this year. It may well be, therefore, that the ordinary budget, so far from providing, as Mr Dalton contended, a sum of £270 million towards the financing of other expenditure, will, in fact, require a borrowing of some £150 million in order to achieve a mere balance.

Below-line expenditure, as a leading article this week shows, will, of course, require much larger sums; and from the point of view of the borrowing programme, considered in relation to the gilt-edged market, it is a matter of indifference whether the expenditure does or does not create capital assets. Below-line expendi-

ture detailed by Mr Dalton, totalled £800 million, including war damage, EPT refunds, post-war credits, housing outlays, and advances to the National Coal Board. Further sums, perhaps of the order of £50 million, are likely to be required for maintenance and extension of Government-owned assets. Finally, some provision needs to be made for borrowing through the Civil Contingencies Fund, which last year absorbed £64 million gross. It is true that £55 million of these borrowings was repaid by the Exchequer at the end of the financial year, but it appears that most of the "repayment" resulted simply from the charging of the corresponding expenditure to supplementary votes for supply services. In a sense, therefore, allowance now for expenditure through the Civil Contingencies Fund is really an advance provision for supplementary votes. On these bases, the total borrowings for purposes other than the repayment of debt may be put at about £900 million, plus £150 million for redemption of Tax Reserve Certificates.

Finding the Finance

To meet these requirements, Mr Dalton will be able to count upon three sources of finance before needing to borrow on the capital market or from the banks. First, and most important, is the finance made available through the deficit on the external balance of payments. The way in which this contributes to the financing of the internal Exchequer deficit is most clearly seen in the drafts on the United States and Canadian dollar credits, but the contribution is by no means necessarily limited to such specific borrowings. As, however, Mr Dalton envisages a hard currency deficit "substantially higher" than the £400 million of 1946, it is, perhaps, reasonable to expect that there will, in the aggregate, be a net repayment of sums due to other overseas creditors. Secondly, there are the borrowings from small savers—rather optimistically estimated at £366 million net. This excludes, moreover, the interest portion of the repayment of National Savings Certifi-

cates, which last year absorbed £23 million, probably a rather larger sum than was provided for in the fixed debt charge "above-the-line." Finally, there will be certain extra-budgetary receipts (chiefly from the Unemployment Fund), which, in 1946, provided £88 million; the contribution from this source in the current year will evidently be smaller.

Altogether, therefore, the Chancellor can, from these sources, count upon, say, £830 million towards the £1,050 million he will need to raise, leaving at least £200 million or so to be borrowed on the market or through the banking system. In addition, there will be debt maturities during the year totalling £465 million. Of this, £300 million comprises the 3 per cent Conversion Loan which becomes optionally redeemable on March 1st next; but, provided that the cheap money policy is not pursued in the aggressive fashion of 1946, it may be possible to deal with this without involving the Exchequer in any significant volume of new cash borrowing. It would be unwise, however, to make any similar assumption about the remaining obligations, £160 million of which represents an early series of 3 per cent Defence Bonds which mature during the year. Obviously, the longer such "small" savings securities are held, the more they tend to be regarded by their owners as "crystallised" capital, but it would surely be imprudent to assume, at this stage in the post-war transition, that small savers will readily re-invest the bulk of their redemption proceeds. In the absence of new commitments, the aggregate net cash demands for the year may, therefore, be put at around £300 million. This is a more substantial borrowing than the Chancellor implied; but, if he avoids over-ambitious tactics, it ought to be possible to carry it through without undue pressure on the gilt-edged market and without any further large creation of bank credit.

Disagreement on Wheat Prices

The International Wheat Conference has ended its arduous and at times difficult five weeks' sitting by agreeing to place the draft agreement before the International Wheat Council—which means, in effect, failing to agree. International wheat conferences have been taking place for the last 15 years, and no complete international agreement has ever been achieved. The aims of producer and consumer are diametrically opposed. Delegates may utter generally acceptable phrases such as "purchasing at prices which are detrimental to neither producer nor consumer," but how can such prices be achieved? Certainly not by international conferences nor even, it would seem, by resort to complicated statistical formulae. The easiest method is by reverting, as soon as possible, to a free market, where in times of scarcity consumers starve or in periods of plenty producers go bankrupt.

The draft agreement is well-intentioned. Both export and import countries are to have "guaranteed quantities" which must be bought and sold at prices within an upper and lower limit. These limits act as guarantees to both consumer and producer. The actual price at which the transaction takes place is conditioned by market forces within these two limits. It is indeed a scheme which permits a large amount of trade freedom, at the same time fixing "wheat points" so as to damp down undue price fluctuations. Inevitably, it tends to favour producers more than consumers, because the former could hold off the market and force the consumer to buy at the upper limit. If the consumer tried to retaliate by forcing the exporters to sell at the lower limit, he would, in present circumstances, starve in the attempt.

The point of disagreement, which the United Kingdom has taken is the proposed range of prices. The basic minimum and maximum prices for the duration of the agreement are understood to be \$1.00 and \$1.80, Canadian currency, per bushel for No. 1 Manitoba Northern wheat in store Fort William-Port Arthur; the parity of the Canadian dollar being taken as on April 1, 1947. The British Government is of the opinion that prices for the next and subsequent seasons should show substantial reductions on the present level. It does not wish to purchase at prices which would give the farmers little or no return, but it must, after all, consider its dollar position as well as its domestic food subsidies. Given the security to producers which the Wheat Agreement affords, their level of return should be lower than under conditions of severe market fluctuations. And given the interest of Britain in lower import prices, the British delegation has very properly declined to sign.

That agreement has been reached in principle on the scheme, is no doubt an achievement, although it cannot be implemented until agreement has been reached over prices. The United States fear a fall in the world wheat market during the coming season; for that reason it wishes to fix prices now at current levels. Great Britain, on the other hand, is hoping for such a fall—it is, indeed, an essential requirement for British economic recovery—and therefore prefers to defer long-term commitments.

Recovery in Coal

Provisional figures of coal production for the third week of April show an inevitable improvement after the reduced level during the Easter holiday; it is much more important that they continued to show improvement on the March figures. Output for the third week of April was 3,971,700 tons, compared with 2,998,400 tons for the previous week (which included the Easter holidays) and an average weekly production of 3,844,000 tons in March.

The recruitment figures for March are also encouraging. New recruits numbered 12,680 compared with 7,750 in February. Making an allowance for the fact that March was a five-week month, recruitment averaged 2,500 a week compared with just under 2,000 the month before. After wastage has been deducted, the net increase in March was 8,200—4,700 more than February. Most of the increase is due, significantly, to the transfer of ex-miners from other industries. Numbers effectively employed increased from 631,800 to 647,600, and the numbers on colliery books stood at 703,400. But by the week ending April 19th this figure had increased to 709,300.

Voluntary absenteeism at the coal face was down slightly on the month from 11.12 to 10.98 per cent and for workers as a whole it fell from 9.14 to 8.71 per cent. But these figures are still higher than a year ago. On the eve of the introduction of the five-day week, the trend of shifts worked per man is of particular interest. In March, output per worker at the coal face was 2.8 tons. This was a slight improvement on February and also on March, 1946, and reflected a corresponding increase in the number of shifts worked from 4.60 to 4.64. If workers at the coal face were to achieve a full five-shift week with the same rate of output as at the end of March they could cut and haul another ton a man per week, which would give a weekly average production of well over four million tons a week with the present labour force. The May output figures will invite close examination, following the introduction of the five-day week; its effect is still an open question, but some present consolation can be derived from the trend of recruitment.

Welsh Steel Development

The Government's decisions on the projected scheme for developing and modernising the South Wales tin-plate and sheet-steel industry were given, in part, by the Minister of Supply last Monday. The original scheme, as submitted to the Iron and Steel Board by the companies concerned, was discussed in a Business Note on page 256 of *The Economist* of February 8th.

The scheme falls into two parts. The first, which is the less controversial from a political point of view, has now received Government approval. Under it, the Steel Company of Wales will take over the Port Talbot and Margam works of Guest Keen Baldwins Iron and Steel Company. The works will become the nucleus of a new continuous hot strip mill with coke ovens, blast furnaces and ancillary equipment. Part two of the scheme is still being considered by the Government in the light of the Iron and Steel Board's recommendations. This section of the scheme is concerned with the erection of three cold reduction plants. The Government do not question the need for new finishing plant for tin-plate and sheet-steel, but they have postponed a decision on the Board's recommendation for their location owing to "the sociological factors involved." There has not been any serious hesitation so far about the best location for two out of the three cold reduction plants. These will probably go to Swansea and Llanelli. Opinions have differed on whether the third one should go to Margam (Port Talbot) or to Newport. There are reports that technical advice favours the former. A Government decision on whether the third mill shall go to the workers—which is the essential philosophy of Development Area planning—or whether workers go to the mill, must not be deferred. Key equipment will have to come from the United States and must be ordered while American firms have capacity available to fulfil the order.

This whole scheme will cost about £50 million. Once the decision on part two has been given, the question of finance will arise. When the formation of the Steel Company of Wales was announced in February it was hinted that the Finance Corporation for Industry might be approached for some of the money. Finding the money, however, is likely to be less problematical than finding the plant in time to be in operation by the scheduled time in three or four years from now. The decision on the South Wales scheme has been given with exemplary speed. An official decision is still awaited on the recently announced Stewarts and Lloyds programme at Corby.

Bretton Woods Changes

The early formative period in the lives of the International Monetary Fund and the International Bank for Reconstruction and Development is proving creditably eventful—"creditably" because the pace at which changes are being made is a token of the adaptability of these two new institutions. Both of them were launched on the basis of meticulously detailed blue-prints, and there is always the danger that ambitious schemes begun in this way and not in an empirical build-as-you-go method may become excessively rigid and unadjustable. In the case of the Bretton Woods institutions that danger seems to have been successfully circumvented. The blue-prints, as they appeared in the final acts of the Bretton Woods Conference, are of course intact; but much of the interpretation given to that agreement at the inaugural meeting of Governors in Savannah has already gone to the scrap-heap. The most visible evidence of that change is apparent in changes of personnel, and in particular of the dominant American personnel. From the Bank the first President and the first US Executive Director have gone, and have been replaced by nominees of Wall Street. Even more significant perhaps is the recent resignation of Mr Harry White from the position of US Executive Director. Mr White remains as an "honorary advisor without pay," but his disappearance from the board of executive directors can only be regarded as a further mark of the shift of power and influence in these two institutions from the politicians and the civil service in Washington to the bankers of New York.

At the International Bank preparations are said to be well in hand for the first loan, which may well go to France. If necessary a start may be made with lending by using the resources which the Bank has already accumulated by capital subscriptions from member countries. Some progress is, however, being made in preparing the market in the United States for bonds to be issued by the Bank. The President of the Bank has recently stated that the Bank's bonds would ultimately be listed on the New York Stock Exchange. A recently appointed officer, the Bank's "Director of Marketing," has suggested that the bonds would have a maturity of 10 to 25 years, and that since they would be protected by paid-up and uncalled capital of \$7.7 billion, of which over \$3 billion would be US dollars, the bonds should virtually have the standing of US Government obligations.

Scope for Rationalisation

There appears to have been a suggestion of controversy about the proposal of certain members of the Board of the International Bank to proceed to the election of a thirteenth executive member. According to the resolutions of the Savannah inaugural meeting, an additional executive director was to be elected if one or more countries were admitted to membership and if countries not represented on the Board had votes totalling 4,000. That position has been reached with the admission to membership of Syria, Lebanon, Turkey, Italy and Norway. The American and Chinese directors wish, therefore, to proceed immediately to an election. Others, including the British, have suggested that the election be postponed until September, when the next meeting of Governors will take place in London. This issue is complicated because Australia is now going through the formalities of election to membership. Hence if a thirteenth Director is appointed now, it may be a very long time before Australia has any say in the elections to the Board of Executive Directors.

Other reports from the two institutions suggest that M. Gutt, managing director of the Fund, is in favour of a merger of the Fund and the Bank. It is not the first time such a proposal has been made. There is much to be said for it, especially that it would prune the swollen budgets of these two as yet largely non-earning concerns. But the two institutions are so contrasted and have such diverse though complementary rôles to play, that their continued legal and administrative separation appears to be desirable. What could be achieved to secure greater efficiency and a measure of economy would be to merge certain common services such as statistical and economic research, and public relations, which now not only duplicate a good deal of the work they perform, but do so in contiguous rooms. Another contribution both to economy and administrative efficiency would be to hasten the process of converting full-time to part-time executive directors and cut the directors' remuneration accordingly.

Financial Aid for Italy

Full details, released late last week, of the financial settlements between the British and Italian Governments reveal that Britain has dealt very generously with its former enemy and

eventual co-belligerent. Earlier reports from Rome, which implied that as a result of the payments agreement, Italy would emerge with a large balance of immediately convertible sterling, were, of course, quite incorrect, as a Note in *The Economist* of April 5th pointed out. It is in the inter-governmental financial settlements, rather than the payments arrangements, that the generosity is evident. The payments agreement follows the lines indicated in the earlier note, and is modelled on the familiar pattern. The Italian Exchange authorities agree to hold a minimum balance of £10 million in sterling, any surplus above this amount being freely expendable on the principles applicable to the recently created category of "transferable" sterling. That is to say, at present such sterling may be used for current transactions, not only within the sterling area, but with the dollar area, Canada, Argentina and the Belgian, Dutch and Portuguese monetary areas. It is expected that the scope for transfer will shortly be extended to the French area, Brazil and Uruguay. This liberal range of expendability, instituted in conformity with the American Loan agreement, will not, however, mean that the whole of Italian sterling holdings in excess of the reserve balance of £10 million will be immediately converted. A further sum of up to £10 million will need to be held in reserve to finance imports already projected from the sterling area, and a further £8,000,000 is due to the British Government. Italy's free surplus at the moment, after these deductions, is not likely to exceed £6,000,000.

The inter-governmental settlements cover cross-claims arising from the post-liberation military occupation, Italian assets in the United Kingdom and pre-war debts. Britain had already announced that it would waive its claim (valued at about £25 million) for payment for supplies distributed to the Italian civil population. It is now, in effect, waiving almost £100 million of net claims on military account. Surplus United Kingdom stores, military surpluses and other supplies delivered to the Italian Government or expended on maintenance of Italians totalled £132 million, against which £26½ million was due by Britain to Italy for pay and maintenance of troops. Against the net balance of £106 million, Italy is to pay £8,000,000 in final settlement—an arrangement which Britain regards as her contribution to Italian reconstruction during the difficult year in which Unrra aid is no longer available. Finally, having already agreed to waive any claims to reparations from Italy, the British Government now similarly waives its rights under the Italian Peace Treaty to seize Italian property, valued at about £11 million, in the United Kingdom. The Italian Government, for its part, undertakes to secure early repayment of some £7,000,000 of Italian pre-war debts due to the United Kingdom.

Anglo-Soviet Trade Possibilities

The desire for a restoration of Anglo-Soviet trade has led to a number of approaches from the British side since the arrival of a Soviet trade delegation in this country last summer. These culminated in a conversation between Mr Bevin and Mr Stalin in Moscow last month. Last December, lists of British import requirements were drawn up and submitted to the Soviet delegation for comment; simultaneously an invitation was extended to the Russians to state their needs. The offer made by Mr Wilson, the recently appointed Secretary for Overseas Trade, to go to Moscow, has been accepted and discussions are taking place with the Soviet Minister for Foreign Trade.

The need to re-open trade relations with Russia has become more important through the incorporation of the Baltic countries in the Soviet Union. Before the war the Baltic countries were an important source of dairy produce and timber for Britain. In 1938 total imports by the United Kingdom from Russia alone amounted to £19½ million and exports to £17½ million, of which £11 million represented re-exports. In 1946 imports from the Soviet Union amounted to only £4.9 million, since Russia urgently required for its own reconstruction programme food and materials which had previously been exported. British exports, which consisted mainly of machinery, increased to £9.1 million, while re-exports dwindled to only £1.3 million owing to the world shortage of commodities, although Russia has recently started to purchase wool in the United Kingdom on a fair scale. An interesting new item among Russian goods imported into this country is medium staple cotton and cotton waste, the value of which totalled just over £1 million last month. The Soviet Union is not only shipping less timber than in the pre-war period, but it has also acquired from Finland the good timber lands of Karelia which is particularly productive of housing timbers, besides drawing off a part of Finland's exportable surplus for reparations. This

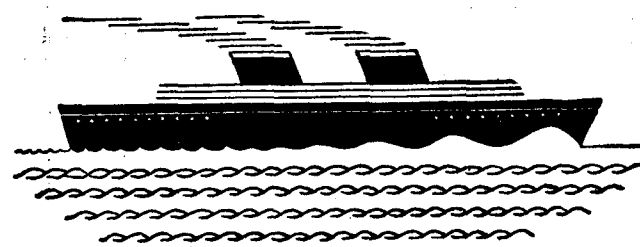
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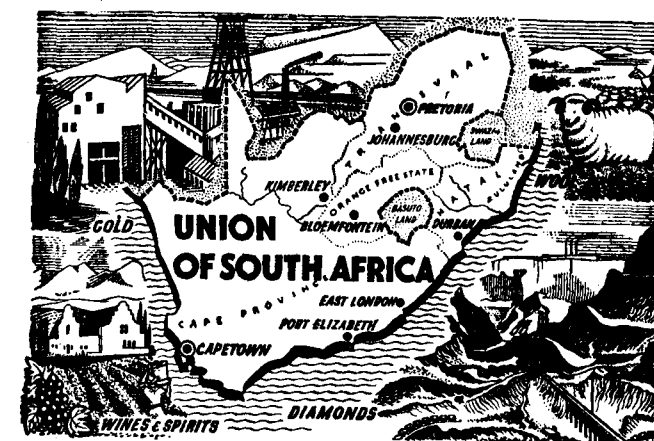
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As conditions return to normal throughout the world, fresh demands may well cause changes in the relative importance of the industries of the Union. Full and up-to-date information, backed by an intimate knowledge of the country, is available to merchants and manufacturers interested in trade with the Union of South Africa.

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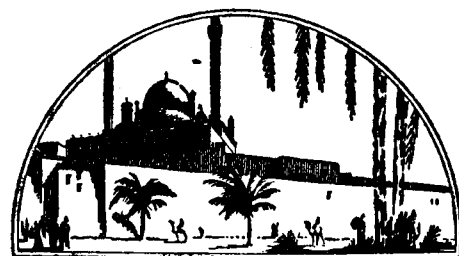


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has necessarily reduced the quantities which would have been available to Britain from Finland.

UNITED KINGDOM TRADE WITH U.S.S.R.

Imports from U.S.S.R.		Exports to U.S.S.R.	
	1938	1946	
Foods—			
Dairy produce	3,847†	...	Wool
Miscellaneous	5,828	...	Iron and steel
			Non-ferrous metals ...
Raw Materials, etc.—			Electrical machinery ..
Timber	5,731	} 600	Total machinery
Timber manufactures ..	1,815†		Miscellaneous textiles ..
Cotton	72		Chemicals
Other textile fibres ...	376		Vehicles
Hides	3,294	1,089	
Non-ferrous metals ...	543	233	
Petroleum	1,404	46	

† Exports from Baltic countries.

† Exports from Baltic countries.

Even with a favourable political wind, trade development is likely to be slow, for Russian domestic demands for materials will no doubt have priority over exports, except in return for the most urgently needed capital equipment. The machinery and other industrial equipment which Russia requires is not in free supply either in Britain or elsewhere. But there is a basis for discussion to effect a gradual expansion of trade and if both sides are willing to make concessions, a mutually favourable agreement could be concluded.

Report on Linoleum

The Linoleum and Felt Base Working Party Report has been published this week.* Although the Party did not reach entire agreement on all questions, this has not crystallised into any memorandum of dissent and the report's recommendations are unanimous. A selection of the statistics is given in this week's *Records and Statistics Supplement*.

In contrast to earlier working party reports, no recommendation is made for a new central organisation for the linoleum industry. The present organisations on both sides of the industry are considered sufficient, with assistance from Government departments, to implement the report's suggestions. Apart from this one departure from precedent, many of the recommendations are on "standard" working party lines. These include suggestions for improving the recruitment and training of workers and managers, the introduction of a uniform costing system and the setting up of a Central Statistical Organisation. There is also a recommendation for the exchange of information on costs to facilitate the fixing of minimum prices, which have long been a feature of the linoleum industry. A design centre is suggested and closer co-operation with the paint manufacturing industry is recommended in order to extend the field of useful research. The eventual export target should be higher than the 75 per cent set by the Government for industry as a whole.

Attention is drawn to the grave long-term consequences to the industry of the protracted shortage of linseed oil. Present allocations are at the rate of 10,140 tons a year, compared with the pre-war consumption level of 33,800 tons and estimated requirements in 1947 and 1948 of 35,000 tons and 44,000 tons respectively. Vigorous research into substitutes is recommended, and is coupled with the plea to the Government departments concerned to keep the industry informed on the short and long-term prospects of the industry. The Government's attention is also drawn to the industry's requirements of machinery. Linoleum manufacturers like other industries in need of equipment, are being held up by slow delivery. The working party has been impressed by such evidence as they have had time to collect of the apparently higher output per worker in the United States compared with this country, and they recommend that the industry should examine the reasons for this disparity.

Price Fixing and Efficiency

At some points the linoleum report is a rather complacent document. The working party have been impressed by "the general state of efficiency exhibited in the industry," and they consider "that it would appear that the Price Agreement has not been used to bolster up inefficient manufacturers." The Linoleum and Floorcloth Manufacturers' Association established

* Board of Trade Working Party Reports: Linoleum and Felt Base. H.M. Stationery Office. Price 1s. 6d.

this price agreement, in a revised form, in 1934. The Association contains eight firms, including all but two of the medium or large linoleum producers, but does not include felt base manufacturers. Minimum wholesale prices were fixed prior to the war (before statutory price-fixing came in) by bargaining among members. But no manufacturer could be obliged to sell at more than 20 per cent above cost—cost being struck after depreciation but before debenture interest. No agreements exist for limiting production or the division of sales and markets. An international agreement also existed before the war by which the Continental Linoleum Union and the British Linoleum Association agreed to maintain uniform prices in certain markets. The CLU kept out of British home and empire market, while the BLA did not compete in Germany and Italy. In the Working Party's view, the British linoleum industry gained considerably from the international agreement.

The advantages to both sides of the industry of such arrangements to limit price competition are set out in the report. The manufacturers argue the merits of competition based on quality and service; the trade unionists are attracted to a system which gives some stability to wages. The Working Party are unanimous in the view that the agreement has been worked "in a spirit of reasonable moderation." The position of the consumer, so far as it is considered, is rather that of a poor second cousin. The Working Party do indeed go so far as to say that "cost plus 20 per cent" is an insufficient safeguard to the linoleum purchaser, and recommend that so long as minimum price-fixing continues cost data should be available for scrutiny by the Board of Trade. There the matter rests.

Though the data available in the report suggest that the linoleum industry is efficient and progressive, it is doubtful if the price-fixing agreement should be unanimously hallowed by a Working Party on such evidence as the limited range of cost, price and export statistics which are presented. Nor is it necessarily convincing proof of effective competition that three of the smaller members of the Association have had to go out of business since it was formed. On the other hand, there is also *prima facie* evidence that output per worker in the United States industry was from 50 to 100 per cent greater than in Britain in 1939. On this score there is no ground for complacency. As the recommendations in the report stand, there appears to be no provision for an independent probe into these matters, nor is there any effective assurance that the linoleum consumers' point of view will receive regular and adequate hearing.

Check to Shipbuilding

Merchant tonnage under construction in Great Britain and Ireland at the end of March showed an increase of 94,653 tons gross over the previous quarter, according to the latest returns issued by *Lloyd's Register*. The British total of 2,031,715 tons gross amounts to 54.3 per cent of the world total of 3,743,315 tons gross (excluding Danzig, Germany, Japan, Poland and Russia). Of the leading British competitors, the United States has dropped to third place during the quarter, work on hand having decreased from 326,753 to 214,923 tons gross. Sweden now leads foreign yards with 244,205 (compared with 248,205) tons gross, while France follows closely with 232,949 tons gross. Returns for France, however, are still incomplete and this figure does not yet indicate the full measure of the recovery of French shipbuilding activity. During the quarter work was begun on 294,902 tons in British yards and 270,543 tons were launched, compared with 339,060 and 267,760 tons respectively in the previous quarter. The launching figures are below the average for 1946, but not unduly low for the season. There is considerable doubt in the shipbuilding districts, however, whether the leeway will be made up in the summer, in view of the 30 per cent cut in the allocation of steel to the shipyards, coupled with the introduction of the 5-day week.

The proportion of shipbuilding for foreign account continues to show encouraging progress, having increased from 478,000 to 513,000 tons gross during the quarter and from 24.7 to 25.3 per cent of the total. Norway and France continue to be the biggest customers, followed by the Dominions and Portugal. There is for the moment no lack of foreign orders awaiting their turn for berths, according to returns published by the *Shipping World*. These show a total of 3,149,693 tons gross in hand or on order in British yards, of which the foreign share is 901,345 tons gross, or more than 28 per cent of the total orders. About one-third of the total foreign orders are from Norway, with a value estimated at more than £20 million. British owners are showing signs of hesitation in ordering further tonnage, being deterred

by the prospects of yet higher costs. In Norway, however, the greatest concern at the moment appears to be delivery time. In view of the export value of Norwegian orders, and the fact that Norway has further contracts to place, the absence of priority for shipbuilding steel has serious consequence.

Restoration of British Shipping

Almost two years after the end of the European War it is possible to make a rough estimate of the progress made in replacing the wartime losses of British shipping. Official statistics are not calculated to impart any information of great value, but the *Shipping World* has carried out an analysis of British shipping on the United Kingdom register in private ownership according to all sources available up to March 31st. This analysis embraces 6,236,869 tons gross of ocean-going liners, 2,414,558 tons of ocean-going tramp ships, 2,518,519 tons gross of tankers, and 1,397,176 tons of vessels between 500 and 3,000 tons gross. This gives a total of 12,567,122 tons gross in private ownership, excluding all tonnage operated by or on behalf of the Ministry of Transport. The extent of Ministry commitments has not been revealed, but more than 1,000,000 tons gross have been chartered to British owners. Its latest offer to British owners is the purchase or hire of five "heavy-lift" ships at some £300,000 apiece, while its latest acquisition is 30 ships of "handy" type from the United States, totalling 52,111 tons gross. The Chamber of Shipping is now considering ways and means of transferring to private ownership the 100-odd Liberty ships expected within the next 12 months in accordance with the recent agreement. This transfer, with the Victory ships for which offers by private owners await approval, will add some 1,300,000 tons gross to private British ownership, which also has 1,500,000 tons under construction and a further 1,000,000 tons on order. When all these transactions have been completed the quantity of British shipping will have been restored approximately to pre-war level, at a cost to the industry estimated by the president of the Chamber of Shipping at about £230 million.

As to the quality of the post-war fleet, the *Shipping World* analysis provides some indications. Of the current totals, one-third of the liners are more than 20 years old, and almost another third was built before the Second World War. Nearly half the tramp tonnage is of wartime construction and over half is of wartime standard size, about 7,000 tons gross. The acquisition of further warbuilt ships, whether of British or American Government origin, will further emphasise the preponderance of this group and the deficiency of the handier tramp sizes. This analysis gives a clearer picture of the composition of the British Mercantile Marine than any statistics so far published since the war.

March Trade

The export figures for March (which are given in fuller detail in this week's *Records and Statistics* supplement), which amounted to £82.6 million, showed the impact effects of the coal crisis. Total exports for the first quarter of the year were just under £250 million. Last month's figures are slightly inflated by March having 31 days. Recalculation of the last three months of 1946 and the first three of 1947 on the basis of 26 working days as a normal working month gives the following figures (actual value exports are also shown for comparison):

U. K. EXPORTS.			
Actual		26 Working Days	
£ mn.		£ mn.	
Oct., 1946 ..	91	87½	Jan., 1947... 91
Nov., 1946 ..	92	92	Feb., 1947 .. 76
Dec., 1946... 83	90		Mar., 1947... 83

The stability of the February and March figures is striking. In both months the transport and shipment of goods for export was hindered by bad weather, while the closing down of industrial establishments during the fuel crisis will project its effects for some months to come. The volume of exports for March has been provisionally estimated at 99 per cent of the 1938 volume. This compares with 93 per cent for February, 112 per cent for January, making the first quarter of 1947 approximately 101 per cent, as against 111 per cent for the last quarter of 1946. There is much ground to be covered to meet the end-of-year export target of 140 per cent of the 1938 volume. Exports of vehicles, which totalled only £9.7 million in March, were the lowest since June, 1946, but this was the only major reduction in exports during the month.

Shipments of machinery reached the record figure of £13.9 million, almost one-fifth of the total exports of manufactured goods. By weight, this item was 48 per cent above the monthly average for 1938 and by value 190 per cent above.

Imports during March totalled £130 millions. This represents a sharp increase to a total higher than in any month since December, 1925. On a daily average basis imports were 7 per cent higher than in February and 11 per cent above the January level. The value of retained imports during the month (£123.6 millions) was the highest recorded figure since October, 1943. Larger imports of raw materials included increased arrivals of raw cotton, in particular some 10.5 million lbs. of medium staple (under 1½ in. and over ¾ in.) from the Soviet Union, and rubber. Not only has industry a lot of leeway to make up, if the export target is to be reached by the end of the year, but, unless exports expand very materially, it will be impossible to maintain the current rate of imports which is in fact still sub-normal. In any event, the import programme set out in the "Economic Survey" is apparently under review in order to secure further reductions.

Railway Pool Deficit

Estimates were given in *The Economist* of February 1st of the probable deficit of Railway and London Transport earnings last year, amounting to £12 million short of the fixed annual sum payable to the undertakings of £43,469,000. A White Paper issued this week closely confirms this estimate. It shows that the gross receipts of the controlled undertakings last year amounted to £360.7 million, while gross expenditure amounted to £325.2 million. Net receipts consequently amounted to £35.5 million and after including other net receipts and expenditure from ancillary undertakings, the net revenue of the pool as a whole is estimated to have amounted to £32.2 million.

The following table summarises the pool figures and gives a comparison with earlier years under control:—

RAILWAYS AND LONDON TRANSPORT POOL REVENUES (£ million)						
	1941	1942	1943	1944	1945	1946
Receipts:						
Passenger.....	132.1	163.5	186.3	194.6	210.6	202.2
Freight.....	158.8	176.7	190.9	196.1	169.7	155.1
Miscellaneous.....	2.9	3.3	4.5	3.7	3.6	3.4
Total.....	293.8	343.5	381.7	394.4	383.9	360.7
Expenditure.....	226.6	251.7	272.2	301.2	317.0	325.2
Net receipts.....	67.2	91.8	109.4	93.2	66.9	35.5
Other expenditure (net)...	2.1	2.6	3.9	2.9	4.4	3.3
Net revenue of Pool.....	65.1	89.1	105.5	90.3	62.5	32.2
Operating ratio.....	77.1	73.3	71.3	76.4	82.5	90.2

Meanwhile, the question of railway charges during the current year still awaits a decision. The Minister of Transport published the conclusions of the Charges Consultative Committee in February, but deferred the consideration of increased railway charges until the end of March. The lapse of time may have been due partly to his preoccupations with the Committee stage of the Transport Bill. Alternatively, he may be considering the desirability of keeping rates stable for the remainder of this year at the cost of meeting an increased deficit on the pool account from the Exchequer.

Aggregate of traffic receipts from the four main companies for the first 16 weeks of this year show a fall of £3.8 million for passengers, £6.2 million merchandise and an increase of £1.1 million for coal and coke. The total fall in traffic receipts is thus £9.1 million, equivalent to 12 per cent so far this year. On the costs side, some economies in the running expenses should result from cuts in services, but the general level of railway costs appears still to be rising, and there is a large wages claim under discussion. Evidently the optimistic forecasts of this year's traffics, which the Charges Committee heard with interest last autumn, are unlikely to materialise; hence the total prospective deficit for the Controlled Undertakings, in the absence of any adjustment of charges, may well involve a heavy subvention from the Exchequer to meet the fixed sum for 1947.

More Bill Market Capital

The important series of capital expansions which began in the discount market early last year has been rounded off this week by the news of the refinancing operation by Seacombe, Marshall and Campion. To facilitate this operation, the business is being con-

verted from a partnership into a private limited company with a capital of £500,000 divided into £300,000 4 per cent redeemable-preference shares, £199,900 £1 ordinary shares and £100 in management shares. The capitalisation of this house has never previously been disclosed, but it is a fair presumption that the preference shares now created are the measure of the additional finance that has been provided, though it is believed that the issue is being made at a premium. It is understood that a large proportion of these shares is being subscribed by the staff provident fund of one of the large banks. Obviously, such an arrangement could not give the bank concerned any influence over the policy of the discount house—from the provident fund's point of view, it is clearly a perfectly normal investment transaction. But, in view of Seacombe, Marshall and Campion's special connection with the authorities—this house has long acted as market agent for the Bank of England—the operation is a little unexpected. It must be admitted, however, that a long-term investment by a strictly impersonal provident fund is really a particularly appropriate means of finance in the special circumstances. These same special circumstances no doubt also explain why this house is the last member of the discount market to complete its post-war capital arrangements. Its financing now brings the total expansion in discount market resources, since the beginning of 1946, up to approximately £11 million. The aggregate true resources of the twelve houses are now about £34 million.

Argentine Railway Panel

The Economist was among those who argued at the beginning of March that the apportionment of the purchase price of £150 million, payable by the Argentine Government to the British-owned Argentine Railways, between the various companies and their even more varied classes of capital should be submitted for independent confirmation by an expert tribunal. The British Argentine Railway Council has given general satisfaction this week by its announcement that the boards of the railway companies have decided that the scheme embodying the terms of the allocation of the proceeds of sale among holders of the different categories of loan and share capital ought, in the best interests of the holders, to be referred before publication to an independent panel of three. This panel will consist of Sir Andrew Duncan, MP, who will act as chairman, Sir David Maxwell Fyfe, KC, MP, and Mr Gilbert D. Shepherd, president of the Institute of Chartered Accountants.

The decision to appoint the panel is as welcome as its composition is felicitous. The tangle of legal claims, inter-company complications and the nuisance value of the junior stocks mean that some stockholders are bound to be disappointed in the share-out. The panel will provide a balance of business, legal and accounting expertise, which will give the best independent assurance that fairness will be done all round.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports also appear in the Supplement: Cunard; Enfield Cables; Thos. Firth and John Brown.

reports also appear in the Supplement																											
Prices, Jan. 1-Apr. 23, 1947		Name of Security	Price, Apr. 16, 1947	Price, April 23, 1947	Net Yield,* April 23, 1947	Gross Yield,* April 23, 1947	Prices, Jan. 1-Apr. 23, 1947		Last two Dividends			Name of Security	Price, Apr. 16, 1947	Price, April 23, 1947	Yield, April 23 1947												
High	Low						High	Low	(a)	(b)	(c)																
British Funds*														Other Securities													
		Conversion 3% March 1, 1948-53.....	101½	101½	£ s. d.	£ s. d.	113½	106½	(d)	(d)		Australia 3½% 1965-69.....	106	109	2 12 1												
103½	101½	War Bonds 2½% August 1, 1949-51.....	102½	102½	0 5 11	1 11 1	105½	99½	(d)	(d)		Birmingham 2½% 1966-71.....	100	100	2 10 0												
103½	101½	Exchequer Bonds 1½% Feb. 15, 1950.....	101	101½	0 10 7	1 7 4	102	100½	(d)	(d)		Argentine 3½% 1972.....	101½	101½	3 8 0												
102½	100½	War Bonds 2½% March 1, 1951-53.....	103½	103½	0 12 1	1 15 1	142½	104½	40 c	5 c		Anglo American Corp. 10s.....	133½	136½	3 13 9												
105½	101½	War Bonds 2½% March 1, 1952-54.....	104½	104½	0 16 3	1 19 1	160½	118½	15 b	5 w		Anglo-Iranian Oil Pl.....	145½	157½	2 10 8												
106	103½	Funding 2½% June 15, 1952-57.....	102½	102½	0 14 1	2 0 0	42½	36½	25 c	40		Assoc. Port. Cem. Ord. Stk. (1)	67½	67½	4 13 0												
109½	103½	National Def. 3% July 15, 1954-58.....	106½	106½	0 16 10	2 4 3	95½	79½	7 a	7 b		Austin Motor A Ord. Stk. 5s.	37½	37½	5 6 8												
109½	103½	War Loan 3% Oct. 15, 1955-59.....	106½	106½	0 18 7	2 5 5	197½	15 a	120 b			Barclays Bank Ord. "B" (1)	87½	87½	3 4 3												
108½	103½	Savings Bonds 3% Aug. 15, 1955-65.....	102½	102½	1 1 7	2 3 10	105½	88½	24 a	50 b		Bass Ratcliff Ord. (1)	215½	216½	2 15 3												
105½	99½	Funding 2½% April 15, 1956-61.....	106½	106½	1 2 2	2 8 4	58½	50½	24 a	50 b		British Oxygen Ord. (1)	55½	54½	2 15 0												
109½	102½	Funding 3% April 15, 1959-69.....	106½	106½	0 18 0	2 8 6	29½	24½	8 c	8 c		Courtauld's Ord. (1)	24½	28½	5 11 6												
122½	114½	Funding 4% May 1, 1960-90.....	117½	117½	0 13 1	2 9 6	74½	68½	8 c	12 c		Dorman Long Ord. (1)	74½	76½	3 3 0												
110½	103½	Savings Bonds 2½% May 1, 1964-67.....	101½	101½	0 19 5	2 11 7	48½	41½	3 a	7 b		Dunlop Rubber Ord. (1)	47½	48½	4 3 0												
104½	96½	Victory Bonds 4% Sept. 1, 1920-76.....	107½	107½	0 14 10	2 7 6	49½	40½	7½ c	10 c		Imp. Chem. Ind. Ord. Stk. (1)	45½	45½	4 7 6												
123½	116½	Savings Bonds 3% Sept. 1, 1920-76.....	106½	106½	1 5 5	2 7 8	55½	47½	10 c	5 c		Lancs. Cotton Ord. Stk. (1)	52½	53½	1 17 3												
111½	103½	War Loan 3½% (after Dec. 1, 1957).....	107½	107½	0 15 3	2 9 8	77½	62½	10 c	12½ c		Lever and Unilever Ord. (1)	67½	68½	3 12 6												
108½	103½	Consols 4% (after Feb. 1, 1957).....	111½	111½	1 1 8	2 11 6	84½	78½	(d)	(d)		London Brick Ord. Stk. (1)	80½	80½	4 19 5												
117½	110½	Conversion 3% (after Apr. 1, 1961).....	106½	106½	1 8 10	2 12 0	36½	33½	24 a	40 b		L.M.S. 4% 1st Pref. Stk.....	35½	35½	4 0 0												
115½	107½	Treas. Stk. 2½% (after Apr. 1, 1975).....	106½	106½	1 8 11	2 12 0	60½	47½	35	520-50		N.-Eastn. Elec. Ord. Stk. (1)	35½	35½	4 0 0												
110½	93½	Redemp. Stk. 3% (after Apr. 5, 1960).....	111½	111½	1 8 11	2 11 3	33½	32½	60	47½		Pchm. Jnson Ord. Stk. 10s	58½	60½	4 3 4												
117½	107½	Redemp. Stk. 3% Oct. 1, 1986-96.....	86½	86½	1 9 0	2 12 8	39	35	169-58	174½ c		Prudential "A" Pl.....	37½	37½	1 19 6†												
99	92½	Consols 2½%.....					63½	52½	122 c	12 c		Stewarts and Lloyds Def. (1)	60½	60½	4 5 6												
							108½	91½	13½ b	72 a		"Shell" Transp. Ord. Stk. (1)	102½	104½	1 4 0†												
							147½	118½	10 a	12½ b		Tube Invest. Ord. Stk. (1)	130½	130½	3 4 3												
							96½	81½	34 a	8½ b		Turner & Newall Ord. Stk. (1)	86½	91½	2 14 8												
							107½	93½	15 a	55 b		Woolworth (F. W.) Ord. 5s.	100½	101½	3 8 9												

*To earliest redemption, except § flat yield and † assumed average life 17 years 6 months. Net yields after allowing for tax at 9s in £.

Details of the scheme have yet to be completed, but it is expected that the proposals will be put before the panel at an early date. Then as soon as the panel has considered them, the figures showing the allocation of the purchase price, which they regard as fair and equitable, will be published. The next stage will be an application to the High Court for summoning the necessary meetings to approve the scheme, and thereafter the full text will be issued as soon as possible. It is evident that, in the apportionment of a legal sum of this order of magnitude between such a wide variety of claims, the door would be wide open to controversy unless some independent body had previously expressed its opinion upon the division. There is, of course, no necessary guarantee at this stage that the panel will be able to satisfy all claimants to their complete satisfaction—to do so they will have to show the joint wisdom of Daniel and Solomon—but their assessment of the scheme which the railway companies put forward will be wise, impartial, and will be received with respect.

Tin Supplies and American Demand

The Tin Study Group, which concluded its work last week in Brussels, fulfilled expectations by accomplishing little more than estimating production and consumption of tin for the current and subsequent years and establishing a secretariat. The world tin position is apparently worse than had been foreseen at the International Conference last October. Output for 1947 has been revised downwards to 117,000 tons, for 1948 to 163,000 tons, and for 1949 to 201,000 tons. These figures compare with a 1939 world total of 183,300 tons and a peak production in 1941 of 241,700 tons. World consumption during the current year is expected to amount to 140-150,000 tons, in 1948 to 184,000 tons and in 1949 to 190,000 tons. On this assumption, from 1949 onwards output will apparently exceed demand. Statistics showing the current world tin position are given in the *Records and Statistics* Supplement to this issue.

The creation of a centrally organised statistical office by the Study Group supplying reliable and timely information will be of great benefit to consumers and producers. In such matters a Study Group can afford valuable assistance. But international marketing bristles with ticklish problems which often can only be solved on a governmental level. Whether the study-group method will be able to help in these matters has yet to be seen. The powers of the representatives are certain to be restricted, so that no major policy decision is likely to be taken by the Group itself. But much useful spade work could be done in clearing ground for the formulation of policy by the governments concerned.

The tin position in the United States is particularly important in relation to the world situation. The Civilian Production Administration recommended the continuance of controls during the current year on the ground that in the absence of a radical

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

improvement in the supply position, Government stocks, excluding those held for strategic purposes, would be exhausted before the end of 1947. Supplies of pig tin available in the United States are unlikely to exceed 69,000 tons, inclusive of substantial withdrawals from Government stocks. Stocks of tin in the United States amounted to only 77,925 tons at the end of 1946, showing a decline of some 13,700 tons on the year; of this total, 54,979 tons were held on Government account. The level of stocks, however, was considerably higher than before the war, even after excluding the 12,140 tons of Treasury and Navy Reserve stocks which are not available for distribution. On the basis of 1946 consumption, the net stock figure represents almost 10 months' supply.

Of the 38,100 tons of concentrates imported during last year, some 28,600 tons came from Bolivia, 7,200 tons from the Belgian Congo and 2,200 tons from the Netherlands East Indies. Most of the shipments of tin metal came from the United Kingdom. Consumption in 1946 amounted to 80,400 tons compared with 84,500 tons in 1945—a reduction due in part to the cancellation of war contracts. Tin and tern plates absorbed over a third of the total or some 27,100 tons and almost maintained the previous year's level, while brass and bronze showed a decline of 4,500 tons on 1945 to 22,300 tons.

* * *

Rhodesia Railways Purchase

The Southern Rhodesia Parliament now has before it the proposal to purchase the £500,000 share capital of the Rhodesia Railways, Ltd., from Rhodesia Railways Trust at an agreed price of £3,150,000, with effect from March 31st, 1947. Interest will be payable at 2½ per cent until completion of the sale. The price is equivalent to 25 times the maximum dividend of £125,000.

The Southern Rhodesia Government is expected to give notice to repay the £20,346,706 4½ per cent debenture of the Railway Company on October 1st at par and to arrange to raise funds to cover the purchase of the equity, the refunding and the provision of new money, amounting perhaps to £10 million, a figure suggested by the Railways Trust as necessary for new equipment. When these operations are complete a joint statutory commission will probably be established to take over and operate the railways. This commission would include representatives from the Governments of Southern Rhodesia, Northern Rhodesia and Bechuanaland; the financial responsibility of the Governments being 75, 20 and 5 respectively. A transport authority and a body to replace the existing rate fixing transport commission are also fore-shadowed.

The Rhodesia Railways Trust has a capital of £2,005,767 in £1 shares, of which 1,611,401 were held by the British South Africa Company at September 30, 1945. If the Shabani Railway, which serves the south-east of Southern Rhodesia, is also purchased the *raison d'être* of the Trust would disappear; reinvestment of the funds to produce an over-all 4 per cent might be difficult. The approximate break-up value of the Trust shares, which last year received 10 per cent, is 45s. This valuation is equivalent to about 8s. on each 15s. share in "Chartered," which are currently quoted at 47s. 6d. cum the 1s. 9d. gross dividend for 1945-46.

* * *

Aluminium Supplies and Scrap

The Ministry of Supply have announced this week that, in agreement with the Board of Trade, they will in future permit the import of aluminium scrap and aluminium alloy scrap, under individual licences. The metal trade is thus permitted to search the world for scrap, the most likely areas being Western Europe, the Mediterranean and West Africa where battle scrap may still be obtainable. At the moment there is no shortage of aluminium in this country; but there may be a shortage of scrap suitable for castings in the near future. Present recovery is almost entirely dependent on crashed aircraft and the production of secondary ingot from this source is expensive, firstly because the amount of aluminium obtained is approximately 33-40 per cent of the weight of the aircraft and secondly because the recovered aluminium is not suitable for castings without re-treatment.

It is apparently because of this prospective dearth of scrap that the ban on its import has been lifted. But this can hardly be the sole reason, for neither the Ministry of Supply nor the trade can yet be certain where suitable casting scrap is to be found and in what quantities. The policy of individual licensing, however, will enable merchants to search and to make or renew trade contacts—and that alone would be a valuable preliminary

to decontrol. Perhaps, therefore, it may not be too optimistic to interpret the lifting of the ban on scrap imports as the first sign of freer trading conditions in aluminium generally.

Consumption of aluminium in the United Kingdom has been maintained at a very high level since the end of the war. Metal furniture has been another important new use and aluminium has also been substituted for iron in corrugated roofs, drainpipes and housing components. This demand, however, is unlikely to be sustained beyond the period of immediate shortage, for it arises mainly because of the scarcity of other materials. When the emergency housing programme is eventually finished—it has been much delayed—a large element in the recent demand for sheet aluminium will have been satisfied. When good timber is in adequate supply metal furniture may be relegated to the novelty class. The demand for aluminium will then depend largely on the hollow-ware, aircraft and motor vehicle industries. The post-war level of consumption is certain to be higher than in pre-war years, but it is extremely doubtful if war-time and immediate post-war figures will be maintained.

Scrap aluminium has assumed importance because a large part of British requirements of virgin metal has to be satisfied from Canada, which involves the spending of dollars. At the end of the war, the United Kingdom had large supplies of scrap. Much of this has been absorbed into domestic consumption. But it would also appear that since the export of scrap was forbidden—although the United States was offering high prices for it—there were fairly large shipments overseas of secondary ingot which in the past year have been estimated at over 50,000 cwt. It is, however, impossible to check this from any published data, but if it is true it would at least account for a large element in the relative shortage of scrap aluminium at the moment.

* * *

Central London Assented

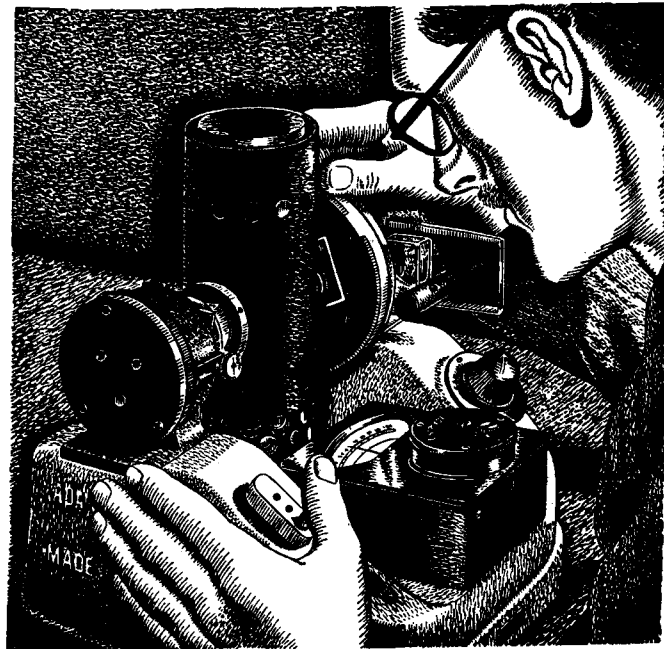
Glyn Mills and Company, the trustees for Central London Assented 4 per cent stock, of which £2,811,839 is outstanding, have been informed by the Minister of Transport that the underlying security, which at present consists of £2,605,698. London Passenger Transport "C" stock, will be exchanged for British Transport stock worth, at the time of issue, £1,750,703. The trustees understand that the Transport Commission will continue to guarantee, in place of the LPTB the full 4 per cent interest, until such time as redemption of the British Transport stock takes place. On this point, all that is known is that the British Transport stock will be redeemable "within this century." On the assumption that Transport stock is issued at par, the holders of Central London Assented would receive, on its redemption, £62 5s. in cash per £100 Central London Assented. On the face of it, this would involve a significant capital loss to existing holders, though it is a contingent liability which can only occur at some as yet indeterminate date. Under existing conditions, Central London Assented stockholders are entitled to their well-secured 4 per cent payment at least until June 30, 1956, when Transport "C" stock becomes optionally repayable and thereafter until it was actually repaid. On that event they were entitled to receive £92 13s. 4d. in cash per £100 of Central London Assented. Thus they may be faced with a loss of about one-third of their capital expectation. The hardship is not a present one, for the income continues for an unpredictable period, so that Central London Assented stockholders are to that extent better off than holders of senior railway securities. But a relatively high rate of interest—to which the holders are legally entitled—will provide no adequate margin after tax from which to write off the heavy capital loss which holders must expect one day to suffer.

Shorter Notes

As a result of a poll of debenture holders of the Peruvian Corporation, the five nominees of the board all secured election to the debenture holders committee by comfortable margins over the representatives of those who opposed last year's reconstruction scheme.

*

The Chancellor of the Exchequer, showing a proper concern for the fair treatment of British investors with overseas interests, has characterised the original offer of 64 per cent including arrears to holders of the Union Company of Oslo bonds as inadequate. This offer was withdrawn by the Norwegian Government. The bonds now carry some 38 points of gross arrears, and a new purchase offer is awaited.



R.O.Y.G.B.I.V.

Red, orange, yellow, green, blue, indigo, violet; these are the colours of the rainbow which Newton flashed from the bevelled edge of a mirror when he made his famous researches on light. Since then, the study of colour has travelled a long road. It has become a methodical and precise branch of physics which the chemist is exploiting. It demands instruments of precision, such as the absorptiometer illustrated above. This is employed to measure with exactitude the intensity of the colour of a solution. For example, it may be desired to follow closely the rate at which a fabric is being dyed under given conditions. This can be done by withdrawing samples of the dyeing liquor at suitable intervals of time and measuring the intensity of their colour. The absorptiometer is admirable for the purpose. In the centre, a source of light throws out beams on either side. These pass through adjustable apertures and strike photo-electric cells. A sample of the dye liquor is placed in front of one cell and the aperture in front of the other cell is adjusted until the two cells give exactly equal readings. The sample is then removed and the readings of the two cells are again brought to equality by adjusting the aperture on the first cell. The degree of adjustment that must be made on this aperture is a measure of the intensity of the colour of the sample of dye liquor, and from this the rate of dyeing can be estimated. Just as British chemists discovered synthetic dyes, so they are today taking the lead in developments in the physical measurement of colour.

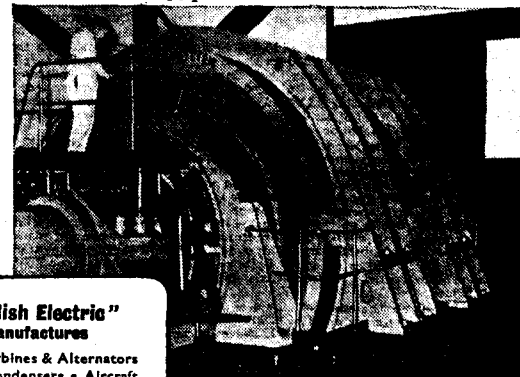


IRON AND STEEL IN A CHANGING WORLD

The British Iron and Steel Federation's 'Monthly Statistical Bulletin' is available on a subscription basis, for the benefit of all whose interests interlock with the Industry. The annual subscription is £1.10.0, post free. Specimen copy on request.

THE BRITISH IRON AND STEEL FEDERATION
Steel House, Tothill Street, Westminster, London, S.W.1.

"ENGLISH ELECTRIC" Rolling Mill Drives



"English Electric" manufactures

Steam Turbines & Alternators
Surface Condensers & Aircraft
Water Turbines & Alternators
A.C. & D.C. Generators
Electric Locomotives
& Motor Coach Stock
Diesel-Electric & Turbo-Electric
Equipments for Marine Purposes
Transformers of any size,
type or voltage
Diesel-Electric Units & Diesel Engines
E.H.V. & L.V. Switchgear
Fusegear of all types
Mercury Arc Rectifiers
Electrical Equipment for Iron and
Steel Works, Collieries, Mines
and Industrial Undertakings
Arc Welding Equipments
A.C. & D.C. Motors & Control Gear
House Service Motors
Electric Appliances for Domestic,
Restaurant and Canteen use

A 16,780 (peak) H.P. reversing plate mill motor in a South African Steelworks.

THE experience of the English Electric Company in rolling mill drives extends over a period of more than thirty years. The many electrical equipments for rolling mills which have been supplied for service in Great Britain and overseas cover the widest range of applications and include the associated special auxiliary electrical apparatus. The Company makes all electrical plant for complete steel works installations, from power station or substation requirements to the high-voltage capacity fusegear for protecting the works low-voltage auxiliary circuits.

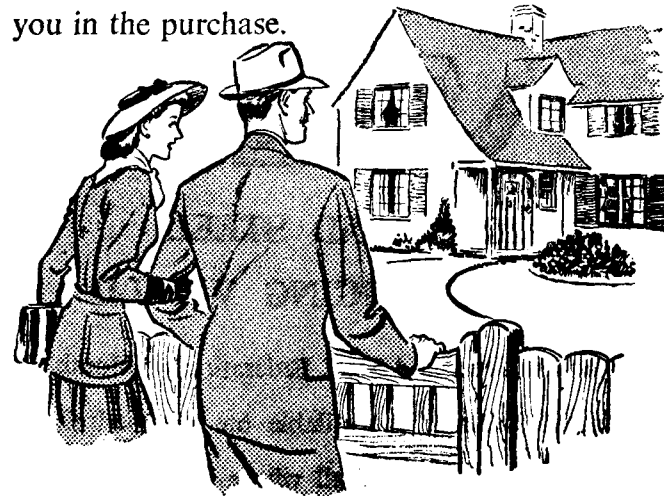
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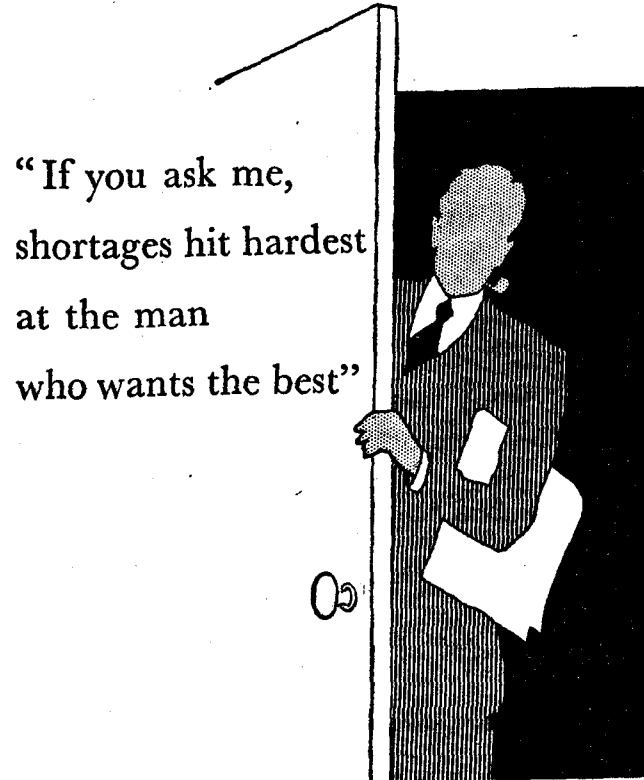
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UNION CORPORATION LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS FOR YEAR 1946.

The Accounts are drawn up in Union of South Africa currency, United Kingdom currency being taken at par.

The profit is £635,615, plus £128,345 brought forward, making a total of £763,960. The Directors have placed £50,000 to the credit of Exploration Reserve Account; have provided £25,000 for Staff Pension Fund Contingencies and have written off £14,755 new issue expenses. A final dividend of 4s. 6d. U.K. currency per share free of U.K. Income Tax was declared, absorbing £325,500, making with the interim dividend of 2s. 6d. per share a total distribution of 6s. 6d. per share free of U.K. Income Tax or £488,400 for the year, leaving £185,560 to be carried forward.

The dividend is declared in compliance with Section 52 of the U.K. Finance (No. 2) Act, 1945, and the gross amount which is the equivalent of this Dividend for Income Tax purposes is ascertainable by reference to the full standard rate of Income Tax. Double taxation relief allowable to the Corporation amounting to 3s. 9d. in the £, has been taken into account in arriving at the provision for taxation shown in the Profit and Loss Account. Holdings of Shares, Debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market price of December 31st last, or, where no market price exists, above the Directors' valuation. At present market prices, these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to provide for contingencies by reducing the book cost of certain holdings both below cost and below market price.

During the year the nominal capital of the Corporation was increased from £1,000,000 to £1,100,000 by the creation of 100,000 new shares of 12s. 6d. each. Including the 50,000 shares already held in reserve, 220,000 shares became available for issue, and 98,000 shares were offered to shareholders at £10 per share in the ratio of two new shares for every thirty-five held on April 24th, 1946. The issue realised a gross sum of £880,000 of which £55,000 constitutes an addition to the issued capital of the Corporation. The balance of £825,000 placed to Share Premium Account was transferred to Reserve Account, raising it to £2,825,000.

GOLD INTERESTS.—Summary of the operating results for the past year of the companies operating in the Witwatersrand in which the Corporation is largely concerned is given in the Report.

ORANGE FREE STATE.—The Corporation holds the mineral rights over 4,025 morgen adjoining Western Reefs Exploration and Development Company, Limited, and 1,140 morgen further to the east. It continues to hold under option certain areas in the Thunissen and Brandfont districts.

ST. HELENA GOLD MINES.—Good progress was made by this Company in preparations for exploiting its area south of Odendaalsrus in the Orange Free State. Shaft sinking was commenced with temporary equipment on No. 3 incline shaft.

BAY HALL TRUST.—The net profit for 1946 was £71,436 and a dividend of 6% free of tax was declared. The Trust's investments at December 31st showed an appreciation of £1,298,708 over the book cost of £2,089,195.

BRITISH ENKA.—In May last the issued Capital was reduced by £312,500, eliminating the debit of £282,849 on Profit and Loss Account, the balance of £49,651 being transferred to Capital Reserve Account. The creation of 1,250,000 new shares of 5s. each, which were offered to shareholders at 6s. per share under the guarantee of the Corporation, restored the capital to £1,250,000.

SAN FRANCISCO MINES OF MEXICO.—Operations were interrupted by a workmen's strike early in 1946. The price of metals produced rose substantially during the year. Underground development continued to give favourable results.

SOUTH AFRICAN PULP AND PAPER INDUSTRIES.—After providing for taxation and depreciation the net profit amounted to £100,862 and a dividend of 1s. per share has been declared.

Copies of the full Report and Accounts can be obtained on application at the London Office, Princess House, 75, Gresham Street, E.C.2.

WEST RAND CONSOLIDATED MINES, LTD.

(Incorporated in the Union of South Africa.)

CAPITAL (Registered and Issued): £2,150,000

In 4,250,000 Ordinary Shares of 10s. each and 25,000 Deferred Shares of £1 each.

DIRECTORS.

SIR GEORGE W. ALBU, BART. (Chairman). C. S. MCLEAN.
T. SHEARER. M. W. RICHARDS. W. M. FRAMES.
ERROL G. HAY, C. S. GOLDMAN, N. F. H. BAILING, T. W. T. BAINES.

EXTRACT OF ANNUAL REPORT TO DECEMBER 31, 1946.

Tons milled..... 2,580,000
Yield (\$225 dwt. per 1000)..... 407,580 fine oz.

Working revenue..... \$4,032,924

Working costs..... 2,716,984

Working profit..... 1,315,940

Sundry revenue..... 116,738

Less: Interest on Fixed Loan from General Mining and Finance Corporation, Ltd. \$3,750

Exchange..... 537

Additional Liability Siltosis Act, 1946..... 18,901

Special Benefits to European Employees..... 6,502

Directors' Fees..... 2,000

31,890

Balance at 31st December, 1945..... \$1,401,288

37,454

Total Available Profit..... \$1,438,742

Appropriated as follows:—

Government and Provincial Taxes..... \$719,968

Reserve for Liability under Siltosis Act, 1946..... 23,995

Capital Expenditure for year..... 29,882

Repayment on account of Fixed Loan..... 100,000

Ordinary Dividends Nos. 30 and 31, totalling 17 1/2% \$371,975

Deferred Dividends Nos. 21 and 22, totalling \$4 19s. 2d. per share 123,958

Balance to Balance Sheet..... \$465,833

69,084

\$1,438,742

ORE RESERVE.—The fully developed ore reserve, as recomputed at December 31, 1946, amounted to 8,471,000 tons of an average value of 4.2 dwt. over 47 in. (1945: 8,741,000 tons at 4.2 dwt. over 47 in.).

Copies of the full Report and Accounts are available at the London Office of the Company, Winchester House, Old Broad Street, London, E.C.2.

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COMPANY MEETINGS

MANGANESE BRONZE AND BRASS COMPANY, LIMITED

LARGER PROFIT AND DIVIDEND

MR J. C. COLQUHOUN'S STATEMENT

The forty-eighth ordinary general meeting of the Manganese Bronze and Brass Company, Limited, was held, on the 23rd instant, at 63 Grosvenor Street, London, W., Mr J. C. Colquhoun, M.B.E., the chairman and managing director, presiding.

The secretary (Mr W. K. Gibb) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts:—

The board has again decided to circulate this statement with the directors report and accounts, and no doubt many shareholders will favour a continuation of this procedure, which was adopted for your convenience during the war. Since our last meeting Mr A. T. Thorne has resigned from his position as joint managing director, but we continue to have his able assistance as a member of the board.

DIVIDEND OF 30 PER CENT

The profit for the year, before providing for taxation, is £127,977, compared with £81,407 for the previous year. Your directors recommend a final dividend on the ordinary shares of 2½ per cent., making 30 per cent. for the year. After providing for all dividends and for taxation there remains a surplus for the year of £34,766, compared with £15,765 for the previous year.

Referring to the balance-sheet, you will see that net current assets amount to £203,243. The additions to and withdrawals from our liquid resources in 1946 can be shown in the following manner:—

Net current assets December 31, 1945	£ 172,785
Add—	
Surplus for year 1946	34,766
Depreciation for year 1946	21,218
E.P.T. Post-War Refund	33,000
	261,769

Less—	
Capital expenditure 1946 (net) ...	58,526

Net current assets December 31, 1946	203,243
--	---------

Depreciation charge for the year is somewhat above the more liberal rate which Inland Revenue now allow for wear and tear. The item of £33,000, representing the net amount of excess profits tax post-war refund, is shown as a separate item in the balance-sheet, at least for the time being, as this refund can only be used for development and re-equipment. Capital expenditure includes the leasehold cost of the new London office. There are no other items in the balance-sheet calling for special comment except trade investments, which I will deal with later.

Before leaving the accounts I might say in reference to the ordinary share capital, which has been heavily written down in the past, that a dividend of 30 per cent. to-day gives a return of about 2 per cent. on the original capital of the company. Some members still hold shares giving this low yield.

WORKING TO CAPACITY

The marine propeller side of your business has been fully booked with work throughout the year and, indeed, has a well-filled order book running well into 1948. We have recently completed a licence agreement with Messrs Escher Wyss, of Switzerland, under which we will manufacture controllable pitch propellers in co-operation with them. In this we have the advantage of a design based on practical experience and research work carried out at the Escher Wyss cavitation tunnel in Zurich. At your Ipswich works the volume of trade is extruded; rolled and forged products kept this part of the business working to capacity during the year, as was also the case in the production of Oilite self-lubricating bearings and other parts made from metal powders. Here, again, there is no indication of any falling off in the demand for our products up to this date.

In regard to the outlook, I believe the requirements of our customers at home and abroad will absorb all we can produce in the current year. It is regrettable, therefore, that the fuel crisis in February brought production to a standstill for three weeks. One further week's output was lost at your Ipswich works as a result of floods, and I would like here to make special mention of the splendid efforts which achieved such a quick resumption of production.

TRADE INVESTMENTS

Trade investments in the balance-sheet show no change at December 31, 1946, but we have since sold our interest in Rubber Bonders, Limited, for £10,200. I said last year, in regard to this engineering investment that we anticipated losses for a period, but regarded the more distant future hopefully. So far as the business goes that still stands, but economies became necessary, and urgently necessary, when the fuel and power crisis started. The only way these economies could be made without jeopardising the future of the business was by amalgamation with the adjacent rubber factory of H. G. Miles, Limited, which had mothered the bonding business as partners of ours in the years of quick growth during the war. As we did not wish to remain with a minority shareholding in what now becomes largely a rubber business, we have, with regret, relinquished our interest in the reconstructed company.

In conclusion, I would like to express our appreciation and thanks to the staff and all employees for their loyalty and excellent co-operation in producing the satisfactory results which you have before you.

The report and accounts were unanimously adopted.

The retiring directors, Mr A. T. Thorne and Mr W. Mure, C.B.E., were re-elected and the auditors, Messrs Lever, Honeyman and Company, were reappointed.

A vote of thanks to the chairman, directors, staff and employees terminated the proceedings.

JOHN WRIGHT AND SONS (VENEERS), LIMITED

MR. LESLIE C. W. JENKINS' REVIEW

The eleventh ordinary general meeting of John Wright & Sons (Veneers), Limited, was held, in London, on the 23rd instant.

Mr L. C. W. Jenkins, F.C.S. (chairman and managing director) said the raw material supplies still caused anxiety, for during the year the stock of peeler logs had been exhausted, but at the moment, however, they had on hand sufficient to last for some time. The company's manufacture might be divided into two classes, the cutting of veneers for the manufacture of plywood, and the cutting of decorative veneers. There was an insatiable demand for plywood, but there was also a general reluctance on the part of the countries that had raw material available to export logs, particularly those with veneer and plywood plants, which preferred to retain the benefit of manufacture. From this country's point of view, however, it was most important that logs should come forward in order to save the sterling represented by the difference between the cost of the logs and the veneer for disbursement by way of wages, overheads, etc.

Once again he emphasised the strategic value of the veneer and plywood industry to the country. Since the war the company had cut many millions of feet of veneer for the utility furniture programme and had been actively engaged in renewing pre-war overseas contacts and finding new markets for decorative veneer. In addition to the direct export of veneers a valuable contribution had been made to the export trade by the supply of veneers to the makers of radios, sewing machines, etc.

In April, 1946, it was decided to eliminate Saturday work and reduce the standard 49-hour week to 45 hours. The change-over had been a great success, for output had been maintained at a figure equal to over 98 per cent of that achieved in the previous period.

The increase in the value of plant and machinery after depreciation as shown by the balance sheet, represented orders placed during the year for up-to-date equipment to replace machines many of which had, since Munich, worked round the clock. He paid tribute to the staff and workpeople who had again worked willingly and well, and thanked his co-directors for their support.

LARGER TURNOVER AND DISTRIBUTION

The result of the eleventh year's working showed a profit of £69,115, which compared with £42,221 in 1945. He was pleased to report an increase in turnover of nearly 13 per cent., as compared with 1945. It was considered that the return on the ordinary stock for the year should be increased and a final dividend of 2½ per cent., making 10 per cent. for the year and a bonus of 5 per cent., were recommended.

The current assets of £349,283 exceeded the current liabilities, and provisions of £175,161 by £174,122. The excess compared with £141,984 at the end of 1945, and should be taken as the surplus of liquid assets after payment of the recommended dividend and bonus on the ordinary stock.

The report and accounts were adopted, and a vote of thanks to the chairman, proposed by Mr Harold M. Moore, F.C.A., was carried with acclamation.

NATIONAL BANK OF EGYPT

ALY SHAMSY PASHA'S REVIEW

The forty-seventh annual general meeting of the National Bank of Egypt was held at the head office of the bank in Cairo on the 26th ultimo.

Aly Shamsy Pasha (the president) was in the chair.

BALANCE SHEET, 31st DECEMBER, 1946

ISSUE DEPARTMENT		
	L.E.	MM.
LIABILITIES		
Notes issued	145,000,000	000
	145,000,000	000

ASSETS		
	L.E.	MM.
Gold	6,375,873	969
Egyptian and British Government Treasury Bills and Securities	138,624,126	031
	145,000,000	000

BANKING DEPARTMENT		
	L.E.	MM.
LIABILITIES		
Share Capital:		
300,000 fully paid Shares of £10 each.	2,925,000	000
Statutory Reserve Fund.	1,462,500	000
Special Reserve.	1,462,500	000
Current Deposit and other Accounts.	90,832,209	862
Egyptian Government	80,708,383	632
Sudan Government	278,324	772
Bankers' Accounts	38,480,298	429
Cheques and Bills payable	383,742	550
Provision for payment of final dividend at the rate of 13% per annum.	380,250	000
Profit and Loss Account Balance	282,226	890
Acceptances, etc.	4,061,761	150
	221,257,197	285

ASSETS		
	L.E.	MM.
Government Securities and Securities guaranteed by the Egyptian Government	165,026,882	372
Sundry Securities	490,748	219
Advances on Merchandise	2,129,906	790
Advances on Securities	387,539	766
Sundry other Advances	1,307,455	556
Bills discounted	243,886	576
Bankers' Accounts	22,925,178	045
Money at Call and at Short Notice	16,575,975	000
Buildings	75,000	000
Cash:		
Notes L.E.	7,831,570	500
Other Notes & Coin, L.E.	201,293	311
	8,032,863	811
Clients' Liability for Acceptances, etc., as per contra	4,061,761	150
	221,257,197	285

PROFIT AND LOSS ACCOUNT		
	L.E.	MM.
Dr.		
Directors' Fees	18,273	904
Current Expenses	970,485	368
Interim Dividend at the rate of 4 per cent. per annum	117,000	000
Provision for payment of final dividend at the rate of 13% per annum	380,250	000
Balance carried forward	282,226	890
	1,768,236	162

Cr.		
	L.E.	MM.
Gross Profit for the year ended 31st December, 1946, after providing for depreciation on buildings and furniture, for rebate of discount, for doubtful debts and contingencies	1,494,930	970
Balance brought forward from last year	273,305	192
	1,768,236	162

THE PRESIDENT'S ADDRESS

The following is an extract from the President's address:—

If, generally speaking, we notice a certain shrinking in business activity in Egypt due partly to the withdrawal of the Allied armies, there are still numerous signs of prosperity. Nevertheless, in every sector of general economy—agriculture, industry, foreign trade, public and private finance—certain post-war problems have to be faced, the study of which is not lacking in interest.

The main characteristic of our general economy is the lack of balance between the available goods in Egypt and the volume of purchasing media. In other words, there is

an inflationary situation due to an excess of the means of payment, but it is far from comparable with that which prevails in certain countries which have had to finance their expenditure by the issue of banknotes issued during the war is offset by solid reserves: the sterling balances resulting from the expenditure of the Allied armies. This expenditure has gradually decreased, however, and it is estimated that in 1946 it amounted only to about a third of the figure for 1945.

AGRICULTURE AND INDUSTRY

A noticeable improvement in the statistical position of cotton took place during 1946, whereas at the beginning of the year it appeared quite alarming. A cotton policy must be established as we cannot always rely on the intervention of the Government; even they might find themselves, sooner or later, grappling with a situation which could have been avoided if the contingencies of production, consumption and world prices were considered with the foresight necessary to any country whose economic stability rests mainly on agriculture.

Industry has benefited, in general, from a fairly favourable situation and financial results have been appreciably the same as in the previous year. The establishment of a constructive industrial policy is necessary if the development of our industry during the war is to be assured of solid foundations in peacetime. Another factor which would contribute to the development of industry and also to other sectors of our economy would be the re-establishment of the capital market on sound foundations.

Our foreign trade has clearly improved during 1946, both in volume and in value. The prospects of our foreign trade are closely linked to the question of foreign currencies and sterling balances.

FOREIGN CURRENCIES

One of the economic consequences of the war has been to diminish considerably the foreign exchange resources of most countries. This shortage has led to the imposition of a series of monetary and exchange restrictions and their suppression seems still remote, since for almost all countries it is a question of utilising their scanty reserves of foreign currency for the import of commodities essential to the revival of their economic life. Some slight alleviation of these measures is already being felt, but it will not be substantial until the lack of balance in production and in public finances has been corrected.

Speaking of foreign currencies, Egypt is in a different position compared with some other countries which took part in the war, since she holds large reserves in sterling. A preliminary exchange of views took place early this month between the British financial delegation and the Egyptian delegation, together with experts.

Our net profits are £E2,539 higher than last year and amount to £E506,171. This enables us to pay the same dividend as last year—namely, 17 per cent., which will absorb £E497,250, and to add £E8,921 to the carry-forward, which will thus amount to £E282,226. We have continued our policy of strengthening further our internal reserves, which we consider essential in order to be prepared to meet any eventualities which may arise.

Copies of the chairman's address in full will be available at the National Bank of Egypt, 6 and 7 King William Street, London, E.C.4.

ASSOCIATED ELECTRICAL INDUSTRIES, LIMITED

RECORD ORDERS

The forty-seventh annual general meeting of Associated Electrical Industries, Limited, was held, on the 23rd instant, in London.

The Rt. Hon. Oliver Lyttelton, D.S.O., M.C., M.P., the chairman, said that the gross trading profits of the group were approximately the same as those for the year ended December 31, 1945. Non-recurring profits amounted to £119,000. The gross profits of the holding company were £2,282,000, compared with £2,084,000. Some of the group factories had been unaffected by the switch-off of electrical power in February. In some others they had been able to maintain at work a high percentage of their total numbers; others, however, had been shut down completely. It was impossible to compute indirect losses, but the direct losses caused by payment of wages to those who could not be employed amounted to about £200,000 gross.

FINANCIAL STRENGTH

For the group as a whole the orders on the books were considerably higher than last year and, in fact, were the largest ever recorded in the history of the company. The directors recommended a final dividend of 7½ per cent. on the ordinary stock (following an interim dividend of 5 per cent.) and a bonus at the rate of 2½ per cent., both less tax. The financial strength of the company was one which it would be difficult to match anywhere in a company of their size. The manufacturing floor space occupied by their factories was now 9,000,000 square feet, an increase of 60 per cent. since 1939. That fact would give stockholders an idea not only of the progressive policy which was being pursued, but also of the wider responsibilities which they had assumed. During the year they had continued to attempt, where practicable, to bring the work to the workers, and they were trying to make their contribution to a balanced industry in all parts of the United Kingdom.

A large number of important orders and projects were now being handled by the group. If the Government wished to accelerate the building of power stations, they would have to attack the problem on a wide front. First of all, they must set up some clearing house or improved administrative machinery to clear the projects through the eight different public authorities concerned. At present it took nearly a year to get the site and project approved.

PRODUCTION PROBLEMS

He would conclude by reiterating that their problems were those of production, and that they saw in front of them some years of high activity. They were glad to learn that the Government was now taking steps to prevent the worst effects of a shortage of materials and notably electrical steel. That by itself would not be enough, because the capacity of their companies and of others engaged in the electrical equipment business was not being fully utilised, owing to a shortage of labour, particularly skilled labour. Out of the 6,000 men who were serving with the Forces, nearly 2,000 were skilled men.

They were well placed to take advantage of the great developments which might be expected in the electrical industry and could confidently rely on their technical and manufacturing departments to be in the forefront of electrical developments. They based their confidence very largely upon the fact that they had been and intended to remain in the van of research and development into the generation and application of electrical power in all its features.

The report was adopted.

"BANK INSURANCE GROUP" OF TRUSTS

MR. BRUCE OTTLEY'S REVIEW

Mr. Bruce Ottley, the chairman, presiding at the twelfth annual general meeting of the Bank Insurance Trust Corporation Limited, held at 30, Cornhill, London, E.C., on the 24th instant, said:—Though I have a long experience of the business of Investment Trust Companies, it is only within the past year that I have been brought into close contact with Unit Trusts. It may be of interest then to place on record certain features that have impressed me.

First, the buyer purchases his Units at a price based upon the current Stock Exchange quotations of the investments held in the Trust Fund. Similarly, he is able to sell his holding, however large it may be, for not less than the realisable or realised value of his proportion of the whole Trust Fund. Secondly, he has the advantage of highly experienced management at a very low cost. This is due mainly to the economy of large scale operations—the Trust Funds of your Group exceed £20,000,000: and the revenue which the managers may derive from helping to make a free market in Units. Any profit obtained by the managers from the difference between the buying and selling price becomes part of their revenue. If the dealing in Units were to be done by a third party, that party would retain any revenue accrued, and the managers would be bound to increase their management charges, to the disadvantage of Unit investors. Moreover, Units differ from other types of security in that both the offer and bid prices are fixed within narrow limits by the trust deeds and the Board of Trade requirements. Since the Treasury prohibited the issue of new units (except for £50,000 per trust per annum, plus the re-issue of any cancelled units) the managers' function of helping to maintain a free market in the units has become even more advantageous to investors in units because it is far more economical to buy back units when holders wish to sell, to hold them, and later to re-sell them, than it would be to liquidate repurchased units by selling the underlying securities and then, when the demand for units increased again, buy the underlying securities to create more units.

Unit holders benefit from the daily supervision of their investment by expert managers. The units of the "Bank Insurance Group" are restricted to quite a small number of securities, and these are subjected to daily scrutiny by a well-trained statistical staff, under the guidance of our managing director, Mr. Faber. The closest contact is maintained with the dealers on the Stock Exchange, and the managers are able to take advantage of market anomalies in share prices. The profits resulting from what might almost be termed arbitrage operations in gilt-edged equities accrue to the unit holders and are reflected in the capital value of the units.

1946 CONSOLIDATED ACCOUNTS

Copies of the directors' report, of the consolidated balance sheet and the consolidated statement of profit and loss of the management company and of its wholly owned subsidiary companies and of the unit accounts of the trusts are in your possession, and are being sent to all unit holders. The usual auditors' reports and certificates of our official stockbrokers in London and Edinburgh are attached to the accounts.

1946 was a highly satisfactory year for holders of Units in the "Bank-Insurance Group." All our units appreciated by an average of about 17 per cent. in 1946, except Cornhill debentures and "geared" deferred units, which latter rose by 35 per cent. The gross distributions on all units, shown in the table in the directors' report, again exceeded those for the previous year. The

outlook for the current year is favourable in both these respects.

The value of units sold during the year amounted to £460,854, an increase of 42 per cent over 1945, which itself showed an increase of 15.8 per cent. over 1944. The value of units liquidated was approximately 3½ times larger than in 1945. That the interests of the unit holders are carefully looked after is shown by the fact that the result of repurchasing and realising £532,435 worth of units was the very small profit to the managers of £1,496 or 0.28 per cent. In addition, we made a holding profit of £991 or 0.18 per cent.

The managers' gross dealing profit (excluding Cornhill units which being highly "geared" are not comparable) from selling and repurchasing, i.e., in making a free market in a total of £1,291,154 worth of units was £6,452 or ½ of 1 per cent.; in addition they made a holding profit of £835 or 0.07 per cent. From the creation and sale of £69,871 worth of new units the profit was £1,000 or 1.43 per cent. plus a holding profit of £661 or 0.95 per cent. The aggregate net balance carried to consolidated profit and loss account from the unit dealing accounts, after crediting the semi-annual service charge and deducting expenses, amounted to £4,002 16s. 9d., or 0.19 per cent. on the total turnover of £2,152,340.

CLOSE DEALING PRICES

We have as usual maintained close prices. In our three largest trusts, the difference between our bid and offer prices, after allowing for Stock Exchange commissions and stamp duties has been, in Stock Exchange parlance, a 2½-4½d. price, or, when markets have been firm, even closer, in quantities up to 5,000 units either way. We have maintained these terms throughout the day to all comers without changing our quotations. Similar dealing terms have ruled for our other units, though the demand for Cornhill Debentures, Investment-Trust Units and "Scotbills" has generally exceeded immediate supply, so that we have not always been able to accept orders for them. We have, however, always been willing buyers.

STAMP DUTIES

Since the 1st August, 1946, Unit Trusts have been subject to additional stamp duties. In certain cases these duties are onerous and might amount to an additional 1 per cent. on the value of the unit. So far we have avoided passing on these extra charges to buyers and sellers of units and, where they have been incurred, we have ourselves borne them; we shall do our best to continue this practice, but the doubling of stamp duties in this year's Budget will create fresh difficulties.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The managers' profit (before tax) for the year from all sources amounted to £18,829 (£17,818 in 1945) or a modest 7½ per cent. gross (7½ per cent. last year) on our capital and reserves of £242,000. We have re-named our "Investment Reserve" "General Reserve," and transferred to it an additional sum of £6,000, bringing it up to £48,000.

PROGRESS IN 1947

Since the close of our financial year there has been a considerable increase in the demand for our Units. Sales of Units during the first half of this year already largely exceeded those for the whole of the previous year. Had it not been for the continuation of the Treasury restrictions on the issue of

new units our sales would have been still larger. The case for the removal of these restrictions is now too well known to require repetition.

STAFF

To the staff go out our grateful thanks for all the good work they have put in during the past year. Things are not yet back to normal and quite a lot of somewhat tedious work has been necessary to bring us wholly up to date. Shareholders will be glad to know that we have been able to inaugurate a pension and assurance scheme to include all members of the staff.

Our members will, I am sure, wish me to convey, through Mr. George Faber, our indefatigable managing director, their appreciation to Mr. Hooker, our Secretary, and his admirable staff for their efforts during 1946.

BOOKER BROTHERS, McCONNELL AND COMPANY, LIMITED

A SATISFACTORY PROFIT

The annual general meeting of Booker Bros., McConnell and Company, Limited, was held, on the 27th ultimo, in London, Major A. F. V. McConnell (the chairman) presiding.

The following is an extract from his circulated statement:

The net profit for the year ended June 30, 1946, of £116,562 is some £8,000 higher than in the previous year, and this result must be regarded as satisfactory in a year when we felt more of the effect of the Georgetown fire and suffered increasingly from the continuation of restrictions on supplies of goods of almost every kind. The reduction of the burden of war-time taxation should enable the company to make up some of the leeway in building up the reserves which was the inevitable result of that taxation. It is proposed that a final dividend of 5 per cent., plus a bonus of 4 per cent., free of tax, be paid on the ordinary shares (following an interim dividend at the rate of 5 per cent., less tax). Apart from the rehabilitation of our sugar estates, we are faced with considerable expenditure.

In recent years shareholders will have observed indications of an increase in the number of our activities. We have two companies trading in Africa. Their operations include the marketing of leaf tobacco and ground-nuts. Turning to sugar, which forms the foundations of our business, the agreement with the Ministry of Food for the purchase of our export sugar has been extended to the end of 1949, and negotiations are proceeding with the Ministry for fixing the price of export sugar for the 1947 crops on a new basis, the main object of which is to reserve part of the increase in price, first, against future periods of difficult adjustment and, secondly, to assist in defraying the cost of factory rehabilitation and thus to counter any tendency to local inflation.

Meantime, plans for the rehabilitation of our sugar factories and estates are making what must in present circumstances be regarded as reasonably satisfactory progress, though we fear that those concerned are suffering from a sense of frustration by reason of repeated delays in delivery of the plant and equipment ordered. However, these estates have made a very good recovery from the low level to which, owing to war-time difficulties, production fell in 1944.

SCOTTISH POWER COMPANY, LIMITED

THE NATIONALISATION PROPOSALS

MR WILLIAM SHEARER ON CONFISCATION

The thirty-seventh ordinary general meeting of the Scottish Power Company, Limited, was held, on the 18th instant, at the North British Station Hotel, Princes Street, Edinburgh.

Mr William Shearer, the chairman, said, in the course of his remarks:—

The prospective legislation for the nationalisation of the electricity supply industry concern the consumer, the stockholder and the employee.

"How will I benefit from all this upheaval?" is a question which many consumers must be asking themselves. The answer is in the words of the Minister of Fuel. "There can be no guarantee," he said, speaking on the Committee stage of the Electricity Bill on February 25th last, "that every potential consumer in the country will be supplied with either a cheap or an abundant supply. To impose on the central authority the duty of providing a cheap and abundant supply, irrespective of the circumstances, is to do far more than is desirable." Yet at the last Party Conference on June 11, 1946, that is, before the presentation of the Bill to Parliament, and when the public mind was being prepared for it, the Minister stated that "the objective as regards the nationalisation of electricity is twofold. It is to make electricity available to every person in the country who desires it and to every industry which needs it, to bring it within the reach of the rural areas, and, over and above all, to cheapen it."

GLIB PROMISES

This remarkable volte face indicates the facility with which glib promises can be made by certain gentlemen during an election campaign, and the somewhat timid and evasive approach when the realities of the situation emerge.

The Minister has also made it clear that he will look with disfavour on what he terms "unhealthy" competition between electricity and gas when both are nationalised. There can be no doubt that competition between these industries in the past has brought great benefits to the consumer; but these, also, are apparently to go by the board.

The only tangible promise in the Bill, so far as the consumer is concerned, is that there will be another swollen bureaucracy to be paid for by taxation. No wonder that there can be no guarantee in the Bill of cheap or abundant electricity. The price of this experiment in nationalisation, like all others, must be met out of the public pocket except to the extent that possibly, in the initial stages of the bureaucratic control, substantial reserves which were built up as the result of free enterprise may be utilised to conceal the true financial results. But that could only be a very temporary face-saving expedient.

HOLDINGS TO BE EXPROPRIATED

I should now like to refer to the position of stockholders under the Bill, with particular reference to the price at which their holdings are to be expropriated, and their dividend rights. The pledge of the Labour Party prior to the last Election, that there would be just and proper compensation for any industry that was nationalised, has, in my view, been completely discarded in the basis of expro-

priation adopted in the Electricity Bill. The country will know precisely what value to attach to Socialist election pledges in the future. As recently as his Budget speech this week, the Chancellor of the Exchequer reaffirmed that the "Labour Party stood, most of all, for justice," but electricity stockholders will search in vain for this commodity in the compensation terms.

Stock Exchange quotations are not a true measure of the value of the assets of an undertaking and their earning potential. Market dealings and markings are sensitive to many factors, such as the volume of buying and selling; yield and extraneous influences—political, economic and international. Quotations are no guarantee of possible dealings and are quite inappropriate as the basis of purchase of an entire undertaking as a going concern. I have no hesitation in expressing the view that the terms of acquisition amount to confiscation.

PRUDENT ADMINISTRATION PENALISED

Under the method adopted prudent administration is penalised and profligacy in financial operations rewarded. In his Budget speech, the Chancellor underlined once again the importance he attaches to industries ploughing back profits into the business. Yet it is precisely those companies who have carried out this policy in the electricity industry who will suffer most under the compensation terms of the nationalisation scheme. Could inconsistency be more inconsistent?

I wonder whether our Government, which so often claims a monopoly of political wisdom, has taken fully into account the repercussions on other Governments of this un-British treatment of British stockholders.

What if the Indian Government should decide to apply the Dalton-Shinwell standard of financial probity? What answer it is reasonable to ask, would British negotiators have to the argument that what was good enough for the British stockholders at home was certainly adequate abroad?

ASSETS GREATER THAN COMPENSATION

Our assets represent a very much greater value than the compensation proposed under the Bill. From whatever standpoint the expropriation terms are regarded, their inequity is evident, particularly when we reflect that most of our undertakings have perpetual franchises under Statute.

So far as can be ascertained, the take-over prices at which our stocks will be expropriated will be as follows: Ordinary stock 46s. 1d. for each £1; 6 per cent. preference stock 31s. 4d. for each £1; 4 per cent. preference stock 2s. 4d. for each £1. If the new electricity stock carries interest at 2½ per cent., the income of stockholders will suffer a percentage reduction as follows: Ordinary stockholders by 36 per cent.; 6 per cent. preference stockholders by 34.7 per cent.; 4 per cent. preference stockholders by 30.2 per cent.

The net results of these frenzied endeavours will be detrimental to the nation as a whole, no matter how gratifying they may appear to the political sponsors of the scheme. The truth is—and it is high time it was stated frankly—that nationalisation of this and other industries is a political ramp which has little or nothing to do with the general well-being of the country.

The accounts were adopted and a final dividend of 5 per cent. (making 8 per cent. for the year), together with a bonus of 1 per cent. on the ordinary stock, was declared.

J. H. VAVASSEUR AND COMPANY, LIMITED

(East India Merchants)

RECORD PROFITS AND DISTRIBUTION

The forty-third annual general meeting of J. H. Vavasseur & Co., Ltd., was held, on the 22nd instant, in London.

Mr E. Mackenzie Hay, the chairman, who presided, said that the profit of £194,319 earned in 1946, which compared with £106,667 in 1945, was the highest in the company's history. The considerable increase was owing to the greater measure of freedom to trade, both in this country and abroad, particularly in commodities and produce which had been unobtainable by many countries since before the war and for which, in consequence, there was keen competition at a high level of prices. After the provision of £90,000 for taxation there was a disposable profit and loss balance of £110,081, out of which the preference dividend and an interim dividend of 5 per cent. on the ordinary capital had already been paid and from which the directors now recommended the payment of a final dividend of 20 per cent on the existing ordinary stock, leaving £20,081 to be carried forward against £5,761 brought in. The company had also made an additional profit of £59,049 from the sale of investments, out of which it was proposed to make a special distribution of 2½ per cent. tax free to the ordinary stockholders, involving £8,750, and to carry the balance of £50,299 to the capital reserve account.

A STRONG BALANCE SHEET

The principal changes in the balance sheet were the very considerable strengthening of the reserves through the augmentation of the capital reserve to £63,340, and the creation of the share premium reserve of £98,259 arising from the recent new issue. With the general reserve of £140,000 and the dividend reserve of £60,000, the total free reserves now amounted to £361,599. On the other side there was a large expansion in the items of advances to subsidiary companies, stocks on hand and sundry debtors, reflecting the more active trading conditions experienced. The consolidated balance sheet showed an addition in 1946 to the surplus of net assets over all liabilities belonging to the company of £267,544, bringing the total surplus of net assets to the impressive figure of £1,230,033, against an issued preference and ordinary stock capital of £450,000.

PROSPECTS PROMISING

The prospects for the company as well as for its subsidiaries during the current year were promising. As in the case of most business enterprise, their efforts and results would be largely governed by the overriding economic developments, of which, in view of this country's present financial position internationally, the predominant factor was likely to be the Government's import policy. Happily, the commodities in which the company was almost exclusively concerned were essential commodities deriving from the Sterling area, with many of which it could earn hard currencies for this country, thus assisting the solution of its balance of payments problem.

With regard to commodities generally, though there had lately been a welcome tendency for some raw material prices to become more stabilized, the general trend remained adverse to buyers, the situation in respect of fats and oils, particularly, being one of acute scarcity. It was questionable whether the best interests of this country were being served in many cases by continued adherence to the war-time technique of bulk buying, which had encouraged the post-war technique of bulk selling.

The report and accounts were unanimously adopted.

KEMSLEY NEWSPAPERS, LIMITED

VISCOUNT KEMSLEY'S REVIEW

The twenty-third ordinary general meeting of Kemsley Newspapers, Ltd., was held on the 17th instant at Kemsley House, London.

Viscount Kemsley (chairman) who presided said: Ladies and gentlemen, I propose to follow the usual course and, with your permission, to treat the report and accounts before you as read.

The accounts with which you have been presented show that the trading profits, combined with the income from subsidiary companies and other investments, reach a total of £1,875,501, an increase of £389,513, and after deduction of directors' fees, Debenture interest and the provision for taxation, and adding the amount carried forward from last year, there remains a disposable balance of £1,150,055. It is proposed to deal with this, as is our custom, in a conservative manner. It should gladden the heart of Mr. Dalton that our first concern is materially to improve the capital position of the company. Nevertheless, we think it right in addition to provide a modest increase in the return on the Ordinary shares.

One hundred and fifty thousand pounds is to be allocated to the general reserve, to make a total of £3,150,000.

INCREASED ORDINARY DIVIDEND

Provision must then be made for the dividends on the 6½ per cent. and 8 per cent. Preference stock and the interim dividend of 5 per cent., less tax, on the Ordinary stock, and from the residue a final dividend is recommended on the Ordinary stock of 7 per cent., less tax, making 12 per cent. less tax, for the year, compared with 11 per cent., less tax for 1945.

If these proposals are approved, there will remain a balance to be carried forward of £264,055, compared with £260,139 brought in.

"Excess Profits Tax Post-War Refund Suspense Account—£105,160," is the amount received from the Government to date in respect of excess profits refund due to the company and is a reserve available for development and re-equipment.

Turning to the assets side, the increase of £300,752 in "Advances to Subsidiary Companies" is accounted for by the increase in dividends receivable from subsidiary companies. The increase in "Stock in Trade" from £213,066 last year to £323,785 this year is due mainly to additional stocks of newsprint held and its increase in price.

DEBENTURE REORGANISATION

I should now refer to the redemption since our year ended of the outstanding amount of £3,112,175 4 per cent. 1st Mortgage Debenture stock and its replacement by £3,500,000 1st Mortgage Debenture stock carrying interest at the rate of 3 per cent. per annum. The expenses of this reorganisation included the redemption of the old Debentures at a premium of 8 per cent., the costs, stamp duties, and so forth. The total is approximately £300,000 and it is, I feel sure you will agree, most satisfactory that this sum has been provided wholly out of the annual profits of the year under review.

This reorganisation has provided your company with rather more than £60,000 additional capital and has effected a direct saving of £52,500 a year in interest and sinking fund. If, however, taxation at present rates is taken into account the saving is substantially more, in that previously trading profits of £240,680 per annum were required to meet the interest and sinking fund of the old stock, whereas in the case of the new stock the comparable figure would be £168,636 per annum, a difference of £72,044, but on the other hand the new 3 per cent. stock will not be re-

deemed until 1994, whereas the old 4 per cent. stock would all have been redeemed by 1975.

EDITORIAL POLICY

Let me restate our editorial policy. Editorially a newspaper has three functions, equally important, which need to be clearly separated.

A newspaper must present the news, both local and national, with the highest degree of accuracy both in presentation and balance.

It must provide instruction and entertainment for its readers in accordance with their tastes.

Finally, it must make comment and express opinion on the events of the day, whether they be of local or of national interest, and this duty, performed as fearlessly as it is performed honestly, endows a newspaper with its character and individuality. In this matter of opinion, quite different considerations arise. Free and fearless statement of opinion is the very essence of democracy.

Our national daily the *Daily Graphic* is a newspaper which combines news, pictures and features of universal interest, while at the same time retaining an individuality which marks out for it a distinctive position as an organ of opinion.

With characteristic enterprise the *Daily Graphic*, alone among British newspapers, has at the present time its own photographers both accompanying the Royal Family in South Africa, and attending the Foreign Ministers meeting in Moscow.

THE "SUNDAY TIMES"

The *Sunday Times*, whose circulation has again risen substantially since I spoke to you last year, is indispensable to all who wish to follow the course of public affairs with the closest accuracy. After the publication of a leading article entitled: "The Twilight of Freedom," from all parts of the country came an insistent demand that the *Sunday Times* should put itself at the head of a new movement to resist further encroachments on the liberty of the individual and to regain those liberties we have lost. Such a movement must be essentially political in character, and to lead it is no part of the true function of a newspaper. The temptation was therefore resisted. Moreover such a movement is the stronger if it springs spontaneously from local sentiment. The *Sunday Times* undertook to maintain a link between the various bodies so brought into being, and to be a clearing house for information. You will be interested to know that 200 such Freedom Unions have already been formed and that from week to week these associations of liberty loving citizens grow in number and in importance. The response to the appeal of the *Sunday Times* reveals the extent to which the newspaper represents and expresses the feelings and desires of a large and influential section of the thinking people of this country.

This year, as in the past, your company has been assisted by the valuable services rendered by newsgagents throughout the country, and I should like to record my appreciation of their efforts.

I now beg to propose the following resolution: That the report of the directors and statement of accounts for the year 1946 be received and adopted, and that the reserves, appropriations and dividend recommended therein be and are hereby adopted.

The Honourable Lionel Berry, deputy chairman, seconded the resolution, which was carried unanimously.

The retiring directors, the Hon. Lionel Berry, Mr W. M. Teasdale, Mr H. J. Staines, Mr William Veitch, and Mr W. W. Hadley were re-elected, and the election to the board of the Rt. Hon. William Mabane was confirmed.

DERBYSHIRE STONE, LIMITED

EXPANSION OF ACTIVITIES

The annual general meeting of Derbyshire Stone, Limited, was held, on the 21st instant, at 28, Victoria Street, London, S.W., Mr J. Hadfield, M.Sc., A.R.I.C. (chairman and managing director), presiding.

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

The consolidated balance sheet shows a total for capital, reserves and undistributed profits of £798,812 and, with £109,265 received in January 1947, in respect of the final call on the Preference shares, there is now a total of £908,077. In the opinion of your directors the company now has ample financial resources for the projects contemplated.

The consolidated profit and loss account reveals more fully the increased activities of the group in 1946 compared with earlier years. The combined trading profit of the company and of its subsidiaries amounted to £106,758 in 1946, compared with £67,221 in 1945. The same dividend, £1,625, was received from our associated company. Excess profits tax recoverable was £2,619 in 1946, compared with £24,669 in 1945. On the other side of the accounts you will see that £24,500 has been provided for depreciation in 1946, compared with £16,136 in 1945. During the war it has been the endeavour of the directors to maintain the company's plant and properties in good repair so far as possible, but inevitably certain work had to be deferred.

I have already referred to the satisfactory position of the company as regards capital and reserves. You will notice from the consolidated balance sheet that current assets amount to £476,039, which figure was increased to £585,304 early in January, 1947, when the remaining calls on the Preference shares were received. This figure compares with current liabilities of £171,720 and provision for future liabilities of £47,125, and you will agree, I am sure, that this position is very satisfactory.

FOUNDATION FOR FUTURE SUCCESS

Your company was able to spend on capital items approximately £70,000 in 1946, and the expenditure of the proceeds of the Four and a-quarter per Cent. Preference share issue on mechanisation, expansion, etc., will be proceeded with during 1947 and 1948 as effectively as the position relating to the supply of plant and equipment permits.

Nineteen forty-six was one of the most important years in the history of the company, and the foundations were laid for what the directors hope will be sources of added profit, quite apart from the results to be obtained from the mechanisation programme.

To forecast the future is not easy, particularly in so far as 1947 is concerned, but your directors can say that if the company had enjoyed throughout 1946 its present plant and production facilities, profits would have been higher. The demands for our products for the numerous purposes for which we supply them are high. On the reverse side it must be said that the abnormal weather of February and March, 1947, has been costly to the company, but every effort will be made over the remaining nine months of the year to minimise these early setbacks. The effects of shortages of coal and electric power are factors which must be considered in surveying the prospects for the year, but we are hopeful that any difficulties arising from these two sources will not be unduly onerous during the summer and autumn months, when our activities are usually at their maximum.

The report and accounts were unanimously adopted, and a dividend of 12½ per cent., less income tax, was declared on the Ordinary stock.

THE MIDLAND EMPLOYERS' MUTUAL ASSURANCE, LIMITED

CHAIRMAN'S REVIEW

ANOTHER YEAR OF EXPANSION

The forty-eighth annual general meeting of the Midland Employers' Mutual Assurance, Limited, was held on the 22nd instant, at 16 Waterloo Street, Birmingham. Lieut.-Colonel J. Beaumont Neilson, C.M.G., D.S.O., C.A., presided. Extracts from the Chairman's speech, which had been circulated with the report and accounts, were as follows:—

BALANCE SHEET AND ACCOUNTS

The Premium Income for the year 1946 at £3,146,805 showed an increase of over £46,000 on the previous year's figures, despite a reduction in Employers' Liability Premium Income as the result of the nationalisation of coal mines previously insured with the company. As your company has been transacting fire and general accident business since June, 1945, separate revenue accounts have been prepared for the employers' liability, fire, personal accident and general accident departments. The individual departmental premium incomes, less re-insurances, are as follows:—

Employers' Liability	£2,884,750
Fire	£16,574
Personal Accident	£10,182
General Accident	£235,299

LOW COST OF ADMINISTRATION

The expenses of management amount to £314,857, or 10 per cent. of the premium income. This compares with 8.76 per cent. in 1945. The increase is due to a general advance in salaries, the return from active service of a large number of pre-war staff and the continued increase in cost of all types of office equipment and supplies. Few companies, however, are able to conduct a business of the magnitude of this with such low costs of administration.

Commission at £181,081 (5.8 per cent.) is in substantially the same ratio as last year.

INCREASING COST OF CLAIMS

The expenditure on claims amounted to £2,275,057, an increase of £233,365, and the claims reserves at £4,977,679 have been increased by £353,772.

Of the new departments, all have contributed a satisfactory profit with the exception of Motor. This is a department which has caused, and is still causing, considerable concern to underwriters, and it is obvious that with the increasing cost of third party and "Own Damage" claims, rates will have to be drastically revised by all insurers. Your company has taken the initiative in abolishing the war-time discount, which is no longer warranted, and other steps have been taken to place the department on a satisfactory basis. It will be observed that the profit of £2,854 in the fire department has been left in the fund.

The reserve for unexpired risks is maintained at 45 per cent. and amounts to £1,416,062.

The assets of the company as at December 31, 1946, totalled £7,341,612, which compares with £6,796,647 at the end of 1945.

The company's holdings of British Government securities increased by £528,700.

NEW LEGISLATION AND EMPLOYERS' FUTURE LIABILITY

I have on previous occasions referred to pending Government legislation regarding Workmen's Compensation. If the recommendations of the committee presided over

by Sir Walter Monkton, K.C., are accepted it will still be necessary when the new Act becomes effective for employers of labour to continue to ensure their liabilities to employees at Common Law which as I have mentioned earlier are increasing year by year.

FIRE AND ACCIDENT DEPARTMENTS EXPANDING

NEW LIFE DEPARTMENT

I am pleased to say that during the year the company has continued to receive, not only from its old assured but from new connections, increasing support in the new fire and general accident departments. As from January 1, 1947, the company opened its own life department, and the business completed to date, which has exceeded our expectations, augurs well for the future. In addition to all the usual forms of life assurance and annuity business, the company will specialise in group pensions and life assurance schemes, and this department should be of considerable assistance and interest to our assured, particularly those who are large employers of labour.

DIRECTORS

You will observe from the report that Sir Andrew Agnew, C.B.E., tendered his resignation as a director. I should like to place on record my personal appreciation of the valuable services he rendered to the company during the period he was a member of the board. To fill the two vacancies on the board, Mr. Leonard P. Lord, Chairman and Managing Director of the Austin Motor Company, Limited, and Mr. Alan S. Barnfield, O.B.E., our general manager, have been appointed, and their experience will be of great assistance to the company.

The accounts having been unanimously adopted, the meeting closed with a vote of thanks to the chairman.

TELEGRAPH CONSTRUCTION AND MAINTENANCE COMPANY, LIMITED

SATISFACTORY ORDER BOOK

The 83rd ordinary general meeting of this Company was held, on the 22nd instant, in London.

The Rt. Hon. Lord Colgrain, the chairman, said that the balance of the trading account was £160,736, compared with £162,938 last year. In view of the difficult period at the commencement of the year, that was a satisfactory figure. The board recommended a final dividend of 5 per cent., making 10 per cent. for the year, leaving £68,709 to be carried forward, a substantial figure decided upon in view of the position which had arisen consequent on the fuel crisis.

The year 1946 had presented many problems to industry and especially to a company like theirs, which during the war had been almost entirely employed on Government work. When in 1945 peace was declared somewhat suddenly and contracts amounting to over £1,500,000 in value were cancelled, they had been left for a time with ample resources, inflated staff but little or no work. For the first 6 months of the year it had not been possible to do more than cover expenses. After July things had begun to improve; they had developed new lines of manufacture in plastics and certain high grade magnetic metals and had rebuilt their order book, which was now most satisfactory in every branch.

Their policy was one of steady development and they were making good progress in several directions, but great care had to be taken. Mass production had never been the aim of this company. It was upon the quality of their goods that their reputation was based.

The report was adopted.

JOHN BARKER AND COMPANY, LIMITED

RECORD FIGURES

The fifty-fourth annual general meeting of John Barker and Company, Limited, was held on the 10th instant, at Kensington.

Mr Trevor A. Bowen, chairman and managing director, said that he thought it would be agreed that the report and accounts showed a healthy state of affairs. The net profit amounted to £1,187,829 subject to taxation, an improvement of approximately 23½ per cent. The year under review had been marked by what they called a "sellers' market." Their turnover and gross profit both constituted record figures, and, in his opinion, went to show that their organisation was now so arranged and controlled as to enable them to deal with any volume of trade that it might be their good fortune to secure.

As regarded the future, crisis followed crisis and almost every day brought its own internal re-arrangement of plans to meet changing conditions and the increasing restrictions on trade and all supplies, but their strong financial position enabled them by prompt cash payments to take immediate advantage of any merchandise that was offered and to pass the benefit on to their customers and finally to their shareholders by way of dividend. Official restrictions and difficulties continued to multiply.

Their turnover today was conditioned wholly and solely by the number of coupons available to the purchaser. Cash was of secondary consideration. Until the Board of Trade saw fit to release merchandise from couponage, business could not be expected to function with the smoothness and ease of the years prior to 1939.

The report was adopted.

B. MORRIS AND SONS, LIMITED

PROFIT NEARLY DOUBLED

The annual general meeting of B. Morris and Sons, Limited, was held, on the 23rd instant, in London.

Mr A. J. May, the chairman and managing director, in the course of his speech said: It is pleasing to be able to tell you that we had a large increase in the sales of our varied products last year, and, although the extra cost of leaf and labour had to be met, we were able to keep to our usual high standard of quality, and should help to maintain our business in the future. The profit for the year, £21,504, compares favourably with 1945, being almost doubled. The increase in our stock figure to £92,415 is due to the fact that we are very much better placed with regard to raw material than we were last year. The financial position of the company is very strong and it is due to this fact that we have been able to finance the extra duties and trade without the slightest strain on our resources.

With regard to 1947, during the fuel crisis we were able to run our plant on Diesel engines, and we can be, if necessary, independent of electricity for power purposes. I mention this because any future electricity crisis will not affect the working of the company's factories. Our trade has already shown a large increase in the first three months of this year, and although the Chancellor of the Exchequer has seen fit to increase the already heavy tobacco duty, we will, I hope, produce another good and better result next year. We are sending dividend warrants out on May 16th.

The report was adopted and the proposed dividend of 10 per cent. less tax, was approved.

GOVERNMENT RETURNS

For the week ended April 19, 1947, total ordinary revenue was £54,721,863 against ordinary expenditure of £47,254,674 and issues to sinking funds, £130,000. Thus, including sinking fund allocations of £239,015, the deficit accrued since April 1st is £19,153,552 against £98,297,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousands)			
		April 1 to April 20, 1946	April 1 to April 19, 1947	Week ended April 20, 1946	Week ended April 19, 1947
ORDINARY REVENUE					
Income Tax	107,300	71,249	52,862	21,970	18,742
Sur-tax	80,000	4,100	3,500	470	1,550
Estate, etc., Duties	155,000	8,645	8,150	2,050	3,900
Stamps	57,000	1,900	2,500	1,200	1,000
N.D.C.	202,000	1,499	1,750	300	500
E.P.T.	1,000	21,690	13,660	9,060	5,300
Other Inland Rev.		55	25	20	25
Total Inland Rev.	156,800	109,138	82,497	35,070	31,017
Customs	736,960	30,683	35,169	9,484	16,930
Excise	643,040	13,700	13,100	5,700	6,600
Total Customs & Excise	1,380,000	44,383	48,269	15,184	23,530
Motor Duties	50,000	2,500	2,543	111	7
Surplus War Stores	95,000	...	154	...	...
Receipts from Trading	55,000	...	...	...	...
Post Office (Net Receipts)	...	...	...	...	...
Wireless Licences	11,000	...	...	...	...
Crown Lands	1,000	...	...	...	...
Receipts from Sundry Loans	21,000	69	44	...	...
Miscell. Receipts	270,000	998	3,582	10	123
Total Ord. Rev.	3,451,000	157,084	137,089	50,375	54,722
SELF-BALANCING					
Post Office	144,230	5,450	5,400	2,100	1,800
Income Tax on E.P.T. Refunds	49,000	7,901	1,485	2,995	525
Total	3,644,230	170,435	143,974	55,470	57,047

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to April 20, 1946	April 1 to April 19, 1947	Week ended April 20, 1946	Week ended April 19, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	40,985	39,136	14,125	13,920
Payments to N. Ireland	23,000	...	...	...	...
Other Cons. Fund Services	8,000	268	267	232	235
Total	556,000	41,253	39,403	14,356	14,155
Supply Services	262,567	213,700	116,600	62,200	33,100
Total Ord. Exp.	3,181,367	254,953	156,003	76,556	47,255
Sinking Funds	...	428	239	190	130
SELF-BALANCING P.O. & Broadcasting	144,230	5,450	5,400	2,100	1,800
Income Tax on E.P.T. Refunds	49,000	7,901	1,485	2,995	525
Total	3,374,597	268,732	163,127	81,841	49,710

After increasing Exchequer balances by £764,321 to £3,090,522, the other operations for the week decreased the gross National Debt by £3,326,904 to £25,650 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	9
	9

NET ISSUES (£ thousand)

P.O. and Telegraph	250
E.P.T. refunds	642
Local Authorities Loans Act, 1945, Section 3(1)	2,200
Finance Act, 1946, Section 26(7) Post-war Credits	63
Finance Act, 1935, Section 30(1) 3 per cent. Local Loans Stock	100
	3,255

Statistical Summary

CHANGES IN DEBT (£ thousands)	
NET RECEIPTS	NET REPAYMENTS
Nat. Savings Certs. 200	Treasury Bills 20,117
2½ Defence Bds. 2,125	3½ Defence Bds. 1,309
Ways and Means 3,275	Tax Reserve Certs. 7,354
Advances 20,000	Other Debt 146
Treasury Deposits 25,600	Internal 1
	External 28,927

* Including £656,000 paid off in maturity.

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of Eng. land		
1946						
Apr. 20	1800-0	2776-1	469-4	10-75	1559-0	6615-2
1947						
Jan. 11	2150-0	2467-1	411-4	...	1686-5	6715-0
" 18	2150-0	2457-2	412-2	...	1681-0	6700-4
" 25	2145-0	2461-6	395-1	...	1657-0	6659-2
Feb. 1	2145-0	2435-2	427-2	...	1633-5	6640-8
" 8	2145-0	2418-2	439-7	...	1609-0	6602-9
" 15	2155-0	2441-3	469-7	9-0	1540-0	6615-1
" 22	2165-0	2506-5	446-5	...	1508-0	6626-1
Mar. 1	2175-0	2565-5	530-3	15-0	1473-5	6759-3
" 8	2185-0	2600-7	583-7	...	1443-5	6812-9
" 15	2185-0	2628-8	582-2	2-25	1434-0	6894-7
" 22	2185-0	2690-9	582-6	...	1456-5	6954-6
Apr. 5	2185-0	2704-4	592-7	18-75	1443-5	6944-4
" 12	2185-0	2728-8	580-6	...	1443-5	6937-9
" 19	2185-0	2708-6	583-8	...	1463-5	6941-1

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
Apr. 18	150-0	238-6	140-0	10 2-52	43
1947					
Jan. 17	170-0	273-4	165-0	10 0-41	51
" 24	160-0	277-2	160-0	10 1-43	24
" 31	160-0	303-0	160-0	10 1-14	37
Feb. 7	170-0	290-8	170-0	10 1-52	46
" 14	170-0	263-6	170-0	10 2-17	58
" 21	170-0	277-9	170-0	10 1-79	41
" 28	170-0	246-3	170-0	10 2-16	63
Mar. 7	170-0	287-0	170-0	10 1-15	43
" 14	170-0	273-9	170-0	10 1-59	51
" 21	170-0	288-2	170-0	10 1-29	45
" 28	170-0	296-9	170-0	10 2-51	42
Apr. 3	170-0	293-9	170-0	10 2-60	43
" 11	170-0	296-2	170-0	10 2-57	43
" 18	170-0	280-7	170-0	10 3-10	61

On April 18th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 51 per cent. of the amount applied for at 99 17s. 5d and applications at higher prices were accepted in full. £160 million (maximum) of Treasury Bills are being offered for April 25th. For the week ended April 26th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousands)

	Week Ended	
	April 5, 1947	April 12, 1947
Savings Certificates:—		
Receipts	13,250	8,400
Repayments	1,400	2,400
Net Savings	11,850	6,000
Defence Bonds:—		
Receipts	2,000	1,675
Repayments	601	441
Net Savings	1,399	1,234
P.O. and Trustee Savings Banks:—		
Receipts	16,738	10,660
Repayments	15,916	9,192
Net Savings	822	1,468
Total net savings	14,071	8,702
Interest on certificates repaid	280	480
Interest accrued on savings remaining invested	2,255	2,255

BANK OF ENGLAND

RETURNS

APRIL 23, 1947

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	£
In Circulation	1,387,940,552	Other Govt. Securities	11,015,100
In Bank. Department	62,307,281	Other Govt. Securities	1438,361,735
		Other Secs.	615,226
		Coin other than Gold	7,939
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
			1450,247,833

BANKING DEPARTMENT

Capital	£14,553,000	Govt. Secs.	£320,215,660
Reserves	£3,227,857	Other Secs.	14,362,952
Public Deps.	£8,448,211	Advances	16,874,385
Other Deps.	£288,679,105	Securities	31,237,337
Bankers	£98,642,860	Notes	62,307,281
Other Accts.	388,321,965	Coin	790,755
			414,551,033

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

COMPARATIVE ANALYSIS (£ millions)

|--|



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May 3, 1947

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applications for the undermentioned posts. The officers appointed
will be responsible Heads of Departments of the Development Corpora-
tion and will be expected to work as a team under the direction of the
Chief Executive Officer. The task is of a pioneering type and calls for
imagination, initiative, resource and proved organizing ability of a high
order, and applicants should show themselves possessed of this com-
bination of qualities as well as of a recognised professional status. In
determining salaries, account will be taken of the range of qualifications
and experience of the individual applicant, and applicants are asked to
state salaries required.

Applications should be made in writing, stating date of birth, and
the post in respect of which the application is made, together with full
details of qualifications and experience (including a list in chronological
order of appointments held), and should be received by the Stevenage
Development Corporation, Aston House, near Stevenage, Herts, not later
than May 3, 1947.

Legal and Administrative Officer.

Applicants should be Barristers or admitted solicitors, and should
preferably have had experience in a local authority or public utility
undertaking. The successful applicant will be required to take charge
of the administration and personnel services as well as of all legal
matters, and to act as secretary to the Corporation.

Chief Finance Officer.

Applicants should be Chartered or Incorporated Accountants or certi-
fied Corporate Accountants and/or hold high municipal or other account-
ing qualifications, with a wide and varied experience in important
financial and commercial affairs. To have had experience of the public
service would be an advantage. The Chief Finance Officer will be
required to take charge of all aspects of the Corporation's finances.

Social Development Officer.

This officer will be responsible for directing and co-ordinating the
development of the New Town into a balanced and self-contained
community. He will be responsible for the direction of research into
the social and economic problems encountered in the course of the town's
development; he will be expected to interpret the needs and wishes of
the community to the Corporation and to be responsible for explaining
the policy of the Development Corporation, both to the people living in
the town and to the general public. The important qualifications will
include a wide knowledge of contemporary social and economic problems
and of techniques for the assessment of human needs. Experience of
large-scale public relations work is also desirable, but not essential.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada
with limited liability).—ONTARIO AND QUEBEC RAILWAY COM-
PANY FIVE PER CENT. DEBENTURE STOCK. SIX PER CENT.
COMMON STOCK.—In preparation for the payment of the half-yearly
interest payable on the 2nd June next, the Debenture Stock Transfer
Books will be closed on 1st May and will be reopened on 3rd June.
The half-yearly interest on the Common Stock will be paid on 2nd June
to holders of record on 1st May.—R. F. TREMAYNE, Deputy Secretary,
8, Waterloo Place, Pall Mall, London, S.W. 1. 15th April, 1947.

SWISS LADY (31), of good family, visiting England early Spring.
Desires interesting employment. Speaks French, Italian, German
and a little English; good appearance, socially experienced. Willing
act as hostess, receptionist, or consider anything offering scope for tact
and initiative.—Box 435.

CAMBRIDGE GRADUATE, History Tripos, 27; old-fashioned enough
to believe that hard work and initiative are still surest way to
success, seeks appointment where he can escape from deadening effect
of present Civil Service routine at Temporary Principal's level. Any
offers?—Box 464.

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(1946 Accounts)

UNIVERSITY OF LONDON

A course of three lectures will be given on "Additive stochastic
processes" by Professor Paul Lévy (Ecole Polytechnique, Paris), at
Imperial College of Science and Technology (Department of Mathe-
matics), Huxley Building (opposite Science Museum), Exhibition Road,
S.W.7, on May 8th, 12th and 13th, at 5.15 p.m. At the first lecture the
chair will be taken by Professor H. Levy (Professor of Mathematics
in the University of London).

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Lecturer, Grade 11b—£600-£750 per annum.

The post is open equally to men and women applicants.
Further particulars may be obtained from the undersigned, to whom
three copies of applications, together with copies of not more than three
testimonials, and the names of two referees, should be sent not later
than May 24th, 1947. There is no special application form.

The University, C. G. BURTON, Secretary.

Edmund Street,
Birmingham, 3. April, 1947.

UNIVERSITY OF LEEDS

DEPARTMENT OF ECONOMICS AND COMMERCE.

Applications are invited for the post of Lecturer in Accountancy on
the salary scale, £550-£25-£900, together with membership of the
Federated Superannuation System for Universities. An appointment may
be made in the upper part of the scale (£750-£900), the initial salary
to be determined in relation to the experience and qualifications of
the selected candidate. Applicants should possess a recognised
accountancy qualification, have had practical accountancy and preferably
teaching experience, and be able to undertake research in accountancy.
Applications should reach The Registrar, The University, Leeds, 2
(from whom further particulars may be obtained), not later than May
31, 1947.

BUCKS COUNTY EDUCATION COMMITTEE

Required immediately, MAN TEACHER of COMMERCIAL SUBJECTS.
Applicants, who should possess a Degree in Commerce, or equivalent
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nection with General Business Courses (Ministry of Labour and Ministry
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ing in the Slough Evening Institute and/or Day Continuation School.
Experience in industry and qualifications in Law and Accountancy will
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Salary: Burnham Scale for Teachers in Technical Colleges.

Applications (no forms issued) with copies of testimonials should be
sent immediately to D. R. Barraclough, M.A., Technical School, William
Street, Slough, Bucks.

D. E. COOKE, M.A., Chief Education Officer.

THE JOHN LEWIS PARTNERSHIP is considering the appointment
of a DEPUTY for Sir Metford Watkins, their Financial Adviser.
Applicants should possess an appreciation of financial problems that
would be expected of a first-rate Chartered Accountant, but the qualifica-
tion is not essential. The post calls for a real critical ability combined
with a sympathetic outlook towards the experiments necessary for the
rapid expansion of a business with now a capital of £12 million and with
a total of 11,000 employees. Initial salary up to £2,500. Substantial
further prospects. Age 30-40. Non-contributory pension at 60.—Applica-
tions in writing should be addressed to the Financial Adviser, John
Lewis and Company, Ltd., Oxford Street, W.1, to be received by
23rd May. Letters will not be acknowledged before that date.

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VOL. CLII NO. 5410

THE ECONOMIST, Brettenham House, 15, Lancaster Place,
Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3
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Registered as a Newspaper. Entered as Second Class Mail
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Mr Marshall's Round

MR WALLACE having done his best to obscure the differences
between appeasement and compromise as methods of American
foreign policy, Mr Marshall has lifted them back into the clear air.
The long and carefully phrased broadcast in which he addressed the
American people last Monday night was a judicious, moderate, but
perfectly frank summing up against Mr Molotov; but it contained, as
it were, a recommendation to mercy. Mr Marshall asked that Americans
"should sincerely try to understand the point of view of those with
whom we differ" and mentioned the belief expressed by Mr Stalin in
their private talk that "compromises were possible on all the main
questions, including demilitarisation, the political structure of Germany,
reparations and economic unity." Even if allowance is made for Mr
Stalin's wish to make a further meeting of the Foreign Ministers this
year seem worth while, his statement is notable; for it came after the
public declaration of the Truman Doctrine in provocative and flamboyant
terms and followed closely upon outspoken speeches in the tough strain
by both the British and the American Foreign Ministers.

The tough line has so far had no visibly harmful results. The Soviet
delegates may, indeed, have found the inconclusive conference a very
useful internal stimulant. Their press covered the proceedings very
fully; a number of Mr Molotov's and Mr Vishinsky's speeches were
clearly aimed at the Russian, as well as the German, public; and the
Western delegates were at their most outspoken and obdurate when
criticising the Soviet claim to \$10 billion worth of reparations from
German production. To the Russian people, who must be assumed
to believe all they read and to trust their statesmen, the course of the
conference must have confirmed everything they have been told recently
about the west; they have learnt that the industry of western Germany
will not be used to help repair the devastated towns and fields of western
Russia; that the Ruhr is to remain under British control; that the
denazification and democratisation of Germany are still incomplete; that
Mr Bevin gives higher priority to the feeding of Germans than to the
rehabilitation of the Ukraine; that the Americans want to have a weak
German government in Berlin and strong governments in Munich,
Stuttgart and Frankfurt, and so on. The picture is, of course, unfair;
but it is not devoid of truth, either in its presentation of the issues or
in its imputation of motives. Should the Foreign Ministers fail again
to agree and should American-Soviet relations get worse, Mr Molotov
will be able to count on the Russian people to accept willingly the
sacrifices which autarky and isolation from Europe might demand. There
will be no Russian Wallace to disturb their consciences.

None of the other Foreign Ministers can claim to have got as much
as he hoped out of Moscow. Mr Bevin, who has stuck closely to his
brief, asks us to be patient and speaks only of the advantage of having all
points of difference between the Powers clearly revealed. Mr Marshall
has established a reputation for firmness and clear-principled argument.
He shares Lincoln's dislike of "pernicious abstractions" and has declared
his determination not to "achieve agreement for agreement's sake"

by "compromise on great principles." Thereby another hard knock has been given to the lately fashionable doctrine of the new realists, who maintain that principles and—if necessary—ways of life should be sacrificed to the one objective of getting the great Powers working together. M. Bidault must return to Paris gravely disappointed, but with a clear conscience. He was uncompromising only on coal; having failed to get agreement to his demand that the peace treaty should bind Germany to fixed deliveries of coal to France, he was offered—outside the conference—and accepted a sliding scale of deliveries to France relating them to increased production from the Ruhr and the Saar. To the French wish to incorporate the Saar into their own economy, Mr Molotov would give no clear answer; he rejected suggestions for special regimes in the Ruhr and the Rhineland; and he demanded more power for a central German government than the French would concede for many years to come. How M. Bidault will settle all this with the French Communists remains to be seen.

Obviously, the main task now for all three western Foreign Ministers is to take some action in Germany and Europe that will avert economic disaster and promote European unity, but not bar the way to agreement with the Russians next November. The door has been held open so long for hopes of German political and economic unity that, as *The Times* points out, the resulting draught has very nearly blighted all hopes of German recovery. Action now presents different problems at different levels. At the highest level is the question of the form that economic association of the European nations might eventually take, a question in which the Czechs and the Poles would be as interested as the Belgians and the Swiss. If some clear and practical ideas can be worked out here, British and American plans for the future of western Germany would be less open to suspicious questioning by Germany's neighbours. For the coal and steel of the Ruhr must be the basis of any continuous economic recovery in the west, from which, sooner or later, eastern Europe will want the equipment and tools to repair its industry and bring it up to date. At the next level there is the problem of associating the French zone with the British and American zones of Germany. The resistance to the idea in France will be strong, not only because the French like to run Germans in their own way, but because they see in a merger at present only the prospects of sharing British and American expenses and losses.

So everything depends—at the next level—on the more efficient organisation of the British and American fused zones. Matters have been allowed to come to a crisis and Mr Bevin and his new Minister for Germany, Lord Pakenham, have had to have emergency consultations at a Berlin station. Anglo-American disagreement is quite serious, although it would be

less bitter if General Clay were a less obstinate man. In the direction of German industry the British preference—not wholly derived from Socialist doctrines—for strict controls, big units, and planning at the centre is confronted by American individualist liking for light controls, chances for the small man and as much power as possible left with the State governments. The "Battle of Minden" may yet need the intervention of Mr Attlee and Mr Truman, for it is merely the reflection of differences in fundamental British and American policies. Federalism and its faults are in fact on trial, and since federalism of one kind or another is the only method by which any closer association of the western European countries could be brought about, much more than German issues hang upon the decision.

Thus the technical problem of making Western Germany work becomes the key to the whole of European policy. The plans that are now laid must not forget the Germans, who, if they are not to sink into sullen sabotage, must have some hope of working their way back to collaboration with the rest of Europe; if they cannot do it through a united Germany, then they will want to do it through western German states, associated with their neighbours to the north, west and south. There is no reason why the preparation of a British policy on these lines—alternative to the more fundamental policies of agreement with Russia on a unified Germany and agreement with America on terms of multilateral trade—should provoke more suspicion in Moscow than exists there already, or make more difficult the agreement of the Foreign Ministers next November. It is indeed the one major constructive line along which British policy can for the moment work in Europe.

As for Soviet relations in general with the "Anglo-Saxon Powers," there are many lines along which they can be discussed which do not run through Germany. Some of them are already open: the Russians begin discussing shortly in Washington the settlement of Lend-Lease balances; discussions in Moscow for revising the Anglo-Soviet Treaty of Alliance are continuing; there will be opportunities in the Security Council and the General Assembly to watch for conciliatory signs; and there are peace treaties to ratify and Allied troops to be withdrawn. Mr Stalin told Mr Marshall in Moscow that he regarded the past conference on Germany as "only the first skirmishes and brushes of reconnaissance forces"; true to the Russian tradition, the main forces will not make their effort until General Winter is available. Mr Marshall should make it clear to the Americans and the Russians that he is not simply working for a general Russian retreat, but for an understanding about vital interests along a firmly-drawn line through Europe and Asia. The tough line has had its effect; Mr Marshall can now put the gloves on again.

and grievances. The latter is the better way to start, and credit is due to the Liberal Party for the gesture—at the present moment it can be no more—of introducing into the Lords a private measure, entitled the Preservation of the Rights of the Subject Bill, which sets out a variety of remedial devices for protecting the citizen against the abuse or misuse of power. The Liberals are at pains to point out that undesirable powers were taken by the Executive prior to the recent war and were sanctioned by Conservative as well as by Labour Governments; indeed, many of the new Bill's clauses embody the unanimous recommendations of the Committee on Ministers' Powers, which reported as long ago as 1932.

It is interesting that there are only two specific controls at present possessed by the Government which the Bill seeks to modify. One is the vague and wide powers of search, intro-

duced during wartime and continued under the Supplies and Services Act, 1945, under which some 10,000 officials possess authority to enter unspecified buildings at any time they think fit. Powers of search are indispensable for the enforcement of economic regulations and rationing, but it is unnecessary and politically dangerous to draft them so widely, and it would be safer to require the production of a specific warrant for each building that an official wants to enter. The other undesirable control is the authority to suspend newspapers, that is supposed by the Government to reside in the same Act. Whether it does so or not, the Liberals suggest that temptation should be removed from Ministers by an outright enactment that the suppression or suspension of any publication is illegal.

But apart from these two objectionable powers—of which one, indeed, may be no more than a figment of Mr Shinwell's imagination on a cold night—it is not the numerous powers now held by the Government, but the lack of safeguards against their misuse, to which the Liberals take objection. Here, indeed, in the latitude conceded to Ministers through the growth of delegated legislation, which is now multiplying itself in geometrical progression, lies the greater threat to the liberties of the citizen. The traditional safeguards against this danger reside in the twofold supervision over the administrative acts of the Executive that is exercised respectively by Parliament and by the judiciary.

It is on restoring and strengthening these safeguards that the Liberals have bent their attention. This is valuable repair work, although it may require much supplementing by more novel methods. It is alarming to realise that two vital principles, relating to the judiciary, have still to be established. These are that no Minister should be allowed to set himself above the law that Parliament has enacted, and that public authorities should not be given a preferential advantage over private individuals in courts of law. Some of the points at issue are covered in the new Proceedings Against the Crown Bill, but by no means all. There should be an end of the exceptional provisions in some Acts, which permit Ministers to repeal or amend statutes at their own discretion or which prevent points of law from being raised in the courts; and there should also be an end of the grave unfairness of having a much shorter time-limit for taking proceedings against public authorities than against private individuals, even though this has been a feature of the English legal system for a considerable time.

The prerogatives of the judiciary need jealous guarding. But it is important to realise that the law courts are no more competent than anyone else to judge the goodness or badness of an administrative act, and it is this that most needs watching to-day. The powers of Ministers are now drawn so widely that the most monstrously unfair acts can be perpetrated without calling into question any points of law. Moreover, where provision is made for objectors to have recourse to a public inquiry, there is little chance of upsetting the Minister's decision in the courts so long as he goes through the outward motions of considering the matter in good faith. It is only when a Minister exercises insufficient care or speaks out of turn, as Mr Silkin did on the subject of Stevenage, that he is likely to find himself involved in litigation. This is not to suggest that any Minister at any time acts under any other conviction than that he is serving the public interest. The point is that his department, rendered insensitive by too much power, too much introversion and too much absorption with administrative convenience, will make decisions of perfect legality that are in violation of elementary canons of common sense and even dealing.

The remedy for such maladministration lies not in the courts but in the force of public opinion, whose main outlet is and always must be Parliament. Especially when fed by a vigilant public, Parliament is still a highly efficient sounding-board for complaints, grievances and suggestions. Question time and

debates on the adjournment are the cause of frequent and salutary shake-ups in the departments, while Parliament will still find time to right the wrongs of an individual citizen. But for every grievance that is ventilated, many now go by default. Parliament's watching brief can no longer encompass the deeds of so vast an administration.

The crying need, therefore, is to reinforce the sanctions of public opinion. A first step is to put a greater onus of explanation and justification on the Executive itself. Public inquiries are valuable; but, as the Liberals urge, they would be far more use if the Minister was obliged to publish his inspector's report together with the reasons for his own subsequent decision; without this, criticism is blindfold and fruitless and all the more irritable on that account. What reason in any case can there be, other than a mole-like obscurantism, for withholding the arguments for building a new town at Crawley or a reservoir at Ennerdale? The Liberals' Bill also suggests that Parliament's hand should be strengthened by the power to amend, as well as to annul, a statutory order or other instrument. This is again a perfectly valid request, although the difficulty would be to find the time for debating such amendments.

It is because Parliament has become so overburdened that other devices against maladministration need to be sought. It is interesting that both the Agriculture Bill and the Town and Country Planning Bill that are now under examination contain powers to set up independent tribunals, whose main function is to consider the fairness and reasonableness of administrative acts. If a way can be found to man such tribunals with ordinary citizens of good sense and judgment, this idea should be extended far more widely, giving a right of appeal not so much to the judge as to the jury. Another expedient might be to enlarge Parliament itself. But, when all the possibilities have been canvassed, it remains true that the best way to prevent Ministerial excesses is the old-fashioned one of conceding only those powers that the Government can clearly show to be necessary for an approved purpose. The Labour practice of legislating first, and thinking out policy afterwards, is more destructive than anything else of Parliamentary control and, by extension, of the liberties of the subject.

It may readily be conceded then that the growing powers of the Executive bring serious danger of ineptness and maladministration, against which new safeguards are necessary. But it by no means follows that basic rights or liberties are being destroyed or even threatened. Unesco is taking upon itself the difficult task of drawing up a charter of human rights; and the striking thing about its first tentative list is that nearly every item is either still taken for granted in this country or else constitutes an ideal goal, such as "freedom from want," for which Britain is actively striving at the moment.

In no other nation are the personal and political freedoms—the freedom of conscience, of religion, of speech, of opinion, of assembly, of voting—so firmly respected. A police force and judiciary that are as nearly impeccable as has so far been devised guarantee the individual's right to justice. Moreover, toleration extends to the group equally with the individual and discrimination against political, racial or religious groups is absent to an extent that should shame, for instance, the witch-hunters of Communism in the United States. There is no occasion for smugness on this score; but in an age in which ordinary respectable Germans have treated the killing of millions of humans as being all in the day's work if only they belonged to a different race or creed, it is as well that Britain should make clear beyond any doubt its continuing belief in the intrinsic respect due to every individual person.

The growing powers of the British Executive are not due to any tyrannical aspirations, but are instrumental to the greatest effort in history to translate the ideal of human equality into concrete fact. The enormous apparatus of social services, the direction of industry, the rationing of scarce supplies, the sub-

A Statute of Liberty?

OF recent years, and especially since the advent of the Labour Government, a great deal has been heard of the growing infringement of the rights and liberties of the British citizen consequent upon the widening authority and discretion of the Executive. Most of the talk has taken place in the heated and incoherent atmosphere of party strife, and has not for that reason been very instructive. The subject is of such importance that it is high time to try to view in some sort of perspective, hard as this is to focus in a period such as this of double transition from war to peace and from unplanned to planned economy. Moreover, in both cases the transition is gradual, which may prove no bad thing in the long run. There is also confusion because the argument about citizens' rights and liberties can be carried on at an exalted plane of philosophical theorising or at a more mundane level of listing claims

sidising of basic needs—all these and many more are done in order to try to provide work for all, food for all, health for all, a minimum income for all, and equal educational opportunity. Perhaps the ideal is being pursued too hastily and too thoughtlessly. The apparatus of economic regulation, the whittling down of economic incentive, that is involved in carving the national cake into shares may cause a shrinkage in the size of the cake itself. In addition, egalitarianism is not free from the shackles of envy and mediocrity. The greatest danger to the individual's freedom of action to-day comes not from the Government but from the efforts of certain trade unions to

force each worker to march at the pace of the slowest. The pernicious "closed shop" principle, with its damaging effect on initiative and ability, cannot be overthrown by Government edict alone; but, as the Liberals' Bill suggests, it would at least be a good step to put public authorities in the position that they are legally prevented from compelling their employees to join a union. But in general the pursuit of equality has so far been responsible rather for inefficiency than for loss of liberty. The only question is whether, in trying to add this new group of human rights to his long list, the Englishman runs any danger of bursting the bag.

The Birth Rate

LAST week-end, the Registrar-General's weekly return showed that the number of live births registered in the first quarter of this year was 241,421. This birth rate, 22.8 per thousand of the population, was the highest for any quarter since the June quarter of 1921 and compares with an average rate of 16.1 per thousand for the March quarters in the years 1941-45. Thus, the high birth rate registered in 1946 appears to be continuing, and inevitably the question arises: does this mean anything? Is it merely a short-term check to the steady decline in the birth rate from the beginning of this century onwards, or is it the beginning of a change in the long-term trend? Does it mean that before the Royal Commission on Population, appointed in March, 1944, issues its report, as it is expected to do in a few months' time, the population problem will have solved itself?

The social and economic causes of the declining birth rate have often been discussed. So, too, have the consequences. They will, presumably, be given weighty and authoritative examination in the Royal Commission's report. This article will, therefore, not be concerned with causes and consequences. Its sole aim is to place the rise in the birth rate in the last few years in a long-term setting and to give a simple—possibly over simple—picture of the statistical background.

The first chart shows the trend of the birth rate from 1900. It gives five-yearly averages of births from 1900 to 1935, and the actual number of live births registered in each year from 1936 to 1946. It will be seen that the average of the last five years is well above the low level of the late twenties and the thirties. It is, in fact, almost back to the average of the five-year period 1915-1919, and the figure for 1946 alone is the highest for any single year since 1921.

Although this article is not concerned with causes, the fact of the social upheaval resulting from the war cannot be ignored, and the second chart compares the birth rate during the first war and post-war period with the rate from 1936 to 1946. It will be seen that the rate fell steadily and at times sharply all through the years 1914-1918. In 1919, there was a slight rise followed by a steep increase in 1920, after which the rate resumed its downward trend. It is clear that the boom in births in the immediate post-war period was merely compensation for the abnormally large fall during the war. It had no effect on the long-term trend.

Is the same thing happening now? It is not possible to give a strict comparison between the two war periods because, for one thing, of the difference in their duration. But it is worth noting, first, that the rate never fell so steeply from the pre-war level as was the case in 1914-18 and, secondly, that the rise began well before the war ended. Other factors which have to be taken into account in a comparison of the two periods are that, in the first war, the absence of the potential fathers from home was greater and more prolonged than in 1939-45 and that demobilisation was much more rapid. The most that can be deduced, however, from the comparison is that the

experience of the birthrate in the two war periods has been different. In the first, it fell sharply, rose sharply and then continued its steady downward progress. In the second, the post-war boom is superimposed on what appears to be an upward trend.

Is this upward trend apparent or real? It is possible to examine one or two other factors that have a bearing on the birthrate. The next chart shows the number of marriages from 1925 to 1936. It will be seen that there was a big jump upwards in 1939 and 1940, that the number of marriages fell back to about the pre-war average in 1942 and well below it in 1943 and 1944, but that it has jumped up again in 1945 and 1946. The annual average for the eight years 1939-46 was about 16 per cent greater than in the eight preceding years. This rise in the marriage rate may perhaps have reflected the fact that men and women who, but for the war, would have remained single were getting married—that is, a real decline in celibacy. If so, the births that resulted could be reckoned to be a net addition. On the other hand, the rise in marriages may merely have meant that people who would in any case have got married did so earlier because of the war. Ordinary observation—un-supported by any statistics—would suggest that, though there were some marriages of the first sort in the war years, the great majority of the addition must have been of the second variety. If the marriages took place earlier than they would otherwise have done, so presumably did the ensuing births. But unless these war brides, by marrying earlier, are also starting to have larger families than was the rule before the war, the babies they have had in the last seven years have merely been, so to speak, "borrowed" from future years.

In the last analysis, therefore, the number of births depends on the number of potential mothers in the population and on the average size of the family. The crude birth rate, it is now generally recognised, is an inadequate measure of whether a population is maintaining itself or not. To determine this it is necessary to know whether each generation of mothers is reproducing itself; in other words, whether the women of reproductive age in the population are giving birth to enough female babies to maintain the supply of mothers when they themselves reach the reproductive age. To calculate the net reproduction rate, as it is called, in any given year, the number of female babies born is first ascertained and allowance made for the fact that not all of them will survive to the reproductive age. The rates at which the women of reproductive age bore female babies in that year are then applied to the survivors, and the result shows whether the number of female babies born was enough to maintain the supply of mothers or not.

The reproduction rate is very crudely illustrated in Chart IV, in which the number of girl babies born in 1900-25 is compared with the number born from 1925-46. Two quite unwarranted assumptions are made: first, that all the girl babies born survived to become mothers; and, secondly, that they reproduced themselves at the exact age of 25. But for those whose

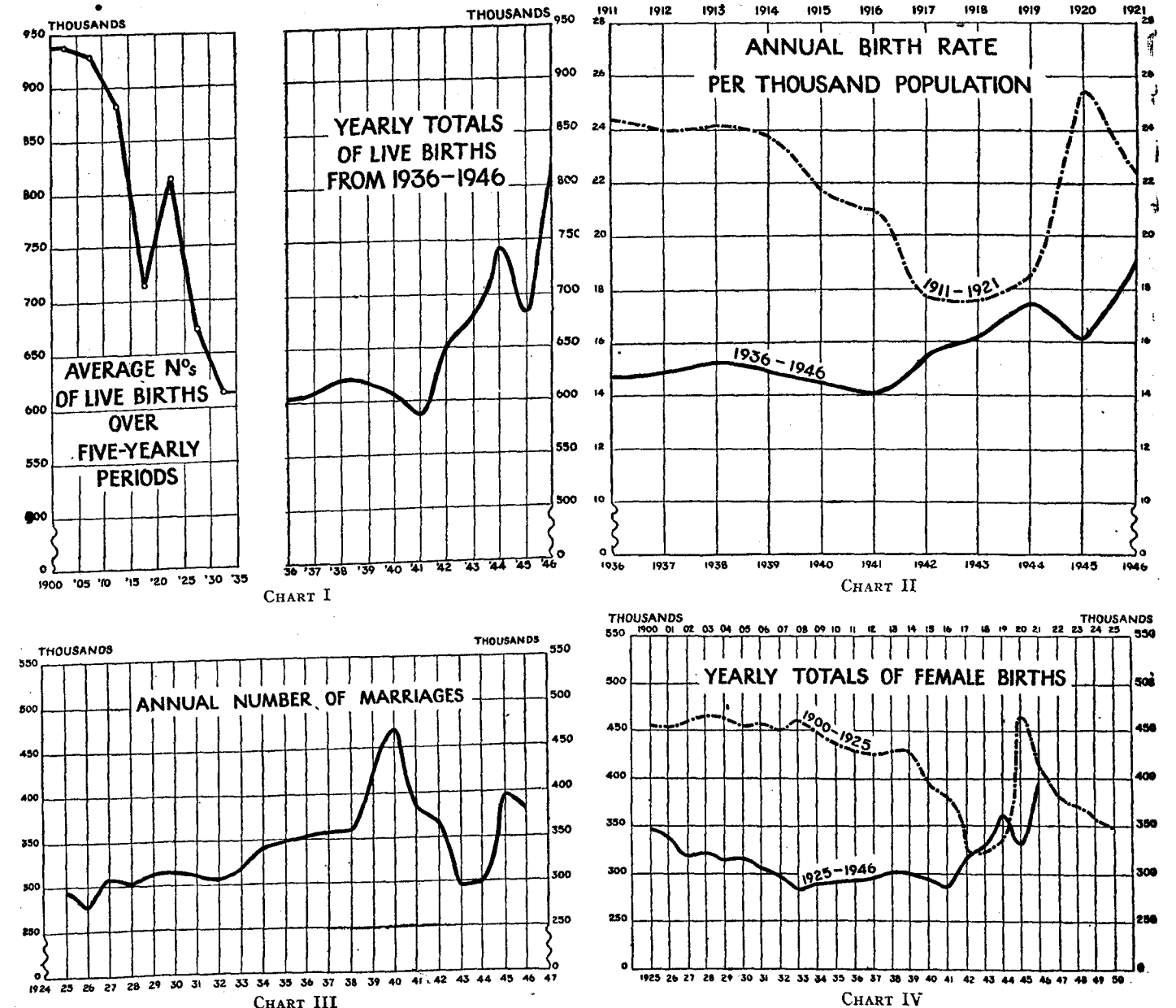
minds boggle at the intricacies of the net reproduction rate the chart—of what might be called the gross reproduction rate (simplified)—may serve as an illustration of its underlying concept. The space between the two lines shows, roughly, the deficiency of potential mothers. From 1925 until 1942, not enough female babies were being born to maintain the supply of mothers in the population. But since then the position has improved, and the numbers born in 1946 were well in excess of those born twenty-five years previously.

The Registrar General has not published figures of the actual net reproduction rate further back than for 1933. But except in 1943 and 1944, when the actual rate was just below unity, instead of just over unity as shown in the chart, the picture presented by the net reproduction rate since 1933 accords fairly well with that shown in the chart. In the thirties, the net reproduction rate was roughly 25 per cent below unity, below, that is the full replacement level. In 1946, it is provisionally estimated at 1.102, that is, 10 per cent above the replacement level, and the Registrar General has announced that it is the first time the replacement level has been reached since 1921.

If, therefore, births continue at the rate of 1946, there is no population problem—or, at least, none of any seriousness. Is this likely? This cannot be answered by any statistics that have yet been published. The answer would involve knowing whether 1946 was a year typical of those that will follow, or

whether, for some reason, the births that occurred last year were "borrowed" from other years, which will therefore show correspondingly low totals. One fact, which must be known to the authorities, both from the returns under the Population (Statistics) Act and from the applications for family allowances, is whether the number of third, fourth and fifth births is increasing. Mr Dalton said in his Budget speech that there had been 200,000 applications more than the actuaries had allowed for, and all of these must have been at least second children, since family allowances are not given for the first child. It does not necessarily follow that they were all children who were not expected to be born at all, since they also may be "borrowed" from future years. But at least these 200,000 unexpected claimants establish a presumption that the size of family is rising.

But there are some reasons on the other side for anticipating a fall in the number of births in the next few years. First, the high marriage rate of the war years must have been in part at least merely anticipation, and will therefore be followed by a marriage slump. Secondly, while the present generation of mothers is a big one, for it comprises the large number of girl babies born after the first world war, the new entrants will be much fewer, reflecting the slump in births in the later 1920s and early 1930s. Thirdly, commonsense would indicate that the year after demobilisation would probably see a higher birth



rate than the average. The high birth rate of the last few years has been sustained over too long a period for the figures for 1946 to be solely attributable to a post-war boom. Nevertheless 1946—or perhaps 1946 and 1947 together—will probably stand out on the curve much as 1920 did.

Some of the essential data are still missing, at least to the public. Some only time can supply. But the provisional con-

clusion is that though the population problem may not be so acute in the late 1940s as it was in the early 1930s, it is by no means solved. The British people may not be failing to reproduce themselves by quite so wide a margin as earlier appeared, but over, say, the next two decades the years when the net reproduction rate reaches unity will probably be very few.

1157 — and all that

WHEN Mr Marshall recently raised in Moscow the question of Poland's western frontier and referred to the "compensation" to be given to Poland for the loss of its pre-war eastern territories, Mr Molotov indignantly repudiated the idea that the Poles were getting their new lands as compensation; they were merely, he said, having the homeland of their nation rightfully restored to them. The Polish Government has also been carrying on a propaganda campaign to sustain this argument, and the crowning proof given in a pamphlet published by the Polish Embassy in Washington is taken from a good German source; in the year 1157 the Emperor Frederick Barbarossa wrote: "With our entire army we crossed the river Oder which, like a wall, surrounds that State (Poland) and, sweeping through the bishoprics of Breslau and Poznan, laid waste the whole country with fire and sword."

The controversy over the Oder-Neisse frontier has arisen from the fact that by 1939 the overwhelming majority of the inhabitants of the territories "regained" by Poland were German by speech and sentiment and that the territorial transfer has involved the expulsion of these Germans (or the prohibition of return to those who had already fled before the advance of the Russian armies) into the remainder of Germany. The addition of these masses of homeless and propertyless exiles to the population of Germany west of the Oder-Neisse line combined with the loss to Germany of the resources, especially in foodstuffs, of the territory to the east of it, has been a principal factor in the economic collapse which has involved Britain and the United States in heavy expenditure to meet the minimum needs of the Western zones; and this fact goes far to account for the sharpness of current American criticism of the frontier—which is the more resentful because other related parts of the Potsdam settlement, the Russian undertaking on German economic unity and the Polish promise of free elections, have not been fulfilled. The British and American Governments have also become increasingly aware that the new eastern frontier is a cause of extremely bitter feeling among nearly all Germans who now have any thoughts beyond the day's food and that the spreading of the millions of refugees over Germany is likely to be in the future the strongest factor favouring a revival of militant German nationalism. Hence the belated appeal for a compromise between the 1939 and "Potsdam" frontiers—an appeal which, though it may have served a tactical bargaining purpose in Moscow, also reflected a genuine opinion on the rights of the question.

The reason why the Polish Government has been unwilling to take its stand on the "compensation" agreement among the Big Three by which the Oder-Neisse line was fixed is to be found in the recent political history of Poland. In 1939 the Soviet Union, by agreement with Germany, but without recognition from any non-Axis countries, annexed over half of the territory of pre-war Poland. But when in 1941 Germany invaded Russia, the Soviet Government signed an agreement with the Polish Government-in-exile cancelling the German-Soviet partition, though leaving the door open for future negotiations for revision of the pre-war boundary. In December,

1941, General Sikorski, then Polish Premier, visited Moscow and talked over the matter with Marshal Stalin; the latter's claims were at that time only for minor post-war cessions and did not include Vienna or Lvov. In the spring of 1942 Sikorski went to Washington and informed President Roosevelt of the demands Poland would make on German territory after an Allied victory. They comprised the Upper Silesian industrial area (claimed by Poland at the Peace Conference in 1919), East Prussia (except for a portion to be assigned to Lithuania), Danzig and a strip of north-eastern Pomerania. The case for depriving Germany of East Prussia was, as the campaign of 1939 had shown, that the pre-war Polish frontier was strategically untenable. The revisions proposed by Sikorski would have involved a considerable German population, but they were not wholly unreasonable on a combination of ethnic and strategic grounds and they would have left to Germany Breslau, Stettin and the greater part of the food-surplus area east of the Oder and Neisse.

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After the battle of Stalingrad, however, the whole situation again changed. The Soviet territorial appetite was revived by military success and Russia again claimed approximately half of pre-war Poland; when the Polish Government in London resisted these demands, steps were taken to create in Poland a Communist-controlled Government which would grant them. At the same time, the "London" Poles began to put forward projects for annexations from Germany more far-reaching than any which had ever previously been advanced. Thus the idea of the Oder-Neisse frontier emerged, and in negotiations with Britain and the United States at the end of the war Russia insisted on it no less than on its own territorial claim against Poland. Both were finally approved by the Big Three, but whereas the Polish-Soviet frontier was definitely fixed by a Polish-Soviet treaty, the Oder-Neisse frontier remained provisional until the final conference for making the German peace treaty. The Polish Government is therefore uneasy about recent moves for revision. But it finds itself morally and politically in an awkward situation. If it claims the Oder-Neisse line as compensation for what Poland has ceded to the Soviet Union, it cannot avoid raising the question of Poland's rights in its former eastern territories. Compensation implies a legal or moral right to that for which compensatory payment is to be made; nobody thinks of compensating a burglar for the loss of the swag which is taken away from him when he is caught. But according to the Soviet view, duly accepted by Polish Communists, Poland had no right whatever to the eastern territories, which had been brutally seized from their rightful owners by Polish reactionaries and imperialists. How then has Poland a just claim to compensation for the loss of something to which it never had any right at all?

The present Polish Government's only way out of this dilemma is to discard the principle of compensation in the presentation of its case (or at least, to bring it in only as a supplementary argument) and to claim the Oder-Neisse line as rightfully Polish quite independently of the cessions to the Soviet

Union. That is why we are invited to study an historical atlas and go back to medieval times to assure ourselves that these lands were originally Polish and have therefore been merely "regained" by Poland. It is of course a fact that at one time Slav population spread westward not merely to the Oder, but to the Elbe, and the modern eastward extension of German nationality has been the result of a prolonged historical process of conquest and colonisation, involving countless brutalities and a tension which has been a principal cause of the German racist mania. But it is also a fact that the *Drang nach Osten* eventually produced a large German majority in the conquered lands. Polish official figures concede that of a pre-war population of 8½ million in the Regained Territories, 7 million were Germans. Of the Polish minority, moreover, more than three-quarters was concentrated in Upper Silesia. In other words, most of the territory concerned was ethnically German in 1939, whatever it may have been twenty generations ago.

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An attempt has been made to render the ethnic claim more contemporary by quoting figures of German emigration from the "Prussian East" since the middle of the nineteenth century—an emigration which after 1919 made East German agricultural estates largely dependent on Polish seasonal labour from across the border. This emigration was an important economic and social fact and was greatly deplored by German nationalists. But the main cause of it was the growth of German industry and its attractions for a poverty-stricken peasantry. There has for generations been a somewhat similar movement from Scotland into England, especially from the high glens which had more population in the eighteenth century than they have now; but it would cause some surprise if this were to be regarded as a valid reason for expulsion of the Scots who have remained in Scotland. In any case the post-war restriction of German industry would have stopped the flight from the land in Germany and an increased dependence on home-grown food supplies combined with agrarian reform would have been favourable to the East German peasantry. It is not possible seriously to argue that the 7 million Germans east of the Oder and Neisse were a mere vanishing remnant of a population already on the move westwards.

We must rely then, after all, on the medieval ethnography for which forward-looking Marxists have developed so much enthusiasm. But it has its pitfalls for the unwary. The game of "Where were you in 1157?" is one at which the Big Three of Yalta and Potsdam, who are responsible for the new frontiers, really cannot afford to play. The Americans least of all, for they just were not anywhere in 1157; the sole occupants of their continent at that time were people who now survive under the Stars and Stripes only in what are called "reservations." Nor do the Russians come well out of the test. By far the greater part of the present territory, not only of the Soviet Union, but also of its nuclear component, the Russian FSSR, was in 1157

devoid of Slav settlement; the constitutional nationality boundaries within the Union have been based on twentieth-century ethnography and have taken no account of lands taken by Russian colonists from Tatars, Chuvashes, Bashkirs, Ostyaks, Kirghiz, Buryats and other fraternal peoples during the last few centuries. The English may appear at first sight to bear the investigation rather better; there was already an England in 1157 and it was mostly English. But, after all, if we are going to have historical justice, why stop at 1157? If one goes back a few centuries further, the English have not a leg to stand on. In the far off days

When Severn down to Buildwas ran
Crimson with the blood of man,

the English were merely a horde of brutal German invaders from Schleswig-Holstein and Lower Saxony, and they have added to all their other infamies by usurping the name "British," although they cannot speak a word of any Celtic language. It is clear that historic justice requires that England should be restored to the Welsh and that the English inhabitants should be deported to what is now the British zone of Germany, where, if anywhere, they belong.

It seems, therefore, that as the three Great Powers have so much reason to fear an enquiry into their ancient title-deeds, it is unwise of the Poles to lay so much stress on the principle of historic justice. There must be some statute of limitations applicable to claims arising out of past conquests and migrations; ethnographically, it is only the very recent past which can reasonably be taken into account. The Poles would be well advised in their own interest to drop the talk about old medieval Slav Szczecin (still Stettin to most English-speaking people) and rest their case, such as it is, on the deal which was actually made in political bargaining among the Great Powers in 1945, and which was as innocent of ethnography as it was of historic, or any other sort, of justice. It would be best of all if they would make some material concessions on the lines of Mr Marshall's proposals. But, if they will not do this, they should at least refrain from a nonsensical propaganda which in the long run can only recoil on their own heads. Whatever is decided in the peace settlement, it is essential that it should be such as to be still endorsed by public opinion in the Western democracies in ten years' time and that, therefore, whatever case is made for it should be of a kind to wear well. The case the Poles are now making will not wear well. It would be better if only they were not so scared of Moscow's displeasure, to state simply that they claim compensation for eastern territory of which they were deprived by force and that this compensation has been taken from Germany by right of the victor, in accordance with the promise of the major Allies. A bad ethnic argument is sure to be a boomerang for the Polish cause, for the Germans can easily refute it and thus unsettle the wide section of Western opinion which now thinks Poland does deserve compensation for the "Sixth Partition."

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NOTES OF THE WEEK

Dollars

A Business Note on a later page discusses the ominous meaning to be drawn from the latest figures of drawings on the United States and Canadian credits. Until quite recently, the official view on the length of time for which the supply of dollars would last was one of qualified optimism. Since the New Year, there has been a sharp change and the gravest apprehension is now the order of the day. This is partly because of the harm that the fuel crisis has done to the prospects of earning dollars; partly because the time when supplies of foodstuffs and raw materials will be available from non-dollar sources seems to be receding rather than advancing; but mainly because dollar prices have been soaring and the real value of the credits has been so sharply diminished. Their total was cut very fine when they were negotiated, and it is now discovered both that the need is much greater, and that the value of the dollars is much less, than was then thought. The dollars look like running out well before the end of 1948.

It is still very imperfectly realised what a very serious plight the country will then be in. In the long run, the prospect of balancing the British international accounts is by no means hopeless. Given time, the export industries could develop their plans—given time, they may even have enough coal to make their exports. Given time also, the cost of necessary imports can be expected to come down with a run; the fantastic prices of to-day cannot possibly endure. But time is a commodity of which Britain is getting uncommonly short. It would be very fast going for the present universal seller's market to turn itself inside twelve months into the world-wide slump in the prices of primary products which will be Britain's salvation. There may, or may not, be a possibility in 1949 of borrowing some more dollars; but there is certainly very little possibility before the Tuesday after the first Monday in November, 1948, when Mr Truman's successor has to be elected. In the meantime, imports may have to be cut down—the process is already starting, and its impact is made the more severe by the rule of non-discrimination on which the Americans insist. Imports to-day consist overwhelmingly of essential raw materials and essential foods. Which shall be cut? To cut the former means unemployment (and still fewer dollars); to cut the latter means starvation. There is an unpleasant edge, in these circumstances, to the Keynesian epigram that in the long run we are all dead.

There is any amount of political dynamite in this dollar shortage. A serious cut in the rations and two million unemployed would drive any Government from office. Why, then, it may be asked in the Government's own interest, does it persist in playing its cards so close to its chest? Why is there so little informed and authoritative discussion? Why is it made so hard to discover the facts about the dollar supply, about what could be done and what could not? A first-class crisis is absolutely certain next year. Does the Government positively wish to be held solely responsible?

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The Transport Bill

The Government's Bill to nationalise the whole transport industry of the country has now been railroaded through its report stage. Apart from a bout of generalised oratory on third reading, it is through the Commons. There has never been another such case of the brutal use of the guillotine. In Standing Committee, 37 clauses and 7 schedules were never even discussed, and for the three days of the report stage, no less than 376 amendments were on the order paper. Nor was this in any way due to obstruction by the Opposition. There were 245 Government amendments in Committee and a further 176 on report.

Even if the Bill were a comparatively simple one, the outlines of which had been thoroughly explained and discussed before it was introduced, this procedure would have been brutally summary. But the Bill is not a simple one, it is most complicated and far-reaching. Its outlines were not familiar; they had never been discussed in public and to this day they have never been explained. It was not well drafted, as the hundreds of Government amendments prove so clearly. Nobody yet knows what the Government propose to do with their gigantic transport monopoly; and accordingly nobody who is not so blinded by Socialist fanaticism as to believe in nationalisation for nationalisation's sake has been given any opportunity of making up his mind whether the scheme is a good one or a bad one.

There is no point in mincing words. The way the Government have rammed this Bill through the Commons is a scandal and an insult to the democratic process; it is a debasement of the Parliamentary currency that the Labour Party will not have to live long to regret.

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The Bill now goes to the Lords. The Government have not concealed their desire that the Lords should deal with it, and the other Bills on the programme, by the end of July, so that the session can then be brought to an end. Their Lordships will hardly make so bold as to reject the Bill, or to carry wrecking amendments—unless, indeed, by the summer the Conservative Party is so sure of winning an election that it will challenge it on the dangerous ground of "the peers *versus* the people." But the Lords may be much readier to take their time over the Bill and to give it the careful examination that the Commons manifestly have not.

Hitherto, the Conservative majority in the Lords has not only bowed to the Government's wishes on the substance of legislation, but it has also been strangely willing to follow the Government's lead on the arrangement of its business. There is nothing to prevent the overwhelming Tory majority from refusing to accept a time-table. But up to the present it has always dutifully done so. There should be a paragraph in the constitutional treatises to explain the means that a Labour Government possesses to render a nominally hostile Upper House so docile in small matters as well as large. Perhaps the threat to move for sittings after dinner is one—their Lordships would like neither to work after dinner nor publicly to confess their unwillingness to do so for the country's good. The one real right they retain, the one service they can render, is to insist on enough time for issues to be properly examined before they are rushed into law. There will never be a better case than the Transport Bill.

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Reconstruction in Europe

The British Government have paid the new-born Economic Commission for Europe the compliment of sending Mr Hector McNeil to bless its beginnings. With the Swedish Mr Myrdal in charge, remembered all over eastern Europe as a prominent figure in the Soviet-Swedish trade negotiations last year, this body may provide a useful and businesslike activity in which Europeans from west and east and the Americans can get down to brass tacks.

The session which has begun this week will be spent in deciding how to absorb such existing European organisations as the Coal Organisation and Inland Transport Organisation. A further organisational session is due in June, and then in July the affairs of the new Commission come before the Economic and Social Council in New York again. By the autumn the real work on particular problems should start, not with a large international bureaucracy, but with *ad hoc* committees of experts and a permanent secretary provided from a general staff of economists. This is the Swedish way of going to work, which is a good way provided the experts can be made available by the interested Governments. But Uno is rapidly creating a bottleneck in economic as well as diplomatic experts.

A hopeful omen is that some Soviet co-operation now seems certain; a disturbing one is that no one knows for certain how far this new body can concern itself with the problems of Germany.

Without access to German statistics and opportunities to influence Allied policies in Germany, the Economic Commission will be able to take only limited views; if it insists on interesting itself in Germany, it might quite easily lose its slender ties with the Soviet Government.

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The ITO Charter Debate

Although tariff negotiations are likely to monopolise the attention of the eighteen delegations attending the Geneva trade discussions until at least the end of next month, some preliminary shots are already being fired in the battle for the International Trade Organisation charter—a battle which will thereafter hold the greater part of the delegates' interest. The charter, as it

emerged from the deliberations of the drafting committee which met in New York last January and February, was published soon after the Geneva meeting opened. It closely follows the draft charter issued at the close of the first session of the Preparatory Committee which met in London last October. Many controversial clauses are still left in alternative forms, some remain to be drafted, others still are annotated with reservations from one or more delegates whose carefully veiled identity often emerges quite clearly from the nature of the comment. The debate on the charter will, therefore, be a real one. This is not only because many important items of substance remain to be filled in, but because the crucial portions of this document, and in particular the chapter dealing with general commercial policy, will serve as the basis of an interim agreement to which all eighteen countries represented at Geneva will be asked to subscribe.

The first shot in the Geneva phase of the charter debate was fired by the International Chamber of Commerce which is one of the non-governmental organisations represented at the meeting. It has issued and circulated a detailed commentary on the draft charter in which that document is subjected to considerable, though always constructive, criticism. The main burden of that criticism is that the proposed charter falls between two stools in that its desire to serve the ultimate objectives of the ITO, namely the maximum dismantling of obstacles to the flow of international trade, is necessarily overshadowed by its concern with the special and temporary difficulties that have to be faced over the present period of transition. In the view of the ICC, therefore, the charter gives a disproportionate amount of its space and attention to exceptions and reservations and far too little to the rules themselves. This is valid criticism which the ICC follows up by supporting the suggestion that all exceptions relating to temporary emergency situations should be removed from the body of the charter and assembled in a separate protocol. That would probably make a better job both of the fundamental charter and of the exceptions. It would make it much more possible to bless the Charter for eventual application in a balanced world without in so doing accepting a commitment to apply it rigidly and at once.

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The International Chamber of Commerce speaks for the international trader and, therefore, aligns itself unreservedly with the general philosophy of free and non-discriminatory trade which inspires the whole chronology of documents leading up to the ITO charter; it can hardly be blamed for not concerning itself overmuch with the problems of preserving equilibrium, internal and external, from which governments cannot escape as easily as individual traders. The ICC also makes some very telling points in its comments on the chapter of the charter dealing with industrial development. Of all the loopholes that riddle the charter, this is the biggest, since it would give countries desirous of industrialising themselves in order to diversify their resources almost unlimited freedom to transgress the ITO code. The ICC points out that industrial development can also be extremely uneconomic development and reminds the committee that many cases are known where the development behind high tariffs of high cost industries has tended to make the economic position of the developing countries more precarious and less stable than it would otherwise have been.

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Industrial Delinquency

No better example of the priority given by the Government to legislation over administration could be found than its hasty rushing through of the Report stage of the Transport Bill while over 9,000 London stevedores and lightermen were out on strike in support of the Glasgow dockers. Mr Isaacs has condemned the strike; he has given an assurance that food supplies will be safeguarded. But it is a sorry reflection on the Government's administrative record that this major strike should have come about so soon after its presentation of the country's economic difficulties and its exhortations to harder work and greater output.

For the strike itself there is no justification whatsoever. The original Glasgow dispute was quite sufficiently silly. The six-weeks-old stoppage was launched in defence of the following principle: that the nation is bound to support, attached on full pay to whatever trade they may have chosen in the past, whatever deadweight of able-bodied industrial pensioners the rank and file of the union concerned may consider desirable. The most frankly restrictionist apprenticeship regulations, the most unrealistic demands about wages and hours, the most grasping and dog-in-the-manger-like demarcation stipulations, are nothing to this. It amounts not only to a veto on all economic progress, which is labour-saving or nothing, but to the complete negation of any

conscious planning of industrial priorities. Nothing could be more flatly contrary to the Socialist policy of publicly organised progress and wise allocation of resources in the community's interest. A much-misused word for once is apposite: this is anarchy.

It is possible—just barely possible—to make some allowance for the Glasgow workers themselves, whose economic destiny may have seemed to them to have been settled over their heads by negotiators in whom their confidence was less than complete. For the stevedores of London no allowance can be made. The only principle discernible in their action is the still wider and (if that were possible) still less defensible maxim that the last word in any industrial controversy shall lie not with duly elected negotiators or legally provided tribunals, but with the rank and file; and that that last word shall, regardless of public hardship and national necessity, consist in throwing tantrums like a roomful of badly brought up three-year-olds until their point is won. Coupled with contemporary rank-and-file claims to exercise a final power of veto over promotions, appointments, and the boss's right to unload his own materials, the latest news from the London waterfront seems to indicate a perilous spreading of dry rot at the base of the imposing edifice of organised labour.

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The Domestic Fuel Scheme

Mr Shinwell's long-awaited statement on the restrictions to be imposed on the domestic consumption of fuel in the summer months was made on Thursday of last week. The restrictions fall into two parts. There is to be a statutory ban on the use of gas and electricity for space-heating from May 5th until the end of September. (This ban on space-heating is also to apply to industrial and commercial premises, in which case it extends to the end of October.) Secondly, all domestic consumers are asked to aim at saving 25 per cent of the gas and electricity they consumed during the comparable period of last year. This saving will be voluntary, and the 25 per cent asked for will include any saving made by the ban on the use of gas and electric fires. When these arrangements come into force, the existing ban on the use of electricity by domestic consumers during certain hours of the day will be revoked.

If the impossibility of a proper rationing scheme is accepted, a flat reduction of 25 per cent is probably the only alternative. It favours those who were extravagant last year and penalises those who economised; on the other hand, it is arguable that last year, when there was no patriotic urge to economise, but, on the contrary, a direct incentive to be extravagant in the shape of a flood of electrical appliances in the shops, the number of economisers was probably very small. But there are two big objections to the proposed restrictions. The first, and the more serious is the imposition of a statutory ban on space-heating. Not only will this detract from the appeals for voluntary economy in other respects; it is also unlikely to be observed whenever a cold spell of weather comes along. Does the Government really think that the present ban on the use of electricity in certain hours is strictly adhered to? Does it really think that people are not using their vacuum cleaners and electric irons in the mornings and afternoons, and that they solemnly turn off their refrigerators and water-heaters at 9 a.m. and 2 p.m. every day? But if there is one thing worse than a law that is not enforced, it is a law which people are officially told will not be enforced. The Ministry of Fuel says that the ban on space-heating is a token ban and that the police and inspectors will not be used to enforce it. Why, then, not make it part of the appeal for voluntary economy instead of inviting the social consequences of bringing the law into disrespect?

The second objection to the restrictions is that the ban on space-heating will be relaxed only on presentation of a medical certificate. Mr Shinwell even said that a possible relaxation in the case of households with babies would be based on a medical certificate. Why should doctors be asked to certify that a household contains a small child or an old-age pensioner? Why not ministers of religion, justices of the peace or trade union officials? Why should not the local fuel officials themselves grant the relaxation on the presentation of the relevant ration books? This shelling of responsibility on to doctors in the allocation of scarce supplies, whether of food or fuel, corsets or cookers, has gone far too far and should be stopped.

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Fair Compensation for Land

The Government is to be congratulated on another late conversion from the wrong policy. It has abandoned the 1939 basis of compulsory acquisition for land and property. The 1939 basis

was already outdated when the 1944 Planning Act was passed. It both goes back to a pattern of land values that has become increasingly false and it also fails to take account of changes in the value of money. The attempt to right the injustice by permitting a supplement of up to 60 per cent to owner-occupiers was unfair to landowners as a class and underlined the growing artificiality of the calculation. The Town and Country Planning Bill, which is shortly to have its third reading, was the obvious and proper occasion for righting this anomaly, especially since one part of it provides that claims for loss of development value should be entered at their current market value on January 7th of this year. The Government has now recognised this fact and has tabled a series of amendments that remove the Bill's worst feature.

The effect will be that in future compensation will be based, broadly, on current market values. The same principle will hold for "converted" war damage payments. There is a necessary modification of this principle to prevent the payment of the inflated prices that can be demanded at present for some classes of site with early vacant possession. In all cases, of course, the compensation payable refers to the "existing use" value of the land, since its development or redevelopment value is to be cancelled and compensated for out of the £300 million compensation fund. This fact will considerably modify the cost to local authorities of carrying out this new policy of fair compensation.

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Report on Greece

The eleven-power Commission appointed by the Security Council to report on Greek frontier incidents is taking longer to agree than it expected. The main points of controversy seem to be, first, what valuation to put upon the items of evidence it has painfully collected; secondly, to what degree fault lies with the internal Government of Greece; and, thirdly, whether it shall or shall not present Uno with recommendations. With these problems it is still at grips in Geneva after an itinerary running from Athens and Salonika to the frontier and on to Sofia and Belgrade. Athens, once in a twitter over what it would say, is now apathetic about the results to expect. Its enthusiasm for a United Nations solution waned as it observed the time the Commission spent on procedural matters, the tendency of members to hear evidence with their minds made up in advance, and the resultant disillusionment of the Commissioners themselves.

It looks likely that the only outcome of the report will be a fresh manifestation of the cleavage between East and West. But before writing off all Uno commissions as idle, it should be remembered that here was a peculiarly difficult topic on which to collect evidence. For the frontier under review is not only on the dividing line between Russia and the West; it is also an ancient source of bad blood. As is well known to any visitor to the area between the wars, it was always child's play to collect anti-Albanian or anti-Bulgarian evidence on one side of the frontier and anti-Greek evidence on the other, coupled with, at all times in Macedonia, the fruitier mixture of tales known as a *macédoine*. It is hardly to be wondered at if the Commission falls automatically into two halves. It did so physically during its farcical visit to the partisan leader "General Markos," since only the Soviet and Polish delegates were ready to wait upon his pleasure for longer than two days in a chilly mountain village. It has done so over what witnesses to call in Belgrade, over protests that the Greeks were impeding the movements of its Russian and Polish members, over alleged pro-Russian bias on the part of the Uno secretariat, and over whether or not to maintain a permanent team of investigators on the frontier itself.

This last proposal, made by the United States, has now been carried in spite of Russo-Polish opposition. Yet it should not be assumed that all the Commission's findings will be carried by nine votes to two. Its French and Chinese members have both shown signs of being impressed by the argument that any help reaching the partisans from the north is but matched by that reaching the Greek Government from the British and Americans.

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Meantime inside Greece the spring thaw has brought classic "fighting weather" and the Government's mopping up operations against the partisans are well under way. Three Greek divisions are engaged and are issuing high command communiques. Only a handful of weedy fellows have responded to a leaflet appeal to surrender in return for fair treatment. It seems that the campaign may be long. Indeed, its length and its volume begin to look as unpredictable as were those of the war in Spain.

Black Summer for Palestine

The debate on Palestine in the United Nations Assembly has begun, and is producing the expected clash between the British and Americans—who want to proceed by appointing an international commission of enquiry—and the Arab States, backed by the Russians, who want forthwith to discuss the territory's claim to independence. This talk brings no hope of respite from the killings, explosions and threats that now dominate everyday life in the Holy Land itself. Following the execution of death sentences upon convicted terrorists, the *Irgun* is now boasting by radio that it will likewise execute any British soldier caught carrying arms, on grounds of "participation in murder." Onlookers had best face the gruesome fact that human lives, mainly British, will be regularly lost until the autumn Assembly.

Could this hateful and dangerous interim have been shortened? Surely yes, if the British Government, instead of going forward empty of constructive suggestions, had given newcomers to the subject something to bite upon in the shape of a recommendation based on twenty-five years' experience. The official explanation of its negative attitude—given to the Lords by Lord Hall—is that Uno must "be free to choose between the various plans." But this contention matches ill with his subsequent statement that Britain will not carry out alone any Assembly recommendation of which it does not approve. Obviously the British will in the end have to execute, or help to execute, the policy chosen. They should have said in advance what can and cannot be done. The explanation of the weak and costly course the British Government has chosen is that its members are divided on the best policy to recommend. Mr Bevin and Mr Creech Jones do not agree.

Other interested partners are equally at sixes and sevens. In New York, every lobby that is not cordoned off against terrorists rings with the sound of discordant Jewish views. These range from that of the American League for a Free Palestine (which aims to collect £2,000,000 for help to the terrorists), through the official Jewish Agency (more moderate because its future lies among Arabs as neighbours) to the American Council for Judaism (which does not want a Jewish state because its members do not want to be sent "home"). Only the Arabs are at one.

Pending decisions on the claims, sympathies ought to turn to the British servants, civil and military, whose unenviable job is to make the wheels of administration turn this summer. It is idle to hope that they will get much help from the Jewish Agency. This has instructed its defence force, the Hagana, to spy on terrorists and has initiated long-term plans for teaching school-boys that terrorism is a vice. But it will still not co-operate with the Government to stamp out a scourge that neither can eliminate single-handed.

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Zionist Legends Made and Marred

Is it churlish to level one criticism at British forces who are carrying out a more than exacting task? They still seem to lack either the numbers or the ingenuity to defeat Jewish stratagems that are bound to inflame heated Jewish imaginations. Here a terrorist slips out of a prison lavatory inside which she has been afforded the time and chance to veil as an Arab; there the corpse of a wanted criminal is spirited from a mortuary; elsewhere two condemned men cheat the hangman by blowing themselves up with explosives smuggled into their cell in oranges. It is foolish to allow such ingenuity to become legendary. Perhaps the tide has turned now that 50 *Irgun* prisoners in Jerusalem central prison have been caught in a tunnel that they had dug to within eight feet of the street.

And new light is due to fall on other Zionist legends. During the Uno inquiry, new minds of several nationalities are likely to see through the fallacy—hitherto cherished by many including President Truman—that the Palestine problem is mainly one of housing Hitler's victims. Americans in particular are likely to find their opinions coloured by their new commitments in Greece and Turkey. The colour is likely to be heightened by Russia's backing of the Arabs against "western imperialism." Many American citizens who have hitherto seen the problem only from the angle of Zionist advertisements may discover that American interests include the retention of Arab friendship.

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The Bankside Station

The Government has stirred up a hornets' nest by giving its consent to the erection of the large Bankside power station, on the south bank between Blackfriars and Southwark bridges and immediately opposite St. Paul's. It must indeed be a powerful cause

which brings the London County Council, Southwark metropolitan borough and the City to unite for once in a vehement chorus of protest. There are two objections to the power station from the point of view of planning. The first and more bruited is that its tall chimney or chimneys—it is not settled whether there will be one or more—will spoil the splendid dominance of St. Paul's over the surrounding City and river. This argument is overdone. There will be little impediment to the view of St. Paul's from most angles, and it is not clear that a well-designed power station need spoil the effect half as much as do some of the minor existing buildings in the neighbourhood.

The more serious argument is that the bold and fine scheme to rebuild the whole south bank from Westminster Bridge to London Bridge will be spoiled. This scheme envisages the removal of industry and obsolete housing, their replacement by offices, flats, shops, and cultural buildings, the creation of a riverside walk and gardens, and the opening up of Southwark Cathedral. The erection of the power station would cut the full scheme short at Blackfriars Bridge or earlier. It would remain an important and ambitious scheme of redevelopment—many would say as ambitious as this generation can afford. But the essence of town planning should be to look several generations ahead and, viewed in this light, there can be no doubt that the abandonment of the opportunity to build a wholly new and harmonious south bank is a disaster. After all, this is the best site for a demonstration of planning that the nation possesses.

To the long-term needs of good planning, the Government has preferred the advantage of the one or two years' speed in obtaining electricity which is expected to result from selecting this site in preference to the alternative site suggested by the LCC at Rotherhithe. The need for the quickest possible increase of generating capacity is undeniable, even although the gain in both time and volume to London's electricity supplies appears to be modest. The Government is certainly risking its posthumous reputation by seizing on the urgency of the short view.

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War Damage to Defective Property

It had been generally hoped that the decision of the Court of Appeal in the case reported under the name *in re 36, 38, 40 and 42 Jamaica St., Stepney* would have cleared up definitely an important point in connection with war damage to buildings not in the best state of repair. However, the court has on this occasion refrained from, or been unable to lay down, any principle of general application. The facts of this case were that the front walls of these particular houses were damaged by bomb blast. The houses were old and the walls were in bad condition. The defects were so accentuated by the blast effect that the walls had to be rebuilt. The view of the War Damage Commission was that, as the walls were defective before the bomb fell, the Commission was liable only to pay a proportion of the cost of rebuilding. The courts, both the court of first instance and the Court of Appeal, decided against that contention. The decision of the Court of Appeal was based on the fact that the evidence in this case did not show that the pre-existing defects in the walls had made them unsound. Since there was no finding of fact that the walls would have fallen down within a measurable period of time, there was no reason why the Commission should escape their statutory liability to pay the whole cost of the rebuilding. In conclusion, the court expressly left open the question of whether, in a case in which the facts showed that a building was defective enough to have a limited life, the owners of such a building could only recover from the Commission a proportion of the cost of building a new and, of course, sound structure.

The general facts in this case must be frequent enough. Many buildings known to be defective suffered bomb damage. The Commission, who are by now relying upon public money for all the payments they make, are certainly entitled to argue that it is not for them to give the owner of a defective building a new one in replacement just because he was lucky enough to have his building damaged by enemy action. But they have not obtained from this decision a solid argument which they can use in these classes of case. The question of whether they can settle their liability by paying only a proportion of the full cost is as open as it was before *Jamaica Street, Stepney*, appeared in the law reports.

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The Viceroy's Perplexities

On April 28th two significant events took place in India; the Viceroy flew to Peshawar to study on the spot the critical situation in the North-west Frontier Province, and the Constituent

Assembly renewed its constitution-making in New Delhi without participation either of the Moslem League or of the majority of the Princes. The Assembly was concerned with large issues of fundamental law, such as the abolition of untouchability, which was bravely decreed; the Viceroy's business was with the particular, concrete danger which has arisen as a result of prolonged rioting just inside India's most vulnerable frontier. The Frontier has its own special local politics, but these are of significance for the whole of India, both because of the area's key importance for India's external security and because the province has the highest percentage of Moslems of any in India, which makes it decisive for the cause of Pakistan.

The Frontier Provincial Government headed by Dr Khan Sahib dates from a time before the Pakistan issue became acute and is based on a bargain of a provincial group with the All-India Congress Party. The Moslem League demands that it be replaced by a League Ministry and claims that new elections would disclose a large majority for the League. As a further complication, the Afridi and Shinwari tribesmen who surround the Khyber pass have told the Viceroy that if there is no Hindu-Moslem agreement in India, they will negotiate treaties with Afghanistan in place of their present agreements with Britain.

Lord Ismay, who is fully informed of the Viceroy's views on the situation, is returning this week-end to report to the Cabinet in London, so that the Viceroy may receive fresh guidance in his arduous task. He is believed to have come to the conclusion that Pakistan in some form is inevitable, and Congress has now indirectly recognised this by advocating partitions of the Punjab and Bengal. Unfortunately the boundaries of the new States are liable to prove no less controversial than their existence. Britain is cast once again for the role of mediator. Meanwhile, the position with regard to British civil servants and Army officers in India has been clarified by a Government statement which has recognised (with concurrence of the present Government of India) the principle of compensation for loss of career and prospects. Those who continue to serve in India after the transfer of power will be entitled to retire with compensation at any time, and it is hoped that this guarantee will induce a number of them to remain during the transition period.

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The Japanese Elections

On April 25th the Japanese nation went to the polls for a second time to elect a House of Representatives under Allied supervision. The first time was a year ago when Japan was called on to elect a House whose primary function was to adopt a new Constitution. This year's elections have been held under the new Constitution, but with the same principal parties, except that the most conservative party, the Progressives, have renamed themselves Democrats. The comparative figures are as follows:

	1946	1947
Liberals	143	133
Progressives (Democrats)	94	126
Social Democrats	92	143
Communists	5	4
Others	132	60

These figures show two main changes: first, an increase in the total strength of the three main parties relative to smaller parties and independents, and second, a swing of the electorate towards the Left Centre resulting in the emergence of the Social Democrats as the strongest single party.

On April 27th were held the first elections to the House of Councillors which replaces the old House of Peers in the new Constitution. The results were: Social Democrats, 46; Liberals, 41; Democrats, 33; Communists, 4; Others, 126. The proportion of independents was much higher than in the Lower House results, and as most of these were of conservative colour, the Upper House is more to the Right than the Lower.

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The trend to the Left in Japanese politics has not been a matter for surprise in view of the growing unpopularity of the Yoshida Government and its inadequacy in controlling prices and ensuring the distribution of necessities to the people in the towns. Recent straw ballots conducted by newspapers indicated that the Social Democrats had been winning wide middle-class support in addition to their working-class backing. As believers in planning and controls, they are expected to tackle economic problems with more energy than the Liberal-Progressive coalition, if they can form a Government or take over key economic portfolios, though it seems that they cannot command enough parliamentary votes to carry through their big nationalisation projects.

The failure of the Communists to increase their representation has caused great satisfaction to General MacArthur and he expressed it in a post-election statement. He claimed with justice that the elections had been free and that there had been no interference with the Communists' candidatures or electoral campaign. There can be little doubt, however, that the Communists suffered indirectly from American disfavour. "Please Mac from whom all blessings flow!" is the guiding thought of the Japanese man in the street in this time of want, and how could Japan please Mac by electing a bunch of Reds who are known to give him a pain in the neck? If Japan had as much to hope and fear from Russia as from America, the number of Communists returned would probably have been larger.

Czechs and the Rule of Law

The welcome visit of a Czechoslovak Parliamentary delegation to London coincides with a step towards return to a normal legal system in their country. On May 4th, the so-called Peoples' Courts in Czechoslovakia cease to function, and all cases which have not been tried by that date will go before the ordinary courts. The tribunals now to be dissolved were set up under the Redistribution Decree after the liberation, to try cases of treason and collaboration. Each was presided over by a professional jurist, with two assistants; but the jury was composed of men with good resistance records who would hardly claim to take an objective view of collaborators. It is evidence of the Czechs' determination to maintain in their legal system a capacity for objective judgment above political passions that their Parliament last year succeeded in passing the law winding up the Peoples' Courts.

This is not the first victory which has been won for legality. Last summer the Communists organised a campaign to upset the verdicts passed against Hacha, the head of the "Protectorate," and his associates. Typically well-organised demonstrations expressed their rage that the old man who, after Munich, succumbed to Hitler's brutal threats, had not been condemned to death. Nevertheless, the verdicts stood. Again, after the recent judgment on the Beran Government, the Communist organ *Rudo Pravo* declared that General Sirovy (who led the famous Czech Legion home from Russia after the first World War) was "the most revolting coward among the Czechs," and that "the National Court sentence was a deep disappointment. It offended the people's sense of national morale and justice, and thus followed the inglorious earlier chapters in our national purge."

The end of the Peoples' Courts does not mean the end of the struggle for the rule of law in Czechoslovakia. The efforts of the Communists to be more revolutionary than the institutions established by the Revolution will go on; and every day brings incidents in which some local official, misled by constantly hearing himself referred to as "the People," overrides the law. A few weeks ago a crisis arose in the National Front Government over strikes organised as protests against the return of requisitioned factories to owners pronounced innocent of being collaborators or Germans. As the owners in these cases are usually Jewish refugees, the agitation against the return of their property has tended to appear anti-Semitic; here, as elsewhere, the Communists are more concerned with gaining support from the working class than with opposing anti-Semitism. The case which posed the legal issue most plainly was that of a factory at Varnsdorf, owned by an elderly Jew whom the Nazis had driven to Britain. His property had been placed under national administration and his former chauffeur, a Communist, installed as trustee. A court pronounced the refugee Jew the rightful owner, but the workers struck against the return of his factory. A small wave of similar strikes broke out. The matter was finally taken up by the National Front and the Trade Union organisation; a compromise decision was reached which condemned the strikes but shelved the question of returning properties.

In Czechoslovakia it can be seen more clearly than elsewhere that the crucial issue between Communists and their opponents is not nationalisation of industry, but impartial justice and liberty for the individual. The country's position between East and West makes the outcome of this struggle of great concern to the rest of Europe.

The Future of the WVS

An answer given by the Home Secretary to a question in the Commons last week has put an end to the uncertainty over the future of the Women's Voluntary Services that had existed since the war finished. Then the organisation had been requested to remain in being for another two years, with no certainty that any official use would be found for it at the end

of that period. The Home Secretary stated last week, and few will disagree with him, that there is

general agreement as to the desirability of keeping alive the spirit and efficiency of a Service which has proved so successful in mobilising voluntary help for numerous forms of public work. The Home Office will continue to provide office accommodation and office expenses for the organisation. For the rest, the organisation will find, as successfully as before, it is to be hoped, the voluntary labour, skill and enthusiasm that has marked its whole existence since 1938. Its paid permanent staff throughout the whole country number no more than some 125. Its membership, and membership implies active and continuous, if part-time, work, is now in the neighbourhood of three-quarters of a million women. In many ways the WVS is an epitome of all that is best in public life in Britain. It has contrived to be non-political. It has avoided attracting the disapproval of even the most doctrinaire trade unionist. It is flexible and unobtrusive. It has adapted its organisation and its methods of work to the existing framework of local government. It has been remarkably successful in preventing the rigidity of the social structure of the country from hampering its activities. It has found its own way of attracting the hard work of women of all classes by giving them the conviction that what they are doing is important and worth while. And what it has given them to do has been worth while.

Wait Until 1950

Last week's debate on British civil aircraft was muddled and somewhat inconclusive. One important statement of policy emerged, however, when it was announced that the Government had decided not to proceed with the purchase of more American aircraft for use on the main Empire routes, but to operate them with British interim types and bear the initial disadvantage in competition with American types rather than inflict upon the British aircraft industry a blow to its prestige and development which it is considered the purchase of further American aircraft would involve. Also several interesting items of information were given. In the year ending March 31, 1947, for example, the British aircraft industry produced 738 civil aircraft, of which 49 were four-engined air-liners, 8 four-engined flying boats, 68 twin-engined medium air-liners and 46 twin-engined "feeder" types.

The prestige argument for buying no more American aircraft is a weak one. The Minister of Supply himself drew attention to the difficulties of a quick conversion from the production of military to civil aircraft. It is well known—and was emphasised in the debate—that it will be at least three or four years before satisfactory long-range British aircraft are available in adequate numbers. And an extension of the arguments used to support the earlier purchase of Constellations would cover any purchases of American types deemed necessary—that they are the best at present available for the work.

More cogent was the point that the purchase of further American aircraft would discourage the British aircraft industry from producing interim types and deny it several years' valuable constructional and operational experience. This handicap, added to the wartime loss of experience in building big civil aircraft, would be very serious, particularly since the size, speed, pressurisation and other requirements of aircraft appearing five years hence would, in any case demand the widest possible experience. That the British industry has the best jet-engines in the world and is shortly to put into production the first of several promising propeller-turbine engines is not enough. It must have the experience in building air-frames worthy of such engines. By the indirect subsidy represented in the decision to buy no more American aircraft British manufacturers are encouraged to gain it.

Into these things also comes the difficulty of the dollar position. Last year aircraft worth nearly \$6 million were bought from America and another \$12 million worth are on order. The purchase of sufficient aircraft to meet the demands of the Empire routes would cost a lot of dollars. The operating costs for each aircraft would be less than for the interim British types, since they would be more efficient. Figures given in the debate estimated the operating costs of present British long-range types at from 60 to 234 per cent greater than those of an ideal aircraft. But in the face of a desperate shortage of dollars the acceptance of a considerable deficit (largely in sterling) in the operation of long-range air services rather than the use of more dollars in buying more efficient types than those now flown is necessary, however unfortunate. It is necessary to have Constellations on the North Atlantic route in order to get a fair share of the dollar traffic; elsewhere British civil aviation—and its passengers—will have to exercise patience.

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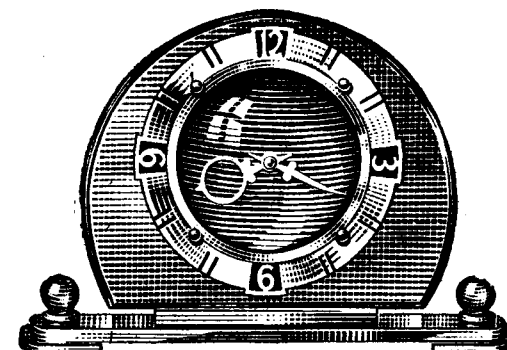
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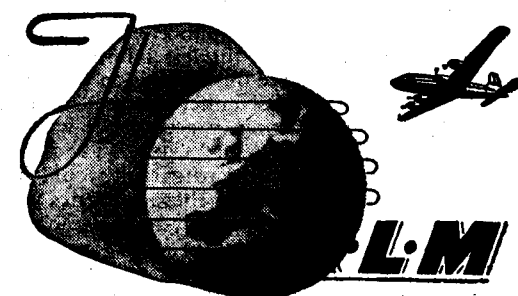
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Letters to the Editor

Propaganda Platform

SIR,—Your editorial comment in *The Economist* of April 19th on the Report of the Scarborough Commission contains some animadversions on the action of the School of Slavonic Studies in affording hospitality to the Polish Government's Exhibition on Poland's Western Territories: indeed the School is referred to in your editorial as having been used as "a platform for a piece of highly fraudulent political propaganda." As the person responsible for granting the use of a room to the Polish Government and as the opener of the Exhibition, I feel sure you will permit me to answer what seems to me to be a most misleading statement, and one which calls in question the academic integrity of the School of Slavonic Studies. I am not, of course, here concerned with your strictures on the educational efforts of the Polish Government, though their language might have been less ungracious without loss of force.

In my opening speech I described the Exhibition as "a selection of facts, historic and economic, designed by means of maps, excerpts from documents, the opinions of certain experts, and graphs, to show the aims and the achievements of the new Polish Government" in the Western Territories. I also emphasised that the question of Poland's frontiers on the West was a matter now *sub judice*, upon which it would not be proper at this time to express any opinion. I pointed out that we, at the School of Slavonic and East European Studies, are a body of *students*, whose business it is to study the new Poland—as indeed all the Slavonic countries—and to try sympathetically to understand its ideas, not as politicians but as students.

The School of Slavonic Studies must, by its very nature, seek always to cultivate the friendliest and the most real contacts with all Slavonic governments. Only thus can it fulfil its academic mission and maintain high standards of culture of the living languages it studies. Provided that it is always made clear that we are not in any way committed to a political doctrine by close relations with the lands of the renaissance Slavonic world, such hospitality as was afforded to the Polish Government's Exhibition seems to me entirely proper, though clearly it risks the kind of misunderstanding shown in your editorial.

Though neither an economist nor a politician, I satisfied my own conscience, before consenting to the Exhibition, that it was not mere "political propaganda," though it was clearly an effort to prove a highly controversial thesis. I also was convinced that it was an appeal only to an educated public with some technical knowledge, and no mere aiming at the less informed masses. In enabling the educated public to see this Exhibition while in no way implying that the Slavonic School either accepted or denied its main thesis, I think we were acting in accordance with the high academic purposes for which the School exists. The policy advocated by implication in your editorial paragraph would inevitably lead to the isolation of the School from those countries which it is its special aim to study—indeed ultimately to the teaching of the living Slavonic languages and cultures as if they were dead.

I would add that I write this letter entirely on my own responsibility, and not necessarily to commit the School to my opinions.

Yours faithfully,

C. L. WRENN, *Chairman of the Council.*

School of Slavonic and East European Studies, W.C.1

[Although the administrators of the School of Slavonic Studies may be sincerely convinced that they are "not in any way committed to a political doctrine" by sponsoring exhibitions of this kind, the emphasis on the School's need always to cultivate close relations with Slavonic governments means that it can in practice only give such publicity to official versions of controversial issues, for which the governments concerned are well able to provide in premises owned or hired by them without involving a British academic institution. It must also be pointed out that the School does not afford similar facilities to Slav points of view in opposition to the existing governments, as the mere study of contemporary affairs, without the overriding consideration of relations with governments, would require.—EDITOR.]

The Tobacco Duty

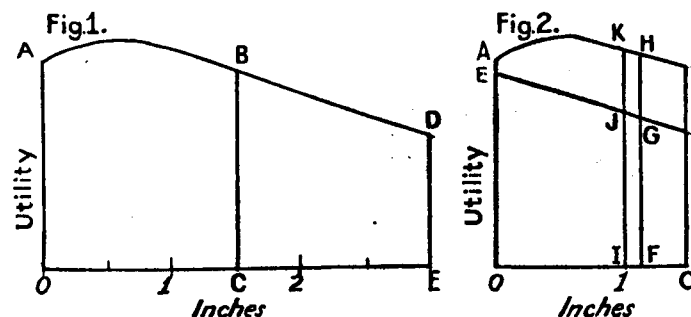
SIR,—I wonder if any of your readers would be interested in a Marshallian approach to the problem of cutting down consumption of cigarettes?

It is true in my experience, and, I believe, in that of other people, that the law of diminishing marginal utility begins to operate at a fairly early stage in the smoking of a cigarette. We can draw a schedule of the marginal utility of successive lengths

of cigarette smoked (Fig. 1). A cigarette is assumed to be 3 inches long.

Now it would appear that if we cut each cigarette in two and smoke the two halves separately, there is a net gain in utility equivalent to OABC—CBDE (Fig. 1) or to the area ABDE (Fig. 2) (in which CBDE from Fig. 1 has been superimposed on OABC).

But this assumes that all of the whole cigarette and all of the two halves are smoked. If the length of the stub is CF, we must subtract CDGF from the total utility of the whole cigarette and twice CBHF from the total utility of the two halves.



The net gain from smoking our cigarette in two halves is thus equal to:

$ABDE - (2 \text{ CBHF} - CDGF) = AEGH - CBHF$, and will, of course, be positive if AEGH is greater than CBHF.

The shorter the stub, the greater AEGH, the smaller CBHF, and the greater the net gain. If this new method is adopted, therefore, we can expect that cigarettes and pins will become commodities in joint demand.

A word on cork-tipped cigarettes. The length of the tip is normally longer than the minimum length of stub for an ordinary cigarette, particularly if the pin-impaling method is adopted.

Let the length of the cork tip be CI. The net gain from bisecting our cigarette is now:

$ABDE - CBHF - (CBKI - CDJI) = AEGH - CBHF - GHKI$.

Cork-tipped smokers are therefore less strongly recommended to try the new method than others (unless, of course, they remove the cork-paper).—Yours faithfully, H. A. JOHN GREEN

44 Carlyle Road, Edgbaston, Birmingham, 16

The Capital Budget

SIR,—The article on "The Capital Budget" in your issue of April 26, 1947, is extremely interesting. However, whilst I do not quarrel with its general conclusions, there appear to be some flaws in the analysis, partly arising from defects in the treatment of depreciation in the Economic Survey and the National Income White Papers. The first flaw, which is not excusable on this score, is in the statement that, "If the figure of £600 million for depreciation is considerably out, however, it would mean that the gross capital formation would be correspondingly out too." This is untrue, because whilst net capital formation is a balancing figure in the National Income White Paper, it is the difference between national income and certain other elements of the tables, national income being stated after deduction of these assumed figures of depreciation. In other words, if depreciation is understated by £100 million, national income is correspondingly overstated, and net capital formation is hence over-stated by this amount. The figure of gross capital formation, £1,314 million for 1946, is not therefore affected by any error in the assessment of depreciation.

My second point is that since the depreciation figures are based largely on income-tax allowances for wear and tear, they are calculated on the original cost of equipment, and are quite inadequate to meet the greatly increased present-day replacement cost. The rise in prices has been so substantial that it seems to me that the gross expenditure of £1,314 million is not very much more than the amount required to meet the wastage of old equipment measured, as for this purpose it should be measured, at current prices. The authors of the White Paper on National Income and Expenditure are unquestionably aware of this factor, and would probably regard it as a defect in their figures, a defect which, owing to lack of data, it is difficult to remedy. But the Economic Survey was seriously at fault in leaving unqualified the

figures of the proportion of the national income devoted to asset formation—the net addition appearing as rising from 6½ per cent to 13 per cent from 1938 to 1947. The inference that net additions are to double is so far from the truth as to be dangerous.

Your article refers to the remark in the National Income White Paper that depreciation allowances have increased because of the introduction of special initial allowances for tax purposes on new plant. Whilst net assessable profits have certainly been reduced by these additional allowances, it is not true that industrial depreciation provisions have been increased. There may be a few cases in which the taxation treatment is permitted to influence business accounts, but, in general these additional allowances are regarded as deferrals of tax liability for the encouragement of capital outlay; they do not influence accounting profit as distinct from taxable profit. The assumption appears to have been made that the Income Tax Act, 1945, will reduce business profits; but the measurement and the true amount of these are not affected quite so directly as this by an Act of Parliament, although net profit after tax is naturally influenced—in an upward, not a downward, direction.

I will not attempt to trace the effect of the foregoing points on the argument of your article. Obviously, the corrections required are in the adverse direction—so much so that I hope there is a large error in the official estimate of gross capital formation for 1946 and 1947. But it is not an adjustment of the depreciation allowances which could be responsible for any such error.—Yours faithfully, HARRY NORRIS

26, North Circular Road, N. 13

[Mr Norris may be right in the conclusion of his first paragraph, but our reading of the treatment of depreciation in the National Income White Paper is supported by the Notes to table 18. As for the effect of the Income Tax Act, 1945, on business profits, it is of interest to note that part of the increase in the net income of Imperial Chemical Industries in 1946 is attributed by the chairman to this cause.—EDITOR.]

The New Statesman

SIR,—In your article, "The New Statesman," in *The Economist* of April 19th, you stated that Russia refused to attend the United Nations Sub-Committee on Devastated Areas. Being a member of the Polish Delegation to that conference, I had the opportunity to note the presence of representatives of Russia and the Ukrainian S.S.R., who took part in the deliberations of that conference.

I also wish to mention that while you were quick to observe the Russian refusal to co-operate in the allocation of European coal supplies (Russia is not a member of the European Coal Organisation), it would be only just to state that she is taking a very active part in the European Central Inland Transport Organisation, an equally important body in the field of European transport.

I hope you will agree with me that these facts should have been mentioned in an objective analysis of the Russian attitude at the lower level of international co-operation.—Yours faithfully, STEFAN ROLAND

Polish Embassy, 47, Portland Place, W.1

[The correction is accepted. It was the Emergency Economic Committee for Europe that the Russians refused to join. Their delegates attended the meetings of the Devastated Area Sub-Committee—but without instructions. On September 25th Mr Feokov, the Soviet delegate, attacked its report and demanded a complete re-draft, arguing among other things that "Europe does not constitute a single economic unit."—EDITOR.]

The Cost of Fire Services

SIR,—The Fire Service Bill received its second reading on March 26th. The explanatory memorandum attached to it states that whereas the total expenditure by local authorities on fire services in the year 1939-40 was approximately £3,000,000, the annual expenditure when the new Act operates will be no less than £13,750,000.

It is typical of the times we live in, when politicians talk casually about expenditure running into hundreds of millions, that very little light was thrown during the debate on the second reading on the justification for increasing the cost of fire services by 375 per cent above the pre-war level, and I suggest that this matter deserves closer scrutiny than it has so far received.

It is true, as the Home Secretary pointed out, that a Fire Brigades Act was passed in 1938 (but never came into operation owing to the war) which would have increased the annual cost very slightly above the basic figure of £3,000,000. The explanatory memorandum attached to the 1938 Bill stated that it would involve little, if any, additional cost in London and other large towns where, generally speaking, efficient fire services were already provided, but that in certain other areas additional services were

required, the cost of which was not likely as a rule to exceed a penny rate locally.

The present Bill provides for the transfer to county councils and county boroughs of the existing National Fire Service, which they are to operate under Home Office control. The NFS was a purely wartime organisation, planned to deal with the enormous dangers of incendiary air raids. While NFS personnel has been considerably reduced since the war ended, it seems obvious that the new fire services now proposed must be much more costly than the services contemplated under the Act of 1938. During the committee stage Mr Shurmer, the member for Birmingham (Sparkbrook) stated that Birmingham before the war had a first-class fire brigade which cost them a 5½d. rate and that the estimated cost to Birmingham of the new Bill will involve a rate of 18. 1d.

I suggest that it is not too late to amend the present Bill in Committee so as to bring the total expenditure down to a level similar to that envisaged by the 1938 Act, namely, a little more than £3,000,000 plus the necessary additions for increased rates of wages and other costs which have occurred in the meantime.—Yours faithfully, R. C. HAZELL

52 Long Acre, W.C.2

The Profits Tax

SIR,—By section 21 of the Finance Act, 1922, certain small companies are subjected to surtax (there called super-tax) if they do not distribute a "reasonable" amount of their profits in dividend. Larger companies are not liable to surtax in this way, but the statutory stigma of unreasonableness must apply to all alike. Now the pendulum has swung the other way, and successive Chancellors have encouraged the retention of profits in businesses, but hitherto the high rate of Excess Profits Tax has made it superfluous to penalise the so-called "frittering away" of profits in dividends. But the blow has now fallen, and the directors of small companies must choose between Scylla—the tax on distributed profits—or Charybdis—surtax on profits unreasonably retained. Is the Chancellor to have it both ways? Or must the Commissioners of Inland Revenue adopt a new criterion of unreasonableness in assessing the surtax payable by small companies? If the latter is the answer, the Chancellor may lose in surtax a substantial part of what he hopes to gain by the tax on distributed profits.—Yours faithfully, JOHN MONROE

13 Old Square, Lincoln's Inn, W.C.2

From *The Economist* of 1847

May 1, 1847

Without the abolition of all preference by the State, the voluntary system [in education] . . . neither has had, nor can have, a fair trial. Such, however, is not the opinion of our opponents. They build their new system on the alleged insufficiency of the voluntary system, declare that it has done comparatively nothing in the past, and cannot be relied on for the future. When objections, however, are raised to their system, then we learn from Lord John Russell, that it "only comes in aid of the voluntary system" . . . In principle, the public money is only to be granted, when private subscriptions are previously advanced. Thus we have both parties—vehement in condemnation of the voluntary system, vehement in deploring the present evils of ignorance—deliberately proposing . . . Minutes of Council and grants of money which are wholly based on the voluntary system . . . They condemn the voluntary system, and yet adopt it. They decry it, and yet have no hope but in it . . . On such an all-important subject, did ever the groping little minds of red-tapist men of detail fall into more glaring and lamentable inconsistencies?

Reader, the folly and the contradictions are but half exposed. The voluntary system, . . . has carried the light of knowledge and the Book of Revelation to the miners of Cornwall and the colliers of Durham. John Wesley, and his associates and followers, . . . visited the dark underground workshops and dwelling-places of the children of damp and dirty toil, and effected in their manners and morals a great reform. What, however, must be done to get aid for the voluntary system from the Privy Council? Money must first be subscribed by the rich. The consequence will be, as Sir W. James . . . remarked, "an unhappy colliery village, such as were scattered over the county of Durham, which had not the courage or the means to raise subscriptions," and then would want it most, would get none of the public money. "No grant could be made to such a village, because no voluntary subscriptions had been raised."

Books and Publications

Crustacean or Vertebrate Planning?

"Central Planning and Control in War and Peace." By Sir Oliver Franks, KCB. The London School of Economics and Political Science. Longmans. 61 pages. 2s. 6d.

THE three lectures delivered by Sir Oliver Franks at the London School of Economics last February are a model of what such things should be. They are clear without over-simplification, stimulating without meretriciousness, and based on first-hand experience; and they preserve throughout a nice balance between theoretical speculation and observed fact. The mainspring of his argument is the belief, based on the international trade situation, that "no Government in the United Kingdom in the foreseeable future will dare to do without some measure of central planning and control." This implies no preference for the planned economy as such; "the inevitability of a minimum, not the desirability of a maximum," is Sir Oliver's neatly stated thesis. Accepted publicly as ground common to all parties, it would considerably clarify the political air.

There must be programmes, then, of import and export activity; and programmes imply not merely targets and aspirations, however intellectually impeccable, but the will to carry them out and the technique of communicating that will to others. The problem of constructing and implementing programmes had to be solved, and was solved, during the war, but although wartime experience yielded valuable lessons, it cannot be applied wholesale to peace. For in war, national purpose is single, simple and universally understood and agreed; in peace it is multiple, fluid and controversial. Moreover, the characteristics of peacetime purpose, economically revealed as demand, make more objectionable the notorious diseases of very large organisations—woolliness, inertia and rigidity. (Sir Oliver is particularly good on these occupational hazards of the bureaucrat.) The citizens of this country might patiently endure the economic effects of these qualities; but one cannot expect Britain's foreign customers to do so. Intense centralisation using dictatorial methods can only be justified by the sudden and acute scarcities of wartime. Something better must be found to meet the needs of peace; a relationship, between Government and industry or commerce, wherein a firm "agreement to agree" underlies all controversy; where plans are evolved by a dialectical give and take, not by dictatorial steam-rolling; where there grows up a "sense of the meeting" which dissentients accept on principle; in a word, a democratic relationship, a method of agreement rather than compulsion.

For this relationship to grow up, several prior conditions are needed. The central purpose, the comprehensive general picture within which the minimum, centrally controlled export-and-import programme makes sense, must be crystallised out by the Government. They must use expert evidence, but they cannot shuffle off responsibility on to experts. Their policy must be positive and coherent; and it must be put across as a practical proposition, not as pie in the sky. To be intelligent and effective in its public relations is in fact not merely a Government's electioneering wisdom, but an essential part of the duties of office. Finally, the Government must, in the practical carrying out of its programme, aim at a wide diffusion of initiative; its central decisions should be as few and as general as possible, its responsibilities must be known and limited, and outside their range individual initiative should have full scope. The organisation should, in fact, "resemble the structure of the vertebrates rather than the crustaceans," having a firm and closely articulated skeleton for unity and strength, and a flexible and sensitive exterior for adaptability and range, rather than a squashy inside and an unadaptable and insensitive carapace.

A good many changes are needed; charges of heart and changes of organisation. Sir Oliver's third lecture is largely concerned with these. They make a discouraging list, less because of any inherent impracticability than because of the extreme unlikelihood of their coming about. It is not impossible that something might be done on the lines of his suggested advisory joint committees to help the harassed senior of the Civil Service, or in the reform and galvanising of the trade associations with which the Civil Service deals. But can one imagine the present Government, or any Tory alternative, acting on the assumption that it is better to be a vertebrate than a lobster? Lobsterdom is the very essence of the Labour mind; possibly a better emblem for the Tories would be the lowly hermit crab, bumping along the bottom in someone else's discarded shell. The crustacean structure symbolises admirably the precise negative to all Sir Oliver's desiderata;

the controls without planning, the irrational aggressiveness matched by irrational timidity, the inconsistency and intolerance. If the country is to be saved, the social counterpart to the millennial processes of revolution will have to be considerably speeded up.

How the Stock Exchange Works

"The Stock Exchange." By Harold Wincott. Sampson Low. 164 pages. 4s. 6d.

THIS is a modest little book which tackles a difficult task and succeeds. There are a number of well-known standard text-books on the history and organisation of the Stock Exchange, and there is also a growing literature on the principles of investment. But hitherto there has been nothing—certainly not within the compass of a small book such as this—which sets out to explain not merely how the Stock Exchange works, but also why a Stock Exchange is needed in a modern Western community, even a modern Socialist community. This is a book, then, which looks at the Stock Exchange as a British institution, attempts to provide a technical survey of the Stock Exchange which can be readily understood by the intelligent layman, and also gives an account of the part which the Stock Exchange has to play in marrying the ideas of "investment" in the narrow sense of that word in Throgmorton Street with the wider concept of investment which the economist now applies as a matter of course in his analysis.

Mr Wincott is a financial editor who has a high regard for the Stock Exchange at its best, but is capable of pointed criticism of certain of its shortcomings. In his earlier chapters on the history, functions and machinery of the Stock Exchange, he does not attempt to break into new ground, though he handles these aspects of the story with a refreshing lightness of touch. It is in the last two chapters, on the critics of the Stock Exchange and the future of the "House," that Mr Wincott has to offer a valuable 40 pages to his lay readers and also to many people who have an intimate knowledge of the Stock Exchange. He is anxious that the critics should criticise the right things. He is concerned to show how far the Stock Exchange authorities have moved in the last two decades in their conceptions of public duty, improvement of Stock Exchange practice and protection for the investor. He disposes—let us hope for ever—of the ideas that the Stock Exchange is an instrument for "fixing" prices and that its dealing arrangements result in the basic industries being starved of capital while the luxury trades get all that they want. But Mr Wincott's case is that the Stock Exchange, as at present constituted, is uneconomic; that much of its work could be centralised and mechanised; and that the cost of investment could be reduced appreciably without impairing the close personal relationship between broker and client. He also argues that the gradual emergence of the Stock Exchange as a national institution should be accompanied by professional training for its members. On these points there are some shrewd comments which may not be altogether to the liking of some of its members or even of some of the gentlemen on the Council. Mr Wincott has not written with the object of solving investment problems, but he has produced a book which investors, large and small, will read with interest, instruction and profit.

Shorter Notices

"Le Contrôle des Changes." Tome I. Rapport Générale par A. Piatier. International Institute for Intellectual Co-operation. Paris. 198 pages.

THIS report was drawn up for consideration by the eleventh session of the Permanent Conference for International Studies, at Bergen, in August 1939. It went to press last year, without revision apart from the addition of a few footnotes, but having lost virtually none of its appositeness. A theoretical discussion of the exchanges and of the balance of payments is followed by a general survey of possible types of exchange control, whether acting directly on exchange rates or indirectly through control of imports and exports, a more detailed examination of the measures taken by different nations, and a summing up of the prospects for a return to economic liberalism, which are unhelpful.

"The Bankers' Almanac and Year Book for 1946-47," Thomas Skinner and Co. 2051 pages, 70s.

THE latest edition of the Bankers' Almanac provides, as usual, up-to-date information on the banks of the world and other valuable material on currency and related topics.

AMERICAN SURVEY

The States and Labour

(From a Correspondent in Iowa)

"I THINK this demonstration has been a great success," the leader of the Congress of Industrial Organisations told the Press after thousands of union members from his own federation and from the rival American Federation of Labour met on the steps of the Capitol to protest against a Bill sharply regulating labour unions. But the demonstration had not been a success. The special trains and buses and workers' automobiles had poured in from 200 miles around in vain; heckling the Chief Executive had been in vain; packing the House galleries all day had been in vain. The next day the House of Representatives passed the Bill in even sharper form than the Senate had, and the Senate concurred in the revisions the day after that. The Iowa Senate and House, these were.

The Federal Congress in Washington has been agonising at great length over labour legislation and the prospects of another Presidential veto. The House passed the Hartley Bill, the Senate is working on an alternative. During all this, one State legislature after another has been passing its own restrictive labour laws. Forty-four of the forty-eight State legislatures meet in 1947; more than half have completed their work and gone home. Altogether 16 States have passed some kind of legislation directed against labour unions this year.

At least ten States have passed laws this term making it illegal to deny employment to anyone because he belongs or does not belong to a labour union—laws which overturn many established customs, many existing contracts, reopen many old sores. The federal Hartley Bill bans only the "closed shop," "maintenance of union membership," and compulsory deduction of union dues from pay by the employer. Fourteen States now have such laws. Several are constitutional amendments, approved by popular vote. Another State passed a law prohibiting secondary boycotts by labour unions—as when union lorry drivers will not make deliveries at a place of business where there is a labour dispute, or working men in a processing plant will not work on materials from a non-union producer. Two States passed laws regulating labour disputes in public utility industries, and New York has prohibited strikes by public employees. Three States passed laws restricting picketing in labour disputes, in order to prevent picketing developing into great human walls around a closed plant, and to define intimidation by pickets more specifically than does the law of assault. A great many other restrictive labour bills have been introduced into State legislatures, including each of the items in the omnibus federal Hartley Bill. Some legislatures are still sitting.

Except for New York, none of the 16 which has acted this year is a seaboard industrial State; only Indiana and Ohio out of the 16 are of the industrial Midwest. The South and the inland Trans-Mississippi West are the homes of this new wave of anti-unionism—the same largely rural States whose representatives in the Federal Congress favour restrictive labour laws there. Their home States do not have to reckon with a President who must hold the votes of industrial areas to win elections. Their Governors are subject to the same influences that they are themselves.

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

The strength of labour unions in the United States resembles somewhat the strength of the Japanese armies in China during the war. The big cities and industrial areas they often control; the suburbs dislike them but tolerate them; the small towns and open countryside rarely see them, and dislike intensely what they do see; the scattered medium-sized cities are unionised islands in a hostile sea.

Farmers were furious when strikes made the shortage of farm machinery worse during and after the war. Farmers are chronically furious when strong transport unions in market towns force them to hire unneeded drivers, or pay "initiation fees" to bring their produce to town. Rural and small town people who worked on big wartime construction jobs or in the big war factories were indignant when they had to pay union fees and submit to union discipline. It is such a struggle to keep a union going in this climate of hostile employers and unclass-conscious workers that unions all too often fall into the hands of either leftist zealots (chiefly Communists) or selfish racketeers. No one else wants to bother, and these eager beavers alienate good union members as well as outsiders. New rural recruits to unionism may support the strongest, most militant union for a while, accept retroactive pay rises it bludgeons out of employers—and then denounce unions in their next job or next election. Ordinary monopolistic union practices born out of fear of unemployment often strike them as outright swindles. "Selling the right to work," they cry out at straight union dues as well as the more exorbitant initiation fees and temporary work permits some unions exact. These feelings existed even before the coal strikes, the railroad strike, the telephone strike.

Before 1932 the field of labour legislation was almost exclusively a State matter. In 1947 the States are trying to reclaim their own. Federal labour legislation since 1933 has been limited to labour regarded as affecting interstate commerce, but since the late '30s Supreme Court decisions have vastly enlarged that rubric. Doubt remains whether the States still have the right to legislate for workers employed in interstate commerce now that Congress has done so. But sponsors of the "right-to-work" laws claim they do, and State Attorneys-General and assistants from 15 States petitioned Congress to say so in so many words. Several lawsuits to test the constitutionality of State "right-to-work" laws are before the Courts now.

Whatever happens to federal legislation, one-third of the 48 States have determined to control their own labour problems, and until their laws are repealed or declared unconstitutional, they can put them into effect locally.

Mr Dewey, Governor of New York, appealed for the labour vote in the 1944 Presidential election on the ground that the worst working conditions, the worst labour laws, the worst anti-labour politicians were in the Democratic South. Republican States had passed the advanced labour codes, Republican States had the successful union movements. That was true—but about all it means is that the industrial North-east has been Republican most of the time—Republican not so much because of working men's votes (though they were important at times and always had to be courted) as because of the steadfast Republicanism of the employers, black-coated workers, rural and small-town people. Out where Republicans could win on their votes alone, the Republican party is a willing ally of the anti-union forces of the rural and small-town South.

The system of representation favours the rural and small-town areas. Iowa's 2½ million, Nevada's 100,000, have the same two senators apiece in Washington as New York's 13½ million; and in the State legislatures the same sort of disparity is common. Some States have not revised the voting constitu-

cies for their lower houses for years, so that rotten boroughs are not confined to the Senates. Georgia's "country unit" system for electing its Governors is not common, but in state legislatures rural counties quite generally have more than their proportionate share of votes through rules fixing the maximum and minimum representation for any county.

Iowa is the most rural state in the union if you go by percentage of area in cultivation. But it has actually more labour

union members than farm organisation members, and almost as many union members as farmers altogether. But this could hardly be deduced from the way the legislature and the State's delegation in Congress behave. The State Farm Bureau Federation won most of the positive legislation it asked for; the labour unions fought in vain against hostile restrictions on their own activities, and their support in general welfare bills was a handicap rather than an advantage.

Prices on the Balance

(From Our US Editorial Staff)

PRESIDENT COOLIDGE, according to legend, was asked after attending church what the sermon was about. "Sin," he replied. Pressed as to what the minister said: "He was against it." A reporter of the American scene given to the brevity to which Mr. Coolidge was addicted, could make an equally brief report. The preponderant subject of conversation is prices, and everyone in the least vocal is against them. President Truman has just made a speech calling for lower prices. Mr. Snyder, the Secretary of the Treasury, has spoken sharply on the subject. Mr. Chester Bowles has emerged from months of silence to head the National Committee on Economic Stability, set up by the progressive body Americans for Democratic Action; and he has harsh words to say. Mr. Henry Ford 2nd refers to the "insane spiral of mounting costs and rising prices" and to the "un-American spiral." Mr. Alfred M. Landon, the Republican presidential candidate of 1936, has publicly bemoaned the level of prices.

The critical chorus speaks in the name of both future domestic welfare and of international relations. Present high prices are harmful to both. Furthermore, present high prices enhance the risks of serious depression, which would also be harmful to both. Pocketbook and conscience alike are outraged.

The general outcry from both public and private sources resembles the late-1936-early-1937 period and the late-1920-early-1921 episode. In both instances the high cost of living came to be regarded as the chief threat to welfare, and to be the object of considerable vituperation.

Political motives are also involved, as they were then. The Truman administration does not want the illwill, now or in future, for present high prices and their possible results; and the President wants the voters to be reminded that he gave in unwillingly—and said so at the time—to Congressional determination to abolish price controls last summer. The Republicans do not want the blame either. Nor does anyone else. Hence the universal protestations—plus an effort to pin the blame clearly elsewhere.

But here the unanimity stops. The solutions vary widely. Mr. Truman indicated at a press conference shortly after his address that the government plans no forceful action, and he rejected Mr. Bowles's proposal for a federal committee to try to work out price reductions. The President stands firmly against tax reduction and in favour of using all available funds under present conditions for debt reduction. The Republicans are pursuing their drive to reduce taxes but to compensate by reductions in expenditure, which the Administration thinks are not feasible. Monetary policy is increasingly criticised, and while a gradually tightening procedure is being followed, it is moving very slowly indeed. Labour's continuous drive for wage increases is roundly criticised, both for expanding purchasing power and for increasing costs. Corporate profits and monopoly are blamed. The Government's support of agricultural prices is blamed. Buying for foreign distribution and for foreign account are blamed. And so on.

From this welter of controversy a few facts can be extracted. Wholesale commodity prices are up about 30 per cent higher than in May last year, just before price control was ended, though in recent days they have been declining. Retail prices were still rising when the latest index numbers were computed, though reductions announced in recent days may have stopped the rise; the cost of living index is about 55 per cent above

pre-war and probably understates the case. Consumer buying has been declining for some weeks: while dollar figures still show gains, volume is moving downward. The cost of construction, which in some areas and for some types is probably double pre-war, is causing major curtailments in building operation and even more marked cuts in plans. Supplies are growing in an increasing number of lines. Items scarce only a little while ago are now freely available. And producers report with complete conviction that this trend will shortly be much more widely pronounced.

These facts, or apprehensions of them, cause the two-minded situation which is widely evident. The Government is apparently reluctant to take really forceful action against high prices—as it did in 1920-21 and 1936-37—for fear that it will presently be charged with having brought about a depression. Labour is fearful of a depression and bases demands for higher pay on the desire to prevent one. The numerous forms of restrictionism are defended on the ground that they will give protection should a depression ensue. In short, a great many persons and interests fear both the present situation and a slump, and alternately—or even in the same breath—advocate policies which attempt to curb a boom and cushion a slump. That the result is strange is inevitable.

In view of the facts, it would not be surprising if the current outcry "called the turn" at least for a time. Only a widespread stoppage of production or major accentuation of demand for foreign supplies, or a change in the public attitude towards holding money—which is, of course, still in large supply—would be likely to prevent such a result.

But it is not likely that exhortation, which is the main content of the press stories, will have had much to do with causation of whatever is to happen. For if supplies are to remain short, the problem is one of allocation of resources either by price or authority, and no significant voice is proposing any solution within this area. And if the economic balance is soon to shift from a sellers' to a buyers' market, the exhalations from the platforms are unlikely to have weight on the balance.

American Notes

To Veto or Not?

Three Bills which will shortly reach the President's desk promise to provide the occasion for that clash on domestic issues between Congress and the White House which was implicit in last November's election returns. One is the measure prohibiting suits for "portal-to-portal pay." Differences between the House and Senate versions are now being ironed out. Opponents of the Bill insist that it goes far beyond its immediate purpose, and tends to undermine the whole Fair Labour Standards Act. The Secretary of Labour has announced that he will advise Mr. Truman to veto it.

Even more momentous decisions must be reached by the President on the general labour Bill and the tax reduction Bill. Both these measures have been passed by the House; the same subjects—though not the same Bills—are being debated by the Senate. On the issue of labour legislation, Mr. Taft is struggling, with the aid of Senator Byrd and other Conservative Democrats, to retrieve the defeat he suffered in his own Committee when pro-Labour Republicans and Democrats combined to soften the measure. The proponents of a mild Bill are strengthened by the argument that a harsh measure will simply run into a Presidential

veto, with the consequence that nothing at all will have been done to solve the labour problem. On the national finances, Mr. Truman and his Secretary of the Treasury are even more adamant in their refusal to sanction an "inflationary" course, despite the awkward appearance of a budgetary surplus instead of the anticipated deficit. Mr. Truman has insisted that any surplus should first be applied to debt reduction and only later to tax reduction.

On both sides there are the inevitable charges of "playing politics." The Republicans specifically decided to present Mr. Truman with a single omnibus Labour Bill, rather than three separate measures; the Democratic deduction is that the Republicans want the President to be forced to swallow the whole Republican recipe, or take the responsibility for the failure to grapple with Labour. On the other side, the Republicans suspect the Administration of being tempted to thwart their campaign promise of tax reduction. And it is suggested that the President will be influenced, in his decision on Labour, not only by the nature and provisions of the Bill, but by his hopes of holding the left-wing of the Democratic Party in line for 1948. Will the Truman Administration swing left again? The acceptance or rejection of the Tax and Labour Bills will be taken to set the Democratic course for the next eighteen months. Their rejection, incidentally, would leave the United States without a policy on the two most important domestic issues of the year.

* * *

Gagging the Voice of America

It was not until the middle of the war that the United States became convinced that there was a need for publicity about America which could be supplied only by the Government; and after several false starts, the Office of War Information was born. Since the end of the war, a budget about one-quarter the wartime size has supported the projection of the "American way of life" to 67 countries by means of news handouts, background material, reference libraries, and more recently, the ambitious short-wave broadcasts billed as the "Voice of America." It now appears that unless the Senate decides to come to the rescue, all these State Department information functions are doomed to a speedy end. Acting on a technical point, an Appropriation sub-committee of the House has wiped out the entire budget of \$21 million for the fiscal year 1948.

The information activities of Mr. Benton have been conspicuously non-political. They have not approached the controversial nature of the Government broadcasts advocated, recently, by the Commission on the press. Yet to Congress they are suspect as possible carriers of Democratic propaganda. It is argued that private agencies could do the job just as well; and above all, it is a comparatively painless way of saving an item in the budget of \$37 billion.

Over a year ago Mr. Byrnes, then Secretary of State, testified that "there was a time when we could afford—or thought we could afford—to be unconcerned about what people thought about us. That time is past." It would be hard to argue that in the year since Mr. Byrnes spoke that carefree time has returned. The United States is embarked on a vast export of the American way of life, floated on loans, and spearheaded by technicians. In Eastern Europe and Russia itself the broadcasts and activities of the Office of International Information have alone penetrated the iron curtain. They may err in carrying the music of Benny Goodman; but recent testimony by Ilya Ehrenberg and Russian press officials show that at least the broadcasts are not ignored.

Since Mr. Marshall has come home with the apparent determination to make the retreat from Moscow the point of departure for renewed emphasis upon ties with the Western World, he is not likely to view with equanimity the disappearance of the only means by which American policy can be authoritatively explained to the world.

* * *

Brake on Mergers?

Some impressive evidence of an accelerating pace in the growth of industrial mergers has been given in a special report by the Federal Trade Commission. The report lists 1,658 mergers in manufacturing and mining industry over the war years, and declares that more than one-third of these operations represented deals by the largest corporations—those with assets exceeding \$50 million. In other words, the more powerful units in the traditional area of "small business"—more especially food, non-electrical machinery and textiles—are moving rapidly along the path of economic concentration now so strikingly apparent in steel, automobiles, tobacco, etc.

In calling for legislation to arrest this growth of Big Business, the Federal Trade Commission is not now seeking any general revision of the Sherman Anti-Trust Act. The growth of economic concentration has been discussed and analysed at great length within the last few years, and although the evidence is now very impressive, no clear-cut policy has emerged, and the present Congress seems most unlikely to make any radical move. What the FTC now wants is a simple revision of the Clayton Act of 1914, which imposes a nominal ban on industrial mergers "where the effect of such acquisitions is to lessen competition . . . or restrain commerce . . . or create monopoly." In 1926 the Supreme Court ruled that the acquisition of assets (other than of actual securities) was not covered by the Clayton Act, a decision which left the FTC without any effective powers for monopoly control. Revision of the Act as sought by the FTC would bring all mergers within the jurisdiction of that body, and corporations would be called upon "to demonstrate" that future acquisitions were: (1) in the public interest; (2) not restrictive or monopolistic; (3) not bringing under group control more than such proportion of any trade or industry "as Congress may determine"; (4) not impairing efficiency and competitive vigour.

The Clayton Act would thus become a stop-gap measure with a statutory prohibition on size alone, and would clearly have little relation to the broader problem of relative efficiency. It is not very difficult to imagine situations in which the proposed Act might have damaging repercussions for individual industries; but the growth of the giant corporation, as disclosed by the Temporary National Economic Committee, and subsequent Congressional reports, is certainly disturbing, and while the general anti-trust programme is so loosely defined, revision may well be beneficial on balance.

Though statutory powers are lacking, the Justice Department has recently established a special "Merger Unit" to watch industry, and to "afford timely warning of mergers which may result in illegal combination." It is suggested that "current clamour for revision of the Anti-Trust Laws" is providing at least a temporary barrier to mergers. But the Department admits examining "10 to 20 proposals a week, and finding no grounds for prosecution in 75 per cent of pending mergers." The Merger Unit will thus do little more than to give an official blessing to most of the operations now under way.

* * *

Three Bags Full

(From Our US Editorial Staff).—That American wool growers are trying to leave the Government holding a very full bag is indicated by a Bill originating in the Senate and currently before the House Agricultural Committee. It would require support of this year's wool clip at 42 cents a pound and permit the Secretary of Agriculture to put an additional import fee on foreign wool entering the country over and above the 34 cents per pound tariff that already applies to wool of apparel quality. Over 400 million pounds of wool are currently in the possession of the Commodity Credit Corporation, which began a policy of stock-piling and price support in 1943. This is not all the wool that the CCC has owned. Losses on its sales to date have cost the American taxpayer \$38 million. Earlier this year the Secretary of Agriculture announced that the wool price-support programme would cease on April 15th unless its continuance was specifically authorised by Congress. Hence the present Bill.

Prices for greasy wool received by farmers averaged 23.8 cents for the years 1935-39. During the war they averaged around about 41 to 42 cents, considerably above "parity": in March, 1946, the actual price was 40.5 cents while "parity" was 32.9 cents. (The 1947 clip has not yet come to market.) The wool which the CCC took over, at Boston ceiling prices for cleaned wool (around \$1.19½ for top quality), allowed for such a return.

Meanwhile the sources of mill consumption of apparel wool, as estimated by the Bureau of the Census, have changed as follows, with cleaned wool coming in from abroad over the 34 cent tariff but under the Boston price:—

	1935-39	1941	1943	1946
Domestic.....	508.6	493.9	430.4	240.6
Foreign.....	83.4	483.2	631.0	831.7
	592.0	977.1	1,061.4	1,072.3

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A battle of the sections is now on. The Rocky Mountain region—all of whose major industries depend on Government subsidy or tariff protection, though its representatives are among the loudest in inveighing against Government interference and control—is politically strong. New England, the centre of the woollen textile industry, has a less incisive influence in a Congress where the farmer is idealised. But New England is making an effort to rally the currently very price-conscious consumer; the evidence is ample that he—and she—are about to be shorn.

* * *

New Stars for the Banner?

Room may soon have to be found on Old Glory for new stars, although a renewed invitation from Senator Russell for Great Britain to join the Union seems to have fallen on unresponsive ears. Hawaii, after 49 years' apprenticeship, has at last found an eloquent advocate of statehood in Mr Krug, the Secretary of the Interior. Back from a 24,000-mile tour of the Pacific, Mr Krug testified recently that by any test—population, wealth, ability for self-government, or devotion to American ideals—Hawaii was ready to become the 49th State. This cluster of 20 islands has a mixed population of 465,000; it exceeds three of the existing 48 states in area, and 4 in population. Its Japanese population of 125,000 was completely loyal during the war. Hawaii has a lower illiteracy rate than the American average, and pays more taxes than fourteen states. In 1940 a plebiscite showed a two-thirds majority for statehood. This has been endorsed by President Truman, and by both the Republican and Democratic platforms; fourteen bills favouring statehood for Hawaii have been introduced in the Eightieth Congress alone. Even more effective is the support now given by military figures like Admiral Nimitz and General MacArthur, who see Hawaii as a vigorous democratic, as well as military, outpost in the Pacific.

Similar yearnings are stirring far north in Alaska. A referendum held in October, 1946, showed a heavy majority in favour of statehood, and Mr Krug also extended his blessing to Alaskan aims. Alaska, however, is undeveloped, compared with Hawaii; it has only about 85,000 inhabitants, and it is only at the beginning

of the development of its rich mineral resources. Veterans of the past war, numbering 25,000, have settled in Alaska, stirred by the vision of a last frontier; but they have been sadly disillusioned, this past year, by shortages, high costs, and the disabling effect of high freight rates to and from the United States.

Both Hawaii and Alaska are Organised Dependencies of the United States; they are governed jointly by Congress and their territorial administrations. Their citizens are citizens of the United States, and each of them sends a delegate to Congress, who may speak but not vote. They enjoy other benefits reserved for American citizens, such as the right to pay federal taxes and to be paralysed by strikes, originated by American unions. A strike led by Mr Harry Bridges reduced Hawaii to a state of importing sugar; while last year's shipping strike had a disastrous effect upon the Alaskan economy. With this demonstration of essential unity, the old cry of taxation without representation is not likely to go long unheeded—particularly at a time when world events force the United States to exhibit the benefits of a model colonial system and the virtues of the democratic way.

Shorter Notes

Henry Ford left the controlling share of voting stock in the Ford Motor Company to his four grandchildren and the bulk of his personal fortune to the Ford Foundation. Valuation of the estate, on present estimates, ranges between the extremely wide limits of \$200 million and \$500 million, with estimates on the voting stock ranging from \$5,437,000 to \$18,041,000. The Ford Foundation, with present assets of \$109 million, will now secure stock valued at between \$104,640,000 and \$432,807,000. Treasury experts estimate the value of the stock at \$190 a share, against a valuation of \$58 a share given for the estate of the late Edsel Ford, only son of Henry Ford.

The State Department has threatened to withdraw authority for the \$500 million Export Bank credit to China by June 30th "unless it receives reconstruction plans from China by that time."

THE WORLD OVERSEAS

Russian Power Moves East

(By a Correspondent)

ABOUT fifteen years ago, almost the whole of Russia's heavy industry was based on the iron ore mines of Krivoi Rog, in southern Russia, and the coal of the Donetz Basin. The production of steel was entirely concentrated around that base. So were the Russian engineering industries, though a proportion of these were located in Leningrad and Moscow, to which steel and coal had to be hauled over long distances from the south. In the course of the last fifteen years Russia's economic geography has been changed almost beyond recognition. New metallurgical centres have been created in the Urals, at Magnitogorsk, and in Siberia, near Kuznetsk. The geographical redistribution of industry was a salient feature in the second and third Five-Year Plans. At the outbreak of the Russo-German war, the process had been advanced to a stage at which the new industrial centres were able to supply the Russian forces with the most essential equipment and munitions. During the war itself, the process was carried a long step further by the exaction to the east of no fewer than 1,300 plants and factories from western Russia and the Ukraine. Between 1942 and 1945 the industrial output of eastern Russia was doubled; and the output of the armament industries proper increased by five to six times. Together with the 1,300 plants and factories, nearly 15 million people, most of the industrial population of the western provinces, were shifted beyond the Urals.

This quite unprecedented migration of machines and workers was a feat of "lightning" economic strategy which in the end proved to be more decisive than the lightning advances of Hitler's armies towards Moscow and Stalingrad. The consequences of that wartime migration have outlasted the war itself. Through it, the colonisation and industrialisation of eastern, that is predominantly Asiatic, Russia has been accelerated to an extent that would hardly have been possible under normal conditions. The first post-war Five Year Plan aims at consolidating that advance; and at opening up new eastern areas for the development of industry.

A small statistical table, recently published in the *Bolshevik*, the authoritative organ of the Politbureau, gave quite a revealing picture of the geographical re-distribution of Russian industry that is to be achieved by 1950. The table reproduced below, compares the shares of the eastern industrial centres in the total output of the Soviet Union in 1940 and 1950:

	1940 Per Cent.	1950 Per Cent.
Iron ore	29	44
Steel	34	51
Rolled steel	33	51
Coal	36	47.5
Oil	12	36

To this table the *Bolshevik* added the remark that "in such branches of heavy industry as light metallurgy and in a number of important branches of the chemical industry the specific weight of the eastern areas will be even higher than in the industries shown in the table." Thus, in three or four years' time just over half of Russia's steel and engineering industries and nearly half of her coal production will be located beyond the Urals. In absolute figures, the lands "beyond the Urals" are expected to produce nearly 13 million tons of steel and about 120 million tons of coal by 1950. This would make of the Urals and Asiatic Russia the main industrial centres of the Soviet Union, even in peacetime. The relative importance of the old industries of the Ukraine would shrink accordingly; and what was Russia's main industrial base only fifteen years ago would produce only 49 per cent of the pig iron, 37 per cent of the steel and 34 per cent of the coal produced in the whole of the Soviet Union.

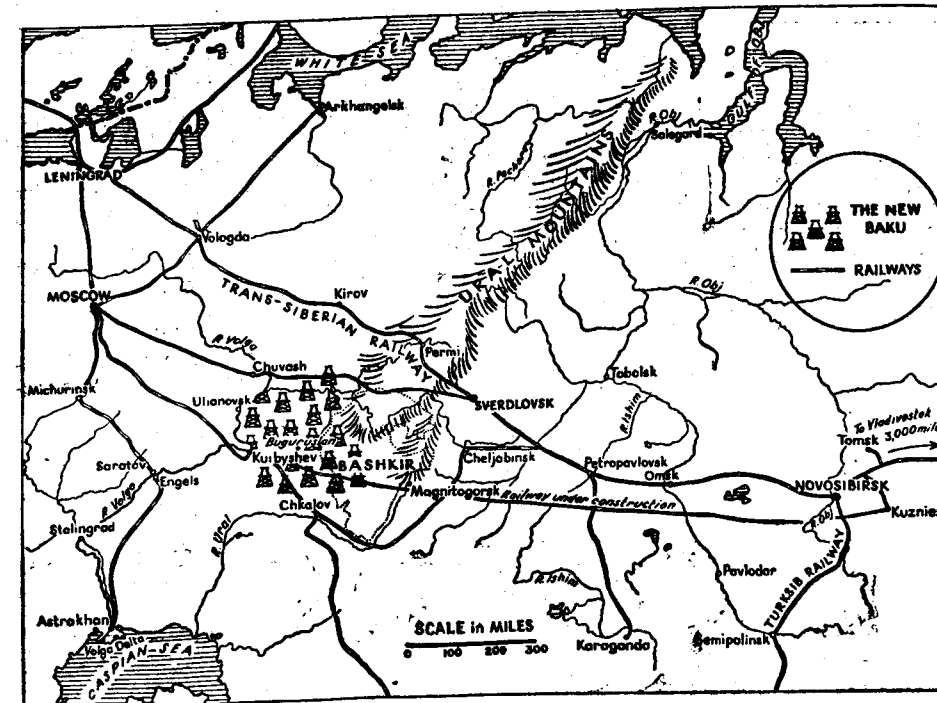
In planning so intensive a development of the eastern provinces the Soviet Government has been guided by economic, political and strategic motives. The idea of Russia's "internal colonisation" has been much older than the Soviet regime or even Bolshevism. Russian Liberals dreamt of "internal coloni-

sation" as the way out from many of Russia's difficulties under Tsardom. In the early years of this century Lenin, in his underground periodicals, argued that the dream was perfectly legitimate, but that it would never come true under Tsardom; and that only revolution could open up the backward areas of Russia for colonisation and modern industry. It cannot be said that Lenin's promise has not been honoured by his successors. When the shift of industry eastwards began, it was criticised by many as being economically inexpedient. Indeed, the costs of the shift were at first so enormous that only an industrial management not concerned with any short-term balance-sheet of profit and loss could carry them.

The foundations of the new industries had to be laid with the help of the "mother industry" in western Russia. For years, machines, raw materials and fuel had to be hauled over distances of thousands of miles. Even beyond the Urals a distance of 1,250 miles separated the iron of Magnitogorsk from the coke of Kuznetsk on which the "Ural-Kuznetsk Combine" was originally based. To get a parallel to this, one would have to imagine a single industrial combine stretching over a distance from the Pyrenees to the centre of Poland, and possessing only one highly inadequate railway connection between the two outlying fringes where coal and iron were produced. But the overhead expenses were decreasing as the new industries expanded. The eastern centres gradually became almost independent from the "mother industry" in the west. In the last years before the war, the Siberian steel plants were already supplying all the steel needed for the building of the great Trans-Siberian double-tracked railway, with its many subsidiary lines. The long-distance between the Magnitogorsk iron and the Kuznetsk coke has proved a more lasting handicap; but this, too, has been gradually remedied by the opening up of coal mines in the Urals and in Karaganda, roughly half-way between the Urals and Kuznetsk, as well as of iron ore mines around Kuznetsk.

New Siberian Railways

In the end the new industries have been working more cheaply than the old, largely because of their more favourable natural conditions. The ore of Magnitogorsk costs less than that of Krivoi Rog—it is open cast. Similarly, the coal pits of Kuznetsk are more productive than those of the Donetz—the average thickness of the Siberian coal seams is twenty odd feet compared with less than two feet in the Donetz mines. The costs of transport between the inter-dependent industries in the east are still very high, but the general costs of production there are so much lower than in the west that they more than make good the overhead expenses on haulage. The average output, say, of pig iron per worker at Magnitogorsk is 250 per cent of the average output per worker in the rest of Russia. And, if the *Bolshevik* is to be believed, the better distribution of the metal industry will result in such a



"The Wild East"

Whatever the gaps in the industrial progress of Soviet Asia—such as the lack of light industries—the following conclusions can be drawn from this brief survey: Russian internal colonisation is expanding eastwards—just as the United States expanded westwards over several generations. In the United States the pioneer farmer had opened up the Wild West—in Russia the pioneering work is done predominantly by industry. By the end of this Five-Year Plan the balance of Soviet industry is likely to be finally tilted in favour of the "Wild East." Though the main concentration of the new industries is along the "backbone" of the Urals, in the border zone between Asia and Europe, Soviet Asia emerges from this development as the leading industrial country of Asia.

saving of capital that the economy alone will, within ten or twelve years, make total capital investment in both Magnitogorsk and Kuznetsk. On the other hand, the network of highly modern railways in Soviet Asia is growing rapidly—the chief feat in the current Plan is the laying of the Southern Trans-Siberian Railway connecting Kuznetsk in Siberia with Kuibyshev on the Volga.

The social and political motive for the redistribution of industry is the great importance which the Soviet regime attaches to the development of the backward lands and peoples. While the regime has in many important respects lowered the standards of European Russia it has energetically raised the standards of Soviet Asia. The wartime migration of great masses of western Russians beyond the Urals has not only increased the labour reserves in the east—it has also infused elements of a more European way of life into Soviet Asia. It so happens that these economic and political considerations coincide with the paramount need for the strategic dispersal of industry; and so the new Plan aims at killing quite a few birds with one stone.

"The Second Baku"

There are obvious shadows in this very impressive picture of the ascendancy of the Soviet East. Even from the table quoted above it can be seen, for instance, that the development of the oil industry is lagging behind. The so-called Second Baku—situated between the Volga and the Urals, that is on the European side of the Urals—will be producing far less than official publicity has suggested. By 1950 the total output of all the oilfields outside the Caucasus is to amount to not more than 12.5 million tons. The Baku oil fields will still remain decisive for the Russian economy for quite a few years. The newly-opened deposits are rather shallow and their exploitation is much less profitable than that of the old Caucasian fields. Their advantage, from the strategic viewpoint, is that they are dispersed over hundreds of miles and do not constitute such a single and vulnerable target for attack as the highly concentrated Baku fields. A number of new pipelines are being laid to connect the oil fields of the Second Baku with its new refining centres, but these will not be completed for two or three years; and in the meantime the long hauls of oil will add to the strain on Russian railways. The relatively slow rate of development is characteristic for the whole of the Soviet oil industry, not only for the new oil fields. The target figure for the total output in 1950—35.4 million tons—is only 3 million tons higher than the actual output in 1938; and the target figure for the Caucasus itself—22.8 million tons—is even 6 million tons less than actual production in 1938. (Last year the output of the Caucasus was not much more than 16 million tons.) In the course of this Five-Year Plan the main effort will probably be devoted to re-equipping the oil industry; and the effects of the re-equipment will perhaps be seen in the next Five-Year period, during which the eastern oil fields may already produce half of Russia's oil. The fact that the Ministry for the Eastern Oil Industry has increased the funds for housing oil workers in the East by 60 per cent seems to support this suggestion.

Northland of Canada—II

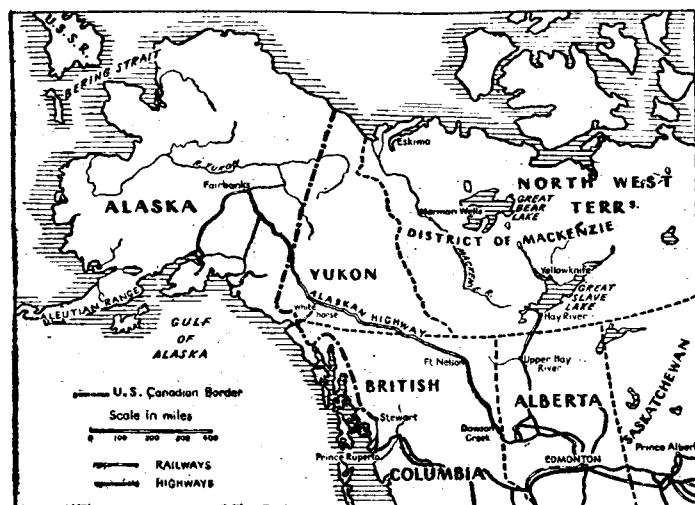
Oil, Gold and Uranium

[FROM OUR OTTAWA CORRESPONDENT]

CANADIANS must think and learn more about the Northland, Mr Mackenzie King told the House of Commons on February 12, 1947. The defence of Canada, he said, must take the North into consideration as well as the East and the West. "Our primary objective should be to expand our knowledge of the North and of the conditions necessary for life and work there with the object of developing its resources."

If one defines Canada's Northland as that portion of Canada not embraced within any of the nine provinces, and stretching from the 60th parallel of latitude west from Hudson Bay to the boundary of Alaska and north to the northernmost tip of Ellesmere Island about 500 miles from the North Pole, it comprises an area of 1,516,758 square miles (of which the Yukon represents 207,076 square miles). The population, according to the census of 1941, was only 16,942 (of whom 4,914 lived in the Yukon and the remainder in the North-West Territories). Indians numbered 5,560, Eskimos 5,400, and the remainder were whites.

The fact that an area so vast still supports such a tiny population is itself an eloquent commentary on the paucity of readily exploitable resources. Until 1920, the only exportable surplus



of any consequence in the North-West Territories was furs. The Yukon, however, had ceased to be primarily a fur trading preserve in the late 1880's, and by the end of 1946 gold valued at \$214 million and other minerals valued at \$29 million had been produced there. Gold production in the Yukon continues to average well over \$1½ million a year, but other mineral production has fallen to a negligible figure. But in the meantime, since 1920, mineral production has been steadily rising in importance in the North-West Territories, and appears likely to exceed the value of fur production very soon, if indeed it has not already done so. (The lack of any figures on uranium production since the Great Bear Lake deposits were taken over by the Canadian Government makes exact comparison impossible.)

Prospects for Settlers

The importance of the recent strikes of oil, gold and uranium (in the pitchblende-silver finds at Great Bear Lake) cannot be over-emphasised; and the extent of unprospected territory, coupled with new techniques of sub-surface prospecting (such as the air-borne magnetometer), make it rash to venture any guess as to the mineral wealth of Canada's north-west. But the hope of founding extensive new settlement rests at the moment almost exclusively upon such mineral development. Lacking such valuable deposits, a very large part of the 1,516,758 square miles of Canada's Northland can be for ever dismissed as unsuit-

able for large-scale settlement. It lacks soil, climatic conditions and vegetation for any extensive increase in population. The annual catch of furs is already maintained at a level which makes it necessary to reserve hunting and trapping licences almost exclusively to Indians, Eskimos and white settlers of long standing. As a whole, the region is taxed to feed the 11,000 Eskimos and Indians who are resident within it; and it has been necessary to introduce herds of reindeer from Alaska to provide a more reliable source of food and clothing for the aborigines than in the past. There are a few pockets of soil along the Mackenzie River system within a climatic belt capable of maturing vegetables, small fruits and even grain; but the fact that the total cultivated area in the whole of the North-West Territories still does not exceed 300 acres, despite the new demands of such mining settlements as Yellow Knife, disposes of any idea of large-scale farming east of the Rockies. (Preliminary estimates of total available acreage of good soil near the present posts of the Mackenzie Valley and the Yukon are both able to supply local demand with most of the fruits and vegetables needed. A few small dairy farms are operated in the Yukon. Along the Mackenzie River, however, and in the new mining settlements of the North-West Territories, milk, butter and eggs are still as a rule imported from the outside.)

There exists the possibility of developing new hardy strains of plants, or even radical new techniques of soil heating in Arctic regions by atomic energy; but until such innovations arrive the agriculture of the Northland seems bound to be confined to the limited local supply of hardy vegetables and fruits for consumption within the Territories. There are scattered stands of timber in the Yukon territory along the Alaska Highway, and patches of merchantable spruce occur along the larger rivers in Mackenzie District. These trees are of the greatest importance locally, and even the smaller stands serve as an invaluable habitat for game and fur-bearing animals, but there appear to be no resources of timber for export on an important scale.

The fur trade has for 150 years been the staple wealth of that country, and with proper conservation measures it should continue to provide several million dollars of wealth for export annually.

One returns, however, to the importance of minerals as holding the major hope—the only immediate hope—for any increase in permanent settlement.

Extensive Oilfields

Oil prospects appear bright. Dr Charles Camsell, formerly Deputy Minister of Mines and Resources, recently wrote that "One of our expert investigators reports on this subject: 'Here, then, we have the essentials for potential oilfields covering an area of over one thousand miles in length. This is probably the largest comparatively unexplored potential petroleum region in North America, and surface evidence of oil in the form of seepage occurs in several places.'" Chief Inspector Mackay Meikle, of the North-West Territories Administration, told a Toronto audience in March, 1947, that "When the Canol Project operations were discontinued in March, 1945, an estimated reserve of 36,250,000 barrels of crude petroleum had been established by drilling. During the calendar year 1946, more than 180,000 barrels of crude oil were produced, a figure which greatly exceeds the total production of the field prior to 1942." Mr Meikle stated that the production of pitchblende concentrates was continuing at the mine of Eldorado Mining and Refining, Ltd. (operated as a Crown company since January, 1944). He added that at Contact Lake, about six miles south-east of the Eldorado mine, International Uranium Mines have commenced operations to reopen their property.

Gold production at Yellowknife, which exceeded \$3.8 million in 1942, but was then forced to slacken operations due to wartime labour problems, is again on the increase. The mill serving the Con-Rycon mines of the Consolidated Mining and Smelting Company of Canada re-opened on August 20, 1946, and by the end of the year had produced 9,480 ounces of gold. Total production of the Yellowknife area for the year 1946 was 24,260 ounces, which was three times the 1945 figure.

Significant mineral discoveries in the North-West Territories have been confined to the Yellowknife-Port Radium-Norman Wells triangle. Precambrian rocks extend over a very

much larger area, but so far prospecting in the eastern portion of the territory and in the Arctic Islands has failed to reveal any important bodies of ore. There are numerous showings of coal within the Arctic Circle which would only become of value if other development nearby made them useful as sources of fuel. Similarly, there are numerous possible power sites which await mineral discoveries to give them potential significance. A large part of the north-eastern Arctic region is covered with permanent ice or glacial drift; and other portions consist of sedimentary rocks of Palaeozoic age which are not promising sources of metallic deposits. Moreover, a large part of the Canadian Eastern Arctic is inaccessible to ships because of ice conditions. The most promising areas for continued exploration appear to be the Precambrian rocks of the Canadian Shield on Baffin Island and the mainland.

(Concluded)

China's Check on Imports

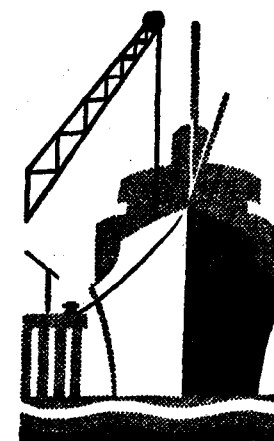
[FROM OUR SHANGHAI CORRESPONDENT]

THIS year's first quarter has failed to bring any improvement of import prospects in China. For most foreign manufactured consumption goods imports are either officially "suspended" or practically ruled out because the Import Control Board and the Central Bank fail to approve applications for licences to import the goods of this category not yet "suspended." For raw materials, fuels and basic foodstuffs, quotas for February-April shipment have been promulgated amounting to a value of £12,500,000 sterling. But the Central Bank of China for the past five weeks has excused itself as having not sufficient exchange to meet even these quotas; it has either delayed indefinitely the issue of licences under these quotas or issued licences "without exchange." Even for the importation of some capital goods—presumably enjoying priority over all others—recent licences were issued "without exchange." Importers more and more realise that, if long delay is to be avoided, they had better mark their applications for licences "value prepaid," as an indication that they will content themselves with licences "without exchange."

The recipients of such licences are officially supposed to have already the exchange they require to finance the imports for which they apply; in practice, the Central Bank in their case simply closes both eyes to the illegitimate ways and means by which importers given such licences have to raise the exchange in the black markets. Officially, again, there are no such black markets, and the Shanghai manager of a leading American exchange and share broking firm is at present jailed and on trial accused of having dealt in unofficial foreign funds after February 17th last. In practice, of course, there occur clandestine transactions in foreign funds, at rates from 10 to 25 per cent higher than the Central Bank's official rates. But the black market is the mere aggregate of numbers of separate illicit transactions. It is no true market; many would-be buyers lack the connections and facilities to allow them to contact would-be sellers.

Little Capital Investment

This year imports into China meet with greater obstacles and difficulties than at any time since the end of the war. Their value for the first half of this year will show a considerable fall below that of the corresponding period last year. The Chang Chun Government have taken over the main body of their predecessors' foreign trade and foreign exchange restrictions. They may allow a few minor alleviations and adjustments in technique; but there is no prospect of any large-scale relaxation unless China obtains the large American loan for which she is trying so hard. To American exporters China unofficially holds out the hope of import concessions in case the loan should materialise. Chinese big business meanwhile sits back and watches developments. At the CN\$12,000 for US\$ rate, many imports have lost their attractiveness to Chinese wholesalers, who are spoiled by past windfalls and take little interest in anything promising a mere 10 to 20 per cent profit. There are practically no private investors in capital goods; Chinese capitalists generally consider the present uncertainties far too great to warrant fresh capital investment. The feeling that the post-war boom is over, that business conditions have deteriorated, and that still less prosperous days lie immediately ahead, is taking hold of the entire business community, both foreign and Chinese.



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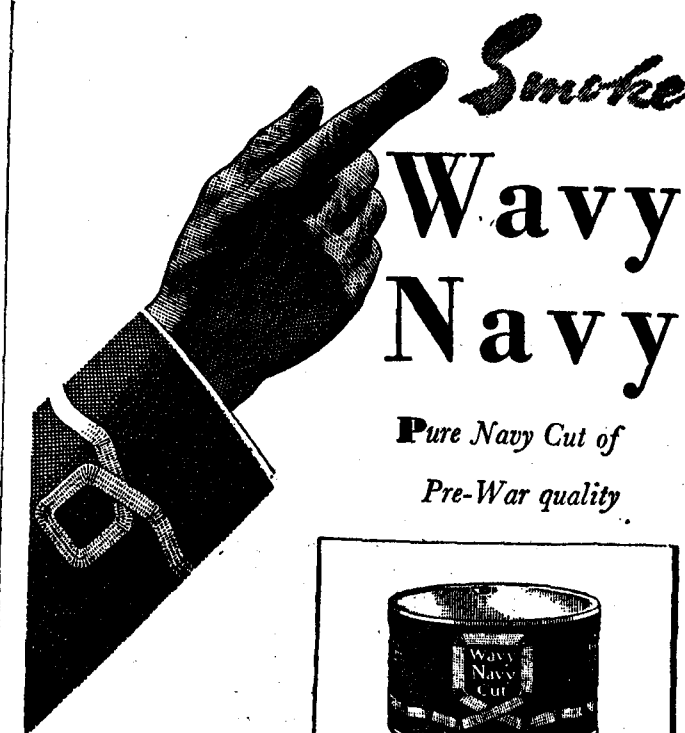
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THE BUSINESS WORLD

Prosperity for Wool

THE Yorkshire wool textile industry has always prided itself on settling its affairs at home and not taking them to Westminster. When Westminster fourteen months ago decided to submit it to ordeal by Working Party, some of its leaders declared that there had never been anything wrong with the industry that could not be put right by enterprise, initiative and competition. In November last year, the main conclusions of the Working Party were completed, and their report—published after a leisurely interval of five months—shows that the Party spent its eight months of work to excellent advantage. In its presentation and its findings the Wool Working Party Report* (which is summarised, together with a selection of statistics, in this week's issue of the *Records and Statistics* supplement) is one of the best of the series. It is a pity that its publication has been so long delayed.

Prosperity for the wool textile industry in the next decade hinges on three major considerations. First, the industry has to decide whether to keep to the manufacture of high quality goods, on which its export reputation has always been based. Secondly, it has to relate the prospective demand for its products to the labour force that it hopes to attract. And thirdly, this force must be put to the best possible use and associated with mechanical re-equipment to give the largest increase in output per head. These problems are common to the whole industry—wool and worsted in the West Riding, harris tweed in Scotland or overcoatings and serge in the West Country. These regional centres of the industry receive proper recognition in the report. But the West Riding of Yorkshire employs about three-quarters of the workers in the industry; a prosperous woollen and worsted industry in the dales of Yorkshire would supply the prescription for prosperity for the whole of the industry.

Wool is not a simple, integrated industry. It combs tops and spins yarn for export to the Continent; it has a growing trade in hosiery yarns supplied to home knitters; and in woven tissues it met practically the whole demand for home consumption before the war, and exported well over a quarter—in 1924, a half—of total production. About one-seventh of the tops went abroad before the war; British tops fed the worsted spinning mills of the world even during the depression. Most woollen yarn was used for weaving in this country but in the case of worsted yarn, some 15 per cent was exported. The rest was divided, in order of importance, between the worsted weavers, the hosiery industry and yarn, for hand-knitting. Of the woollen and worsted tissues exported, about two-thirds were woollens. These exports of tissues declined heavily between the wars, but thanks to the prosperity of the thirties, the home market took up the slack comfortably—the consumption of tissues increased by a third between 1930 and 1937. The industry's pre-war pattern was not one of lush prosperity; nor was it one of abject depression comparable with cotton.

For this state of affairs, high quality production deserves most of the credit. Good quality woven tissues cost more, but the difference in final cost of the made-up garment by using good quality cloth is comparatively small and generally thought to be worth paying, even in the cheaper ranges of suitings. The war has compelled the industry to give closer attention to

standardised utility cloths, and the question now arises whether the industry should incorporate this wartime production experience in a permanent policy of compromise between the highest quality output and a higher proportion of sound staple lines. This poses a number of issues. Can a range of cloths be produced which will appeal alike to the export and domestic market and so provide the economies of a reduced range of designs and longer weaving runs? Should the expanding domestic market take a reasonable share of good quality cloth, or should this be largely sent to export markets where it will enjoy a ready sale? These questions primarily concern the weaving trade, but they would obviously react on the earlier processes of production.

The Working Party have been impressed by the higher physical output per head achieved by the industry in the United States—though they offer some sensible reservations about it—but they have come down in favour of only those measures to increase output per head which are consonant with preserving the reputation for high quality enjoyed by British woollen goods. They formed a favourable view of the general level of efficiency of the industry, but are satisfied nevertheless that valuable economies could be secured by longer, standardised runs on automatic looms in the weaving section. The report presents some evidence that the export market has benefited from the home demand for high quality goods. But this evidence is rather inconclusive and one of the first tasks of the proposed statistical office might be to collect further data on quality in relation to the potentialities of standardised output.

This is, in one sense, a long range question. More immediately, a production target for the industry is needed, even if it has to be tentative. The Working Party suggest that the level of demand, after the post-war period of restocking, may be between 10 and 15 per cent above the 1937 level, including in this estimate a, possibly optimistic, 20 per cent expansion in exports. In putting forward this comparatively modest estimate of expansion in demand, the report has accepted as inevitable a contraction of the industry's labour force, compared with pre-war levels. Its best expectation for the post-war labour force is 200,000, some 15 per cent below the pre-war level. It follows, therefore, that if the estimated expansion in demand is to be met, there must be simultaneous improvement of between 20 and 25 per cent in the industry's productivity. There are few pointers which offer real assurance that these targets can be reached within the next few years. The total number employed in the industry in January was 163,800, and employment was expanding rather erratically during the winter by only a few hundreds a month. Since the end of the war competition for labour, especially female labour, has been keen in the West Riding and in other wool producing areas. The labour force is growing old and there is an acute shortage of juvenile recruits. The entire process of production has been disrupted by a shortage of female spinning labour. Finally, the interruptions and short-time working caused by the fuel crisis have had a severe effect on output from the mills, which are large coal users.

To combat the labour shortage requires an imaginative recruitment drive and improved amenities. But certain special methods are worth persevering with, such as extra evening

shifts and the tapping of pools of labour in rural and urban areas (which has brought about 700 workers in the Huddersfield area into the town each day to work a shift in the mills). In urban areas, numbers of unemployed men can still be found, many of whom could be trained to work in the mills provided that traditional barriers between men's and women's work could be broken down. But these palliatives will not bring young blood into the industry, and that is essential even to maintain the present reduced labour force. Some relief might be obtained by dispersing factories to the coal mining areas of South Yorkshire where limited reserves of unemployed female labour exist, but the wool industry would have to compete with the hosiery and boot and shoe industries which are moving up from Nottinghamshire on the same quest.

If the supply of labour should continue to be inelastic, despite improved wages, shorter hours and better working conditions, can the gap be closed by further mechanisation of the industry? There is little or no scope for deliberate concentration of men and machines in the larger mills, for all sections of the industry have maintained a comparatively high standard of efficiency—compared, that is, with the rest of British industry. There is therefore no supply of underproductive labour to "re-deploy"—as they say across the Pennines. The Working Party have examined the relative efficiency of different firms; there are divergences in efficiency between mills, but they follow no definite pattern in relation to size. This lack of any proved relationship between size and efficiency is appearing with increasing frequency in Working Party reports—it was a feature of the Furniture Industry Report published some time ago—and it presents a perplexing question which is overdue for solution. Baulked by the lack of data from reaching any firm conclusion about the origins of efficiency—although some interesting cost analyses are presented in their report—the Working Party have recommended that further investigation be conducted into costs and output per man-hour, and that American methods should be studied further.

Prospects for mechanical re-equipment are not good. According to the report, orders on machine makers' books at the end of 1946 totalled £11 million, of which half was for export. These orders will take three to four years to deliver. The industry feels that it is being starved of new equipment for the benefit of its overseas competitors—a natural if slightly exaggerated point of view. It underlines, nevertheless, the need for a constant review of home and export deliveries and a greater display of imagination than in the past on the granting of import licences. Even if delivery rates improve, re-equipment must be a slow business. The Working Party points out, for example, that deliveries of automatic looms on even reasonably optimistic assumptions will only be sufficient to meet replacements—if old machines are, in fact, to be replaced. Obviously, the first need, as the Working Party suggest, is to

encourage delivery of new machines to the points where economy of labour can be quickly secured—in particular to the winding, warping and weaving sections. Only 6 per cent of the industry's looms are automatic, but their advantages over the old standard types is suggested by the fact that 60 per cent of new looms ordered are automatic.

The labour shortage in spinning is particularly acute. No important changes in technique to relieve the shortage of female labour in worsted spinning can be expected for some years. In woollen spinning, where mule spindles predominate, improvements in output per machine were effected before the war and no further important developments are at present likely. If therefore the balance of the industry is to be preserved and full advantage is to be taken of technical development in other sections, more labour must be attracted to spinning—which means special incentives, better conditions, the recruitment of ex-spinners and the offer of reasonable prospects for young workers to make a well-paid and attractive career in the mills.

The Working Party have produced a lucid and comprehensive report, full of fair comment and well-marshalled fact, but they have no ready-made solution to offer. They call, naturally enough, for greater emphasis on research, backed by a levy to produce £150,000 annually for scientific and market research, in which Universities and Technical Colleges teaching textile subjects should share. Manchester, Bradford and Nottingham may look askance at the recommendation for an Advisory Council covering all the textile industries—a point which has incidentally been under broad review in the Committee Stage of the Industrial Organisation Bill. It is only too easy to see the difficulties of an organisation covering all textiles, and the risk that its early career might be blighted by trade rivalries and jealousies. But there are many textile problems which call for urgent joint discussion. How, for instance, is the capacity of the textile machinery industry to be shared between cotton and wool? How are the wool textile and clothing industries in Yorkshire going to compete against other industries for a limited number of new entrants into industry? If the wool mills move to South Yorkshire, how are they going to share the new-found pool of labour with the industries from the Midlands?

To raise these questions is not to solve them. There are black spots—an inadequate labour force and some out-of-date mills. There are some unanswered questions—such as the lack of facts (not confined to wool) about the causes of efficiency and low costs. Here is an industry which but for shortage of labour and fuel would be in a state of high boom. The first task is to increase the labour force to the recommended size of 200,000—which will not be easy. After that, the improvement of efficiency and working conditions would be a much simpler task.



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Facts on the Subsidies

IT has been an open secret for some time past that the Government has been showing increasing concern about the growth of the cost-of-living subsidies. A short-term increase would be of small consequence, particularly if it avoided the need for temporary changes in wages; but the Government's policy of stabilising a moribund index number has meant that the volume of subsidies has in fact been tied to the rise in world prices. Doubtless it was hoped that the increase in food prices in the international market would be only temporary and that the Treasury's payments in one period might be recouped in the next. This optimism, however, has so far proved to be unfounded and world prices have continued to rise. Even now hopes are being pinned to a bumper world wheat harvest this summer, though there is no present sign of a collapse in grain prices. According to the Chancellor of the Exchequer, the policy of stabilising an out-of-date cost-of-living index has hitherto been justified; and only now have conditions made it desirable to recast this policy. The new factors which have appeared to alter the situation so abruptly have not been officially revealed, but the Treasury's main problem is clearly to find some palatable method of limiting the total expenditure on subsidies. This problem is bound up with the supply of hard currencies, for a large proportion of Britain's larder has to be filled from the Western Hemisphere.

The cost of subsidies on certain foodstuffs was recently given by the Minister of Food; full details are published in the current issue of the *Records and Statistics Supplement*. Some interesting calculations, which are embodied in Table I, can be made from these figures. The foodstuffs covered form the staple rationed commodities, and taking into consideration the amount of each item that can be purchased on the ration, the total weekly cost per adult consumer comes to 5s. 3½d. In addition, the Treasury pays 2s. 3d. per person a week in the form of subsidies. The most heavily subsidised commodities are eggs, cheese, sugar, flour and potatoes. In each of these cases the subsidy represents more than 50 per cent of the consumer's weekly net expenditure. The cost of the schools' and welfare milk schemes have been excluded; it is estimated that these probably amount to about £20-£30 million a year. If the subsidies were removed from the foodstuffs listed in Table I, so that the consumer had to pay their full price, the weekly expenditure per head would rise from 5s. 3½d. to 7s. 6½d. Proportionately this is a large increase, and for the consumer with a small fixed income or the old-age pensioner it would be a heavy burden. But, measured in terms of present earnings of those actively employed, it could hardly be represented as a major hardship. For a family with 4 ration books, the increase in expenditure would be from about 21s. 3d. to 30s. 3d.

The saving in Government expenditure from the withdrawal of subsidies would be surprisingly large, though it is impossible to calculate this saving precisely without knowing the quantities sold at the appropriate subsidised prices and the corresponding changes in stock levels. But a fair impression of its magnitude can be obtained from published weekly consumption figures for the various foods. Allowance has to be made for exports, where they are included in the published data, but it is impossible to separate the sales of certain commodities to manufacturers at unsubsidised prices from those to domestic consumers at domestic prices. The totals for the weekly cost of subsidies given in Table I, therefore, tends to set an upper limit. On the other hand, no allowance has been made for the increased prices for home produced foodstuffs which were recently announced. On the basis of consumption during the first two months of this year, the Government would save £7.2 million

a week, if it decided to withdraw the whole of the subsidies from those foodstuffs listed in Table I. On the basis of average weekly consumption for 1946, the saving to the Exchequer would be £7.4 million. Judging by these figures, it would seem that a net saving to the Government of over £300 million a year (or about 2s. 9d. in the £ in terms of income tax) would result from increasing the weekly expenditure per head on food by 2s. 3d. This is the balance between the financial relief to the Budget and the extra cost to consumers which the withdrawal of subsidies would entail.

By increasing food prices and reducing income-tax, the upper and middle income groups would benefit, in real terms, at the expense of the lower. But the prices of rationed foods in the United Kingdom are notoriously out of line with all the other elements in the existing price and income structure, and it could hardly be argued that a policy of gradual reduction of the subsidies would distort the British economy still further, for its shape is already bulging as the result of a large inflationary potential. The figures in Table I, based on current rations, clearly show that the subsidised foodstuffs

TABLE I—WEEKLY FOOD RATION COSTS AND SUBSIDY VALUES

	Weekly Cost of Rations per person April 1st, 1947	Weekly Value of Subsidy per person April 1st, 1947	Estimated Weekly Cost of Subsidy to Government, based on Jan.-Feb., 1947 Consumption	Estimated Weekly Cost of Subsidy to Government, based on 1946 Consumption
	s. d.	s. d.	£	£
Meat.....	1 4	3 ½	1,228,000	1,149,000
Bacon.....	1 4	0 ½	239,000	340,000
Flour*.....	11 ½	8 ½	1,493,000	1,557,000
Tea.....	5	1 ½	413,000	370,000
Sugar.....	2	1 ½	790,000	893,000
Milk.....	11 ½	2 ½	677,000	688,000
Potatoes†.....	6	3 ½	724,000	719,000
Margarine.....	1 ½	0 ½	184,000	252,000
Butter.....	3 ½	1 ½	449,000	412,000
Cheese.....	1 ½	1 ½	315,000	329,000
Eggs (shell)‡.....	3	2 ½	676,000	663,000
TOTAL.....	5 3 ½	2 3	7,188,000	7,372,000

* Weekly consumption estimated at 4½ lb. per person including bread.
† Weekly consumption estimated at 5½ lb. per person.
‡ Weekly consumption estimated at 1½ eggs per person.

provide only the staple elements in the consumer's diet. Points goods and unrationed foods have to be purchased, not merely to give variety, but to provide adequate nourishment. These goods, however, are not, on balance, subsidised; some are, but on others a counterbalancing profit is made. All the 4½ million people whose incomes have been tied to the Ministry of Labour's cost of living index are familiar enough with the fact that the stabilisation policy has meant no more than the stabilisation of an archaic index number, and has not provided a stable cost of living by the recognised standards of to-day. The stabilising effect of food and other subsidies would be much more important if the rationed quantities formed a major proportion of total diet.

Foodstuffs are not the only commodities subsidised. Utility clothing and footwear have also to be taken into consideration. An attempt has been made in Table II to subdivide the total cost of living subsidy for 1947/48 (given by Mr Dalton as £425 million) into its component parts, with comparable data for 1946/47. These figures have been taken from the Civil Estimates. In column (3), the annual costs of subsidies on individual foods, based on Table I, are given; the total figures in this column may not be so accurate as those of columns (1) and (2), partly because column (3) is not so comprehensive, but the individual items are, nevertheless, considered to give a truer picture. Comparison of the three sets of figures is

indeed striking. During the current year some notable changes are likely to occur in all items, except milk, potatoes and sugar. The tremendous increase in the cereal subsidy reflects higher world prices. The £24 million difference between the flour subsidy (£81 million) and the total for cereals (£105 million) is no doubt accounted for by a trading loss on other grains, such as barley, oats, maize and their by-products. The reduction in the subsidy on egg and egg products must, in part, be

TABLE II—COST OF LIVING SUBSIDIES, 1946/47 AND 1947/48

	(1) 1946/47 Based on revised Civil Estimates	(2) 1947/48 Based on Civil Estimates	(3) Food Subsidy Costs at April 1st, 1947 (Calculated from Table I*)
	£ (mn.)	£ (mn.)	£ (mn.)
Bacon and hams.....	5.20	14.70	17.68
Cereals and cereal feeding stuffs.....	60.15	104.76	80.96 (flour only)
Eggs and egg products.....	31.75	7.30	34.48 (shell eggs)
Meat and livestock.....	21.90	1.92	59.75
Milk and welfare schemes.....	58.50	56.50	35.78 (excl. welfare schemes)
Milk products.....	22.20	45.80	17.11 (cheese)
Potatoes.....	22.75	22.17	21.42 (butter)
Sugar.....	21.30	21.10	37.39
Tea.....	0.10	3.50	46.44
Oils and fats.....	1	1.33	19.24
Animal feeding stuffs.....	7.40**	18.80	13.10 (margarine)
Fertilizers.....	69.67	7.40	...
Other items†.....	28.00	51.05	...
Reduction in stocks‡.....	...	31.30	...
Unapportioned balance.....	...	3.69	...
Total Food Subsidy.....	348.92	391.32	383.35
Utility Clothing:—			
Cotton.....	6.75	11.00	...
Wool.....	7.75	13.63	...
Hides and leather.....	8.00**	9.05	...
Total Cost of Living Subsidy.....	371.42	425.00	...

* These estimates have been calculated on the pattern of 1946 consumption with the food subsidy as at April 1st, 1947. Overheads and other expenses are allotted to commodities.

† This comprises the balance of items in the trading deficits and overhead expenses of the Ministry, less any specific capital expenditure.

‡ Estimated at 10 per cent. of Ministry of Food trading deficit.

** Included in "other items."

*** Estimated.

due to the removal of the subsidy for dried eggs some months ago. Indeed, by comparison with column (3), it would seem that the present profit obtained from the sale of dried eggs goes a long way to pay for the subsidy on shell eggs. The provision

in the Estimates of £2 million for meat and livestock during the current year seems very peculiar. It is not known how this figure is calculated and what profits have been included to offset the subsidy, which on the basis of Table I must cost between £50 and £60 million, of which probably about half represents home-killed and the remainder imported meat and corned beef. It may mean that Government purchases during the current year will be severely restricted. If so, the consumer is in for a thin time as meat stocks are known to be limited. The £46 million shown in column (3) for sugar appears to be rather high, as total United Kingdom consumption has been treated as going to domestic users at subsidised prices, which is not so; the trading deficit (column (2)) of £21 million is therefore, probably, a more accurate guide. In the case of tea, there is a remarkable difference between the estimated subsidy (£19 million) and the trading loss (£3.5 million), particularly as allowance has been made in the former figure for re-exports. Indeed, it may still be a little high, for it takes no account of possible sales at unsubsidised prices. But in any case it is unlikely to be less than £15 million. It would be interesting to discover the reason for this discrepancy. Are large profits made on other beverages, such as coffee and cocoa, and offset against the tea subsidy?

The utility clothing and footwear subsidies total some £33.7 million for the current year. The apportionment to both cotton and wool has nearly doubled compared with 1946/47, while the hides and leather subsidy is thought to have remained fairly stable. It seems a pity that the Government has not yet seen fit to publish, periodically, accurate details of the cost of living subsidies, including the basic prices and quantities to which they are related. There can be no case for secrecy in this matter, particularly as fairly reliable estimates—subject to some margin of error—can be calculated from published data. The discrepancies that exist between individual items in columns (2) and (3) of Table II clearly shows that the data contained in the Civil Estimates could be presented both more frankly and more realistically. The form of presentation used in the Estimates may be consistent with Treasury accounting methods, but it is enlightening neither for the consumer, who enjoys the subsidies, nor the taxpayer (broadly speaking, the same person), who foots the bill, nor for the economist, who attempts to relate the advantages of stabilisation of the cost of living to its reactions on the body economic.

Business Notes

Nationalisation and Steel Policy

If recent reports are to be believed—and there is good reason to accept them—a decision has been taken by the Cabinet to proceed with the nationalisation of the steel industry during the next session. On Monday last, the Minister of Supply was asked to say when he expected to be able to make an announcement about the Government's plans for taking over the steel industry—to which the self-evident answer was given that no legislation on this subject will be introduced during the present Session. For several weeks past there have been rumblings of dissension from the Cabinet room about steel policy, and apparently the decision to go ahead with nationalisation was not reached without a struggle. If the opposition was based on nervousness about the disturbing effects of nationalisation on steel output and the post-war development of the industry, it was certainly justified. The Government shows an astonishing hardihood in proceeding with the nationalisation of steel in 1948, for in that year a crop of major economic problems will in any event have to be reaped.

It will be many months before the public and the steel industry know for certain exactly what "a large measure of public ownership" in "appropriate sections" of the industry will mean. These are the formulas used by the Government a year ago, and they still appear to stand. Obviously, they are capable of many interpretations, and it will be for the Government to show, when the

Bill is introduced, why the interpretation they have chosen is better than any other, and what the real benefits and consequences of the nationalisation of the steel industry will be. Nationalisation Bills unaccompanied by any statement of Government intention and policy have become common form during the present Parliament; it will be a matter for severe censure if the Steel Bill lacks explanation and justification.

Meanwhile, the post-war development of the industry goes forward under the guiding influence of the Iron and Steel Board. Sir Archibald Forbes, the chairman of the Board, has this week explained the considerations which the Board has applied to plans for development submitted by the industry. Most of them are obvious enough—for example, the relationship of the proposals to modern practice at home and abroad "on the criteria of maximum efficiency and fullest economy in cost," economics of location, and availability of labour—though there are cases where these economic questions "have to be subordinated in some degree to wider considerations such as the social disturbance factor."

In other words, minimum cost is to some extent being compromised by the doctrine of "taking work to the workers"—an issue which has again been raised in connection with the South Wales scheme. Broadly speaking, the Board has endorsed the Iron and Steel Federation's post-war development plan which contemplated an extension of steel capacity to 15-16 million ingot

tons as a first stage, and was originally estimated to involve a capital expenditure of £168 million over a period of 7½ years. Projects estimated to cost £100 million—at current prices—have been generally approved by the Board, and further projects involving £20 million are under consideration now. Roughly speaking, about half of the Federation's plan has been approved, and work is under way on most of the projects. Sir Archibald's review of the Board's work unfortunately did not reveal to what extent it had become an independent body, with expert views of its own on steel policy, nor the degree of influence which it has brought to bear, as a Board, upon the industry's development. On steel prices the Chairman had only one brief sentence to utter, which showed that the Board's independent adviser has "under continuous examination" the costs of production of controlled products, while the adjustment of prices, up or down, is kept "under constant review." Here again it is difficult to measure the development of policy and principle from the Board's work during the past eight months. Now that steel policy is again in the centre of controversy, this apparent reluctance of the Board to explain the realities of its work is the more unfortunate.

* * *

The Old Lady Finds Tongue—

The "Old Lady" has ever been the most silent of all central banks. Except for the evidence of her officials before the infrequent Parliamentary enquiries into financial matters, she has never in any official statement told the world anything of her domestic affairs. One of the few visible effects—and, in the opinion of many, almost the only advantage—of nationalisation was to ensure that at last the Bank would begin to issue annually a report at least more informative than the statutory form of the weekly statement of account which is all that has been furnished in the past. And since, in point of curiosity about the Bank's affairs, Labour politicians have been rivalled only by the economists and students of finance, there seemed a sporting chance of quite intriguing revelations. But those whose appetites may have been thus whetted are to be disappointed. The silence of two hundred and fifty-three years has indeed been broken, but the voice which breaks the stillness is discreetly modulated and its utterance no less discreetly censored.

This first report extends to fifteen pages (of paper whose quality *The Economist* will not be alone in envying, though the White Paper version is a more austere affair), yet tells nothing that is both new and significant. The "accounts" of the Bank itself are, indeed, confined to the customary Bank Return, of which a special issue appears for the final day of the financial year, Friday, February 28th; there is no profit-and-loss account. And the "report" is mostly couched in austere formal shape, wholly devoid of anything which might suggest opinion or subjective analysis. With three exceptions, all the information on domestic finance is already easily obtainable from the usual official sources (or, for that matter, from past issues of *The Economist*). The exceptions will interest the financial student in search of detail, but have little relevance to the larger issues. We are told, for example, the gross turnover of notes—issues and cancellations; the distribution of the circulation between the various denominations (in 1939 and annually since 1943); and the composition, in those same years, of the public debt for which the Bank acts as registrar.

In this last context, however, the report shows a refreshing tendency to become the human document which high policy so patently barred. The redeemed Local Loans stock had been held on 97,000 accounts, and in the eight weeks before the register was closed more than 25,000 transfers were received. Between these lines the imaginative will readily smell the midnight oil and sense the Bank's justifiable pride in its achievement. Again, as evidence of the effect of Mr Dalton's cheap money drive upon activity in the gilt-edged market, there is the interesting fact that, in all, 640,000 transfers were registered during the year, no less than 34 per cent more than in 1945-46. There is evident significance, too, in the disclosure that although the volume of debt managed by the Bank expanded by 108 per cent between 1939 and 1947, the number of "accounts" rose by only 14 per cent. The only other developments upon which the new figures throw light are the exchange of bearer into registered securities between 1939 and 1944 and the withdrawals of notes of large denomination.

* * *

—But Does Not Speak

But though the report contributes only these minor titbits to the fund of knowledge, it is none the less a valuable document, and

will certainly be much appreciated by bankers and students abroad. For the home reader who is concerned with matters of high finance but is not in day-to-day touch with detail, the most useful feature will probably be the section on external finance, with its thumbnail sketches of the changes in monetary relations of the United Kingdom with other countries—summarising each of the monetary and financial agreements concluded during the year and briefly explaining the manner in which the availability of sterling has been extended. There is nothing here which has not already been presented in the press, but it is helpful to have the salient details assembled briefly and authoritatively.

In sum, the report is a welcome addition to official sources on finance, but it is impossible not to feel that an opportunity has been lost. The appearance of the report breaks with tradition, and yet in a sense its form upholds it. If the authorities hold firmly to the evident rule of telling nothing that is new unless it is of little account, and equally eschew both opinion and secondary analysis, future reports obviously cannot significantly better this first attempt without simply duplicating material that is on record elsewhere. But even if these constricting limits are maintained, it would be well not to take the dangers of duplication too seriously; there is always useful scope for intelligent re-presentation of material. In this context, one cannot help feeling that the Bank may have been discouraged by the virtual absorption of its former *Statistical Bulletin* into the Government's *Digest of Statistics*, and has felt inhibited in the matter of secondary analysis of statistics. Yet the *Digest's* finance section, though well above its initial standard, is still exceedingly sketchy, and is obviously hampered by the need for keeping the whole volume within reasonable compass. There is still a field for the Bank here; but, apart from that, by becoming a little more venturesome, the authorities could open up much more promising territory. As it is, it can be said that the Bank has found tongue, but she has hardly yet spoken.

* * *

Budget Leakage Inquiries

The Stock Exchange Council have appointed, at the request of the Chancellor of the Exchequer, a special committee to establish the facts about dealings in certain securities in connection with the premature disclosures of Budget changes in the tobacco and rayon duties alleged by Mr J. Gurney Braithwaite in the House of Commons. Mr Braithwaite's allegations referred to the sharp rise in the price of British Celanese and Courtaulds shares during the two hours before Mr Dalton rose to make his Budget speech, when, according to information he had received from jobbers, there was heavy and influential buying. In the tobacco market he found that dealers were accurately informed before the Chancellor rose of the exact amount of the increased duty on tobacco, though he stated that no share dealings appeared to have taken place in the tobacco market.

The special committee appointed by the Council will presumably call for jobbers' records and investigate the source of buying orders during the period cited by Mr Braithwaite. It is only fair to add that there is no widespread belief in the City or elsewhere in the likelihood of a leakage of Budget information. Mr Dalton himself pointed out in the Budget Debate that the withdrawal of the rayon Excise duty was a probable concession, for it was in direct line of descent from his 1946 Budget; and he claimed, with equal force, that the fact of an increase in tobacco duty, as distinct from its precise amount, could have surprised very few people. But clearly allegations of this kind must be investigated, and the special committee will have no difficulty in establishing the facts. So far as can be ascertained by informal inquiry, business in rayon shares on the afternoon of Budget Day did not amount to more than a few thousand shares, and the fact that the extent of the increase in the tobacco duty came as a general surprise is fairly conclusively suggested by the falls in tobacco shares on the morning after the Budget.

* * *

The Solicitor-General on Profits—

"There is something about the speeches of the Solicitor-General which leaves me with the impression that I am Alice and that I have passed through the looking-glass." These words of Mr Boothby, after Sir Frank Soskice had concluded his explanation of the Budget Resolution on the Profits Tax on Wednesday night last week, are certainly appropos. In the debate, the estimates of industrial profits and their distribution which were given on page 591 of *The Economist* of April 19th were freely referred to, but in the hands of Sir Frank Soskice, they took on new shape,

and he concluded a remarkable arithmetical demonstration with words which deserve quotation:—

I ask the House, if that is the position, and if these companies that paid out any form of dividends were placing only half the amount of their earnings to reserve, what stronger argument could one have for some discouragement of that sort of thing? That is the very object which this tax is designed to achieve.

Sir Frank clarified these words in phrases of more precise meaning in his later remarks. *The Economist's* figures ("if they are correct") proved that far too much profits were distributed; therefore, since the amount distributed was larger than the amount placed to reserve, the necessity for the increased tax on distributed profits was proved. Law Officers of the Crown are not appointed because they are qualified in investment or economics, but their comments on such matters need not be jejune. "No company," declared Sir Frank "need pay a penny more in respect of this tax"—provided, he might have added, that it has no preference capital, and that its ordinary shareholders are creatures of such docility that they are indifferent whether they receive dividends or not. Nor did he explain how the increased tax would ensure the ploughing back of an increased amount of profits for capital development; in many cases, the result will be precisely the reverse.

As for holding a balance of justice between the rentier who has suffered the cuts of cheap money and the ordinary shareholder "on whom, hitherto, no burden has been placed," and who has "got off scot free," the Solicitor-General failed, as well he might, to make a case for the tax. This new variant of the "equality of misery" doctrine is simply irrelevant to the position of the preference shareholder (whose income position has been largely unaffected by cheap money) and that of the ordinary shareholder—who will bear, directly or indirectly, the whole burden of the increased profits tax on his own dividends and also on those of the preference shareholder as well. Yet only a few minutes earlier Sir Frank had been arguing that the ordinary shareholder does not take any risk.

On two points, the Solicitor-General had precise matters of importance to reveal. The first was the consolidation of parent and subsidiary profits for the purpose of the tax, either by election on the part of the parent company, or by administrative action. The second covers the application of the increased tax from January 1st this year. Obviously, the apportionment of distributed profits for the purpose of the tax for concerns whose chargeable accounting periods ended after that date (thus taking in part of 1946 for EPT and part of 1947 for the profits tax) was to be expected. But company directors are evasive animals. They might increase their dividends in respect of the financial year 1946 in the hope of escaping the 12½ per cent tax; they might even describe them as being declared in respect of 1945. So the Finance Bill will provide that any increase in the dividend "over such period" (by which Sir Frank apparently means the period after the Budget announcement, though it is far from clear what he really meant) over the figure for the previous year will be treated as relating to the period in which it is declared, and not to that in respect of which it is expressed to be declared. In other words, the extra 2 per cent bonus to be distributed by the directors of ICI will cost the company 12½ per cent less tax, to be drawn from its ploughed-back profits. The attitude that company directors are not fit to be trusted is common enough—in the Transport and Electricity Bills, for example—to need no comment. But the incidence of this provision on many honestly managed companies will be retrospective and spiteful.

—And on Preference Shares

The legal mind at work can be impressive—and it can be dismaying. Some general remarks on preference shares which Sir Frank Soskice offered in the debate should not go unnoticed by investors. Here again a quotation is called for:

If a company thinks that the ordinary shareholders are unfairly dealt with (Sir Frank was speaking in connection with the profits tax) there is nothing to prevent the company altering its capital structure so as to alter the rights to dividend as between the ordinary shareholders and the preference shareholders by going through the usual process as applied by law. They can decrease the rights of preference shareholders, and they can increase the rights in relation to the ordinary shareholders A company can do it, if it takes the necessary steps.

This proposition is so fantastic that it is difficult to believe that the Solicitor-General was doing more than to take a rather indifferent legal point, which might have supported a poor case in the Courts but was quite inappropriate in the House. Does the Solicitor-General really suppose that this is a practical step for equalising the burden of profits tax between different classes of shareholders? Does he imagine that the preference shareholders would be willing to abate their contractual rights merely for the sake of the ordinary shareholders on whom the burden now falls? He should know that something of this sort has been tried frequently before, though it is not very successful nowadays. And apart from this, are companies seriously supposed to undertake the cost of a spate of schemes of this sort and inflict them upon the Courts? The Solicitor-General has on previous occasions revealed the innocence of a Parsifal in matters of ordinary business. His opinion on the rights of preference shareholders might be welcomed by a handful of company directors who have particular reasons for inflicting harm on their preference shareholders, but they will be acceptable to no one else.

* * *

Drawings on the Loan

Another draft on the American credit was announced at the end of last week, this time for £62½ million, which is the largest instalment since the first draft was made last July. This new drawing, moreover, follows a period of very heavy expenditure—since February 22nd drawings have been made at three-weekly intervals for rising amounts. Against this there is the minor consolation that pressure on the Canadian credit seems to have been somewhat relaxed, for apparent drawings in the past six weeks have amounted to only £10 million. This explains, to a slight extent, the increased reliance upon the American Loan, because the arrangements made with Canada early this year for the use of sterling in international payments have had the effect of switching to New York some of the pressure caused by Britain's expenditure in Canada. It is very clear, however, that the effects of the fuel crisis, which have hardly yet been reflected in the Trade Returns, have already had their impact upon dollar resources.

The table in page 686 shows the extent of the drawings on the credits to date and the approximate weekly rate of drawings calculated in periods between each draft on the US credit. The calculation is necessarily made on the assumption, which may be unduly pessimistic, that Britain's dollar balances have been allowed to reach a minimum working level before each fresh draft is made.

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(Approximate Weekly Averages)

Drafts On:	U.S. Credit (£937½ mn.)	Canadian Credit (£512 mn.)	Both Credits (£1,250 mn.)
7 weeks to September 7.....	£mm. 117	£mm. 3½	£mm. 14½
7 " " October 26.....	5½	2	7½
10 " " January 4.....	5	4	9
7 " " February 22.....	7	2½	9½
3 " " March 15.....	8½	10?	18½?
3 " " April 5.....	16½	13½	30
3 " " April 26.....	16½	13½	30
Total drawn by April 26.....	£387½ (41%)	£154 (49%)	£541½ (43%)
Estimated unspent balance.....	£550	£158	£708

* Average for 9 weeks to March 8th.
† This heavy initial rate reflected debts accumulated owing to Congress delay in ratification.
‡ Six weeks from March 8th.

Washington authorities stated last week that Britain is planning to withdraw a total of £475 million—that is half the original amount—of the US credit by about the end of the first year of the Agreement. This postulates a further drawing of £87½ million and a further spending (including the amount just drawn) of £150 million in the next two months, which at first glance looks an extravagant estimate. It represents, however, an increase of about 10 per cent over the apparent rate of expenditure in the six weeks to April 26th—excluding the latest drawing of £62½ million. It may well be, therefore, that the Washington statement is not far from the truth, for Britain's import costs are only now beginning to feel the full effect of last year's steep rise in American prices. Certainly it is now all too apparent that the estimates made last February, on the basis of the rate of expenditure up to that date, that the dollar credits might last until well into 1949, were too optimistic. It now seems that it will need careful husbandry to make them last until the middle of next year.

Corporation Loan "Failures"

This week has provided further evidence of the unwillingness of investors any longer to take Mr Dalton at his word when he tries, by the familiar technique of 1946, to stampede the gilt-edged market into a further rise. In his Budget speech he taunted holders of local authority stocks with "slow-wittedness" for their failure to respond eagerly to the successive conversions, declaring that their inactivity had simply provided profits for the taxpayer through the operations of the official underwriters. But investors seem quite perversely to have become even more "slow-witted" since the Budget speech than they were before it. The conversion offers to holders of the £1,300,000 of 5 per cent Derby Corporation stock and the £1,493,944 of 5 per cent Newcastle-on-Tyne stock, the lists for which were closed last week, have produced an even smaller response than was achieved in the previous series.

It will be recalled that these two conversions, though launched after the fuel crisis had undermined the level of gilt-edged, were offered on precisely the same terms as had ruled earlier in the year—namely 2½ per cent stock, 1970-75, at par. It seemed at the time a foregone conclusion that virtually the whole of the new issues would have to be taken up by the National Debt Commissioners, but Mr Dalton must at least have hoped that his defence of cheap money in the impending Budget speech would make them look more attractive before the conversion period ran out. As it is, conversion applications were received from holders of only £149,000 of the Derby stock and £255,000 of the Newcastle, so that the proportions left with underwriters were 88½ per cent and 81½ per cent respectively, much higher percentages than even the worst of those recorded earlier in the year. It is very evident that the gilt-edged market is no longer susceptible to the bluff tactics of the past. If Mr Dalton really intends to establish the level of gilt-edged which is appropriate to corporation conversions on such terms as these, he will need, once again, to bring the weight of created money to bear upon prices.

Transport Travesty

At 9.30 on Wednesday evening, the guillotine fell on the Report Stage of the Transport Bill; guillotine then gave place to steamroller, and the remaining Government amendments were pushed through, amid scenes of indignity and disorder. There now remains a day for a general discussion on Third Reading before the Bill goes to the House of Lords. The Report Stage has introduced no major improvements which had not already been promised in Committee, no new concessions, and few new

arguments. The final appeals for an improvement in the terms of compensation for private stockholders have been rejected. The obscurity about future charges schemes is as dark as ever. Municipalities will obtain improved compensation, beyond the niggardly taking over of their net debt charges, to the extent of £2½ million. Wagon owners will be paid according to a new schedule of prices, which are at least an improvement upon the scrap values originally contemplated in the Bill. But the Government were unwilling to make any concessions on the compensation to the road hauliers which Mr G. R. Strauss described as erring, if at all, on the side of generosity. And the road passenger operators, whose appearance in a co-ordinated system of transport is likely to be long deferred, have no knowledge of their position for compensation, which is entirely at the discretion of the Minister.

The Bill, then, remains substantially in the same stage as it emerged from Standing Committee, and the comments offered in a leading article on April 12th remain unchanged. The majority of voters, who did not support the Labour Party, will long remember, with railway stockholders, Mr Barnes's declaration that "the Government of the day, if it has the will of the people behind it, can do anything it likes with regard to the services that are necessary to the interests of the whole community"—without arbitration if it feels that arbitration is unnecessary. It is worth repeating that Part V of the Bill on transport charges—which is crucial for the whole issue of nationalisation—has been given quite inadequate consideration. The improvements on "C" licences, and the treatment of docks are important, but they suggest that, given an adequate opportunity for discussion, other improvements could have been extracted from the Government. As it is, the Bill goes to the House of Lords drafted in isolation, discussed in haste, and amended in few important matters of principle.

Canada's Exchange Position

Ever since Canada revalued her currency to parity with the US dollar last year doubts have been expressed whether the move might not have been precipitate and might not have to be undone in order to ease the growing strain on the Canadian exchange position. Fuller data, by which to judge these doubts and fears, are now provided by the report of the Canadian Foreign Exchange Control Board for 1946, which was issued in Ottawa this week and of which cabled reports have been received in London. The report shows that the Canadian exchange position was undoubtedly under some strain last year, during which the country's gold and US dollar reserves fell by \$263 million to \$1,245 million. The current account deficit in transactions with the United States amounted to \$603 million. This was covered as to \$237 million by gold and US dollars received in the transactions with other countries and as to \$366 million by a net inflow of capital from the United States. Canada's current trade account with the sterling area showed a surplus of \$650 million, of which \$150 million was financed by sales of gold by Britain to Canada. The bulk of the balance was represented by drafts on the Canadian credit by Britain. These figures conform to the traditional pattern of Canada's balance of payments, a surplus with sterling area countries and a deficit with the US dollar area, the two dovetailing and offsetting each other only in so far as sterling is convertible into dollars. During the past year the pressure on the Canadian balance of payments could not, of course, be regarded as due to the absence of such convertibility, because, instead of receiving sterling as the counterpart of sterling area expenditure in Canada, the Canadian authorities themselves largely provided the requisite dollars under the Canadian credit to Britain.

The position has in it elements of danger, first, because it seems all too likely that the Canadian surplus with sterling area countries will for some time to come continue to be financed out of Canadian credits; secondly, because the deficit with the US dollar area is still growing (last year's figure was the highest on record, and indications to date suggest that it may even be exceeded in 1947). The report of the Foreign Exchange Control Board mentions the various methods by which the position could be strengthened, and in the course of the discussion definitely turns down a fresh devaluation of the Canadian dollar which would merely turn the terms of trade against Canada and in present conditions would fail to achieve its purpose. Greater restriction of exchange allocations is considered a more promising course. This could be achieved by curtailing allotments of US dollars to Canadian tourists and by a more selective restriction of imports from the United States. These methods, however, will be difficult to reconcile with Bretton Woods and ITO. The real solution to the Canadian balance of payments problem will be found only when Canada's surplus with non-dollar countries is effectively



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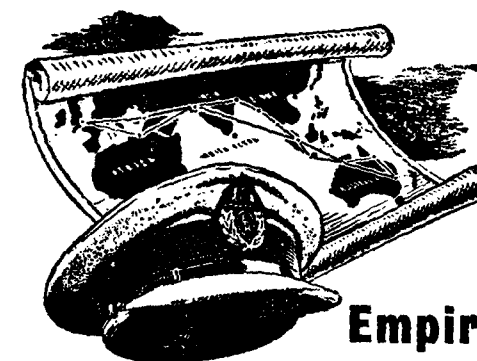
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available to cover her deficit with the United States. Until that point is reached, Canada can presumably claim to be in balance-of-payments difficulties, and, therefore, to evoke selective import controls and other defensive devices with which to maintain her gold and exchange reserves.

* * *

Texas City and British Insurers

It is now clear that the explosions and fire at Texas City are the largest disaster that the London insurance market has had to meet for many years—perhaps since the great San Francisco fire. The total loss is believed to be over \$50 million; some part of this falls directly on those London companies that transact business in the United States; and a good part of the rest will, by one channel or another, be found to be reinsured in London. The largest part of the loss arose from the virtually complete destruction of the Monsanto chemical works. These were covered through one of the pooling arrangements familiar in America, by which all the risks of an industry are underwritten by a single association, in which the insurance companies, British as well as American, participate. In this particular case, it is reported that the Monsanto works were not treated as a single risk (as they turned out to be), but as several risks, which had the result that less was reinsured and that a heavier loss accordingly falls on the original participants.

Payment even of claims as large as these will not, of course, present any difficulty to British insurers. But they will make it difficult to present favourable results for 1947. Last year, as the reports of the British companies are showing, was a difficult one in American business. A heavy increase in business (involving substantial additions to reserves for unexpired risks) was combined with rates of premium which, in many lines, were definitely unremunerative. Even before Texas City blew up, the present year did not promise to be much better.

* * *

Australia's Sterling Balances

The imminent arrival in London of Mr S. G. McFarlane, Secretary of the Federal Treasury, will be the prelude to negotiations for an arrangement concerning Australian accumulated balances in this country. These balances, together with a certain amount of gold held by Australia, amounted on January 15th last to close on £175 million. From this figure there has to be deducted the £20 million free gift which the Commonwealth Government is making to Britain as part of its contribution for

the expenses of the war waged in the Pacific. This contribution, no doubt, must in this context be regarded as an indirect way of writing down the balances in accordance with the vague and tentative provisions of the Anglo-American financial agreement. The arrangements for dealing with the rest of the accumulated balances will hardly deserve the name "negotiations." They are expected to be made in the friendly and generous atmosphere in which for many years now financial relations between Britain and the Commonwealth have been handled. There seems to be no need for funding the accumulated balances and arranging their release over a period of years. The amount in question would hardly justify such a move. Australia will have need of considerable sterling in the immediate future in order to meet maturities of sterling loans. The optional maturities of loans carrying 3½ per cent and more amount to no less than £85 million for the next six months. Moreover, the Australian authorities with the bitter experience of the 1930's still fresh in their minds (sometimes all too fresh) will wish to maintain in London a larger reserve of sterling funds than was previously regarded as normal.

In the case of Australia, as with other countries which have accumulated balances during and since the war, the arrival of July 15th will call for an interesting book-keeping transaction. A rule will have to be drawn through the sterling accounts. Previous accumulations will then have to be treated in accordance with arrangements made in each individual case. Subsequent current accumulations of sterling will be freely expendable and transferable in any currency area in the world.

* * *

Anglo-Polish Trade Expansion

After discussions lasting for two months, a provisional understanding has been reached between the British and Polish Governments about the import needs of the two countries. It is intended that after a month's interval the talks will be resumed and that a trade agreement may emerge from them. This rather tentative arrangement is to give each side the opportunity of gaining experience about placing orders with the other. The pattern of trade between the two countries would provide a good economic "fit," for Britain's requirements are mainly food and raw materials, while Poland is in need of other raw materials from British sources of supply, such as wool and rubber, and also capital goods. The month's breathing space may be useful because both British exporters and importers will be trading with the Polish Government, while the British Government as a purchaser of food may be dealing jointly with the Polish Government and with the producing co-operatives. It is intended that all transactions will be in sterling, and export credit guarantees should be available to assist exporters of British machinery.

For neither side will the provisions of supplies which the other needs be easy. Poland has joined the long queue for British machinery rather late, and its possibilities as a long-term market are now rather obscured by the ease with which British manufacturers can sell in other countries without going to the trouble of undertaking special trading arrangements and also by the need to increase exports to hard currency areas. As for British needs, timber is the most urgent, but it may well be that timber will be more difficult for Poland to export than supplies of food, particularly eggs and poultry. Indeed, the first consequence of the agreement is a contract for 30 to 50 million eggs to be shipped from Poland by the end of September. Reconstruction work after wartime devastation is making great demands on Polish home-produced timber, and losses of pigs and cattle can only be gradually restored; for some time to come, therefore, Poland's traditional exports of timber, bacon and butter are likely to be restricted. Britain may be able to obtain some supplies of china, glass and furniture. The discussions appear to have contemplated the export this year of 250,000 tons of coal from Poland to Britain at a cost of £800,000, but this would presumably be conditional upon a successful application by Britain to the European Coal Organisation for an import allocation. No application has been made to ECO, but the possibility that coal might be imported by this country from Poland in this year is indeed portentous.

One of the factors involved in any trade agreement which may be drawn up between the two countries is that the Poles will naturally try to integrate their foreign trade development with their three-year economic plan. In fact, they contemplate importing British goods to a total value of £35 million over the three-year period and to export in return £5 million this year, £8 million next and £10 million in 1949. The prospective deficit of £12 million would be met to the extent of about £4 millions from

gold and sterling assets in London, which might be released as part of a general financial settlement, and partly from credits. There is an evident need for the British Government to seek supplies of food and essential materials wherever they can be got, and if necessary to finance them by foreign credits. This, roughly speaking, is the pattern of the Spanish agreement which was recently announced. The Polish suggestions, on the other hand, amount to the financing of Polish recovery by a further extension of sterling credits by Britain to Europe. If a Polish payments agreement could be brought within the orbit of the Western European currency arrangements, much could be said in favour of this course. But since such a development would seem rather unlikely, the British authorities will obviously have to hold a balance between the extension of credits to Poland with the advantages that a resumption of trade would have for both sides.

* * *

Subsidising Small Savings

Amid the Budget debates and the discussion of Mr Dalton's defence of cheaper money, an important change which is impending in the status of the Savings Banks has largely escaped attention. The cryptic proposal in the Budget speech—described by the Chancellor as a small technical point—to "put the backing of the Consolidated Fund" behind the savings banks is, in fact, a proposal to subsidise the depositors. Following the Budget resolution adopted last week, the Finance Bill will empower the Treasury to make payments out of the Consolidated Fund, both direct to the Post Office Savings Bank Fund and to the Fund for the Banks for Savings, and to defray the expenses of the inspection committee for the banks and certain expenses of the National Debt Commissioners. Since the Chancellor has now categorically reaffirmed that he has "no intention of altering the 2½ per cent rate of interest allowed to Savings Bank depositors," the Government is itself running into precisely those difficulties which the cheap money policy is causing for institutional investors such as the assurance companies. Obviously, earnings from new investment of the Savings Banks' Funds no longer suffice to meet even the interest cost of deposits, and an overall loss is likely to arise soon. Mr Glenvil Hall explained last week that, to avoid loss after providing for overheads and management expenses, it is necessary for the Post Office Savings Banks to earn 2½ per cent, and for the Trustee Savings Banks to earn 2½ per cent; hence the prospective loss "if the cheap money policy progresses well."

Thus the principle of paying differential rates to small savers is now to be crystallised in statutory form, instead of merely emerging, as it does in the case of Savings Certificates, from the rate which the Government chooses to offer on its direct obligations. Now that Savings Bank depositors have absolute assurance that their 2½ per cent will be maintained, the chances of reaching this year's target for small savings, formally announced when the "Silver Lining campaign" was launched this week, look even more uncertain. The National Savings Committee is basing its hopes of a bigger savings effort this year principally upon the drive for subscriptions to the new (reduced rate) Savings Certificates. But, except to those who have money to lock up for the full life of a Certificate, savings bank deposits are obviously more attractive—and are, obviously too, more likely to be spent.

* * *

The Chancellor and the ICFC

A reply by Mr. Dalton to a Parliamentary Question at the beginning of last month conveyed the impression that the Chan-

cellor of the Exchequer had the intention of making changes in the role of the two industrial finance corporations. The question raised the issue whether the Industrial and Commercial Finance Corporation was conforming to the original conception of its duties of providing capital for undertakings which would have had difficulty in raising money through the usual market channels and it arose because, in a small number of instances, it did not appear that this condition had been fulfilled. The Chancellor of the Exchequer then suggested that even if that had been the intention when the two Finance Corporations were created in 1945, he "reserved the right" to make any change in the arrangements which had then been made.

In Mr. Dalton's absence, it has fallen to the Financial Secretary to the Treasury to expand the Chancellor's observation, which had suggested that the original functions of the Corporation might be in process of change. On Tuesday Mr Glenvil Hall declared that Mr Dalton did not claim to exercise control over the activities of the Industrial and Commercial Finance Corporation, that no alteration of the Corporation's memorandum and articles of association came into question and that a distinction should be drawn between "the right to change any arrangements and that to take control." Thus the matter has scarcely been taken much further, though it is perhaps permissible to infer that no change in the general character of the Corporation's work is contemplated. It will, however, be interesting to see if the recent modest extension of its frontiers into what appears to be the normal territory of the capital market is consolidated.

* * *

Rupee Melting Point

Since the authorities in India banned the private import of silver last March, the price of that metal in Bombay has been appreciating, and early this week rose beyond the figure of 180 rupees per 100 tolas, though it subsequently reacted to 173 rupees. The movement has gained significance from the fact that the quotation has recently been approaching the theoretical silver melting point. With a 50 per cent silver content in rupee coins now in circulation, this point will be reached if and when silver touches 200 rupees per 100 tolas. It should, however, be added that the point is decidedly a "theoretical" one. To melt and refine silver coin which is only 500/1,000 fine is a very difficult operation. The melting point of the rupee does not, therefore, have the same significance to-day as it had in 1920, when the silver rupee was 11/12 fine and when the melted metal could in fact be used for ornaments and was accepted as good delivery in the bullion market. It was at that period that the rise in the world price of silver beyond the rupee melting point caused the exchange value of the rupee to rise to over 2s. The same sequence of events should not be expected if on this occasion the rupee price of silver rises beyond the theoretical melting point of 200 rupees. Given the virtual cessation of silver imports it is, however, probable that a good deal of the silver coinage is now going out of circulation and into hoards. That development has not been circumvented by the decision taken last year to begin the conversion of subsidiary silver coins into nickel coins. A start was made with the 4 and 8 anna silver pieces in 1946, following the issue of an Order in Council.

In order to extend the re-coinage to full rupee coins, special legislation had to be passed, and this has only recently been completed. The Government of India now have power to substitute nickel for all silver rupee coins, namely, 1 rupee, 8 annas and 4

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annas. It will, however, take at least four or five years to produce sufficient nickel coins to complete the conversion. The volume of rupee coinage circulation has, of course, been considerably reduced as a result of the introduction of one-rupee notes, whose issue by the Reserve Bank of India was begun during the war.

* * *

Pointers from ICI

There are some valuable investment pointers from the Imperial Chemical Industries report which merit a wide application even beyond the 125,000 ordinary stockholders of that company. The report itself is reviewed in the "Company Notes" section of this week's *Records and Statistics* Supplement, where some assessment is given of the prospects of the ordinary stock in 1947. Lord McGowan's statement which accompanies the accounts emphasises two important points which have general relevance. The first is the disorganisation of output and the reduction of profits which must be laid to the charge of the fuel and power shortage. In the popular view, the fuel shortage did not assume crisis proportions until last February. But already by last autumn it had been responsible for a rationing of alkali and heavy chemical exports by ICI. As for the recent power cuts, their repercussions will be felt for many months to come, and they will have a serious effect upon the group's profits for the current year. This forecast underlines Mr Dalton's estimate of the effect of the power cuts on business profits in his Budget speech. The outlook for equities in this first year of freedom from EPT has been chastened to some extent by the distributed profits tax, but to a much larger extent by the failure of earnings to reach normal expectations owing to the power breakdown.

The second point in Lord McGowan's review is concerned with export prospects. The chairman doubts whether it is now possible to reach the desired volume target of 140 per cent of 1938 exports by the end of this year. He points out that, for manufactured products, that target itself means 165 per cent of the 1938 figure, and the disruptive effects of the power cuts have put it out of court. This is particularly unfortunate, for the need for increased exports was never more pressing. And at this moment, the first signs of international competition are appearing in export markets. So far, neither the quantities offered (which have been small) nor the quoted prices (which have been high) have caused ICI much concern, but they are portents of more serious competition when the sellers' market comes to an end. This point is of particular importance for ICI, for the smart recovery in chemical exports was an outstanding feature of the resumption of normal trade soon after the end of the war.

* * *

World Rubber Supplies

The tone of the London Rubber Exchange has not been too cheerful this week. Spot dealings are still relatively restricted,

however, owing to the continued absence of adequate stocks in this country. But the current world rubber position should not at the moment give cause for pessimism. Production of natural rubber in the principal territories during 1946 has been estimated at 850,000 tons compared with 240,000 tons in 1945 and a pre-war output of 977,000 tons (1936-39 average). The majority of Far Eastern producers have recovered from the effects of the war and Japanese occupation, one notable exception being the Netherlands East Indies. Current production was estimated last week by Mr F. D. Ascoli at the annual meeting of the Rubber Growers' Association as between 850-900,000 tons for the "settled areas," with a further 350-600,000 tons from the "unsettled areas" (China and the Netherlands East Indies) depending on the political situation. Prospective supplies of natural rubber for 1947 should therefore range between 1,200,000 and 1,500,000 tons.

World demand for rubber of all types during the current year has been estimated at 1,700,000 tons, giving an apparent shortage of 200-500,000 tons. Allowing for the full replenishment of stocks, this year's deficit might well be between 500,000 and 800,000 tons. Synthetic rubber production in 1946 totalled 806,564 tons of which 740,026 tons were produced in the United States. Comparable figures for 1945 were 866,069 tons and 820,352 tons respectively. The rise in synthetic output has been phenomenal during the war, from 147,500 tons in 1941 (when the main producers were Germany and the Soviet Union) to a peak in 1944 of 900,500 tons of which almost 800,000 tons came from North America. For 1947 it is estimated that 200,000 tons will be available from countries outside the United States leaving a consumption deficit of 300,000-600,000 tons to be filled by American-produced synthetic rubber. There is thus a reasonable probability that world supply and demand will be balanced during the current year.

* * *

London Transport Developments

London's return to something approaching peacetime conditions is reflected in the operating experience of the London Passenger Transport Board in 1946. According to the annual report for last year, traffic carried was the highest on record. Estimated total passenger miles were 11.5 billion, compared with 9.8 billion in 1945 and 8.6 billion in 1938-39. The increase over the last pre-war year was thus 33 per cent.

The increase over the whole system is mainly due to the continued flow of population back to London, which began on a large scale in 1944. The biggest proportionate increase in passenger journeys originating continues to be recorded in the area beyond the 12-mile radius which is covered by the country buses and coaches. The Green Line coach service was gradually introduced over the first six months of the year, and by December passenger journeys originating had already returned to 70 per cent of the 1938-39 level. The way in which the transport system has

been following London's population out into the home counties is shown in the table below:

Year	MILES TRAVELLED BY PASSENGERS Percentage Distribution by Forms of Transport				
	Railways	Central Buses	Country Buses and Coaches	Trams and Trolley Buses	Total
1938-39.....	26	44	6	24	100
1945.....	28	41	7*	24	100
1946.....	26	42	8*	24	100

* Coach services not re-introduced until first half of 1946.

During the year the first extension of the Central Line, from Liverpool Street to Stratford, was opened. Work on the remaining extensions to this line is proceeding as fast as available men and materials will allow. The Board has decided that the remainder of the trams in service will be replaced by fuel oil buses, not by trolley buses. Time has shown that the advantages in operating costs of trolley buses over buses have largely disappeared, while the comfort of passengers and the desirability of keeping the transport system as flexible as possible have told in favour of the buses. Over 1,100 new buses will be needed to replace the trams. Experiments with the new 8-ft. wide bus have now begun.

Record passenger loads have accentuated the peak-hour travel problem. The 55 local transport groups in the LPTB area assisted materially by organising staggered hours during the war. In collaboration with the Ministry of Transport and the main-line railways, their organisation has been used for a scheme for staggered hours in central London offices, which started in January. If even a quarter of the traffic flow could be retained by as little as a quarter of an hour from the peak period, valuable reliefs to congestion would be achieved.

Shorter Notes

The chairman's address at the International Nickel Company's meeting this week stressed the effect of the increase in operating costs, which has been partially offset by improvements in processing. The higher price for nickel now current in the United

States should also help to offset rising costs. The new price now comes into line with the world price, which remains at £190 per long ton in London. International Nickel filed in October, 1946, its denial of any violation of the United States anti-trust law. On copper, the chairman states that 75 per cent of the company's exportable production in 1947 has been sold to the Ministry of Supply and he suggests that a permanent removal of the US copper duty of 4 cents per lb. (which might with even greater reason be accompanied by the removal of the import duty of 2½ cents on nickel) would lift from Canadian producers the burden of transporting copper to distant markets.

* * *

In a written answer in the House of Commons on Tuesday, the President of the Board of Trade announced that the re-equipment offer to the cotton spinning industry would come into operation formally on May 1st. The statement pointed out that the preferential treatment of approved schemes applies to spinning (including preparatory) machinery. It will probably not be possible to extend it to other forms of equipment.

* * *

Five preference shareholders are seeking the compulsory winding up of the Eastern Telegraph Company, on the grounds that since 1929 the company has carried on no business and that its substratum has disappeared. The main asset, 10,750,660 shares in Cable and Wireless, Limited, has been vested since January 1, 1947, in nominees of the Treasury. Interests are held in other telegraph companies. Of the £7 million of capital, £2 million is in 3½ per cent preference stock and £5 million in ordinary. Of the latter 99.78 per cent are held by Cable and Wireless (Holding). No provision is apparently made in the articles of association governing the distribution of assets between the two classes of capital.

* * *

Japanese bonds have been active in London following a notification from J. P. Morgan and Co. to holders of the five issues of Japanese dollar bonds to file claims with the Alien Property Department of Justice in Washington. Either \$1 million or \$2 million were set aside before the war on Japanese account in the United States for serving the bonds and may be available.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports also appear in the Supplement: Imperial Chemical Industries; United Glass Bottle; Ford Motor.

Prices, Jan. 1-Apr. 30 1947	Name of Security	Price, Apr. 23, 1947	Price, Apr. 30, 1947	Net Yield, 1947	Gross Yield, 1947	Prices, Jan. 1-Apr. 30, 1947	Last Two Dividends	Name of Security	Price, Apr. 23, 1947	Price, Apr. 30, 1947	Yield, Apr. 30, 1947
High	Low					High	Low				
British Funds*											
101 1/2	101 1/2	101 1/2	101 1/2	1 11	2	101 1/2	101 1/2	Conversion 3% March 1, 1948-53...	101 1/2	101 1/2	1 11
103 1/2	103 1/2	103 1/2	103 1/2	0 5	0	103 1/2	103 1/2	War Bonds 2 1/2% August 1, 1949-53...	103 1/2	103 1/2	0 5
102 1/2	102 1/2	102 1/2	102 1/2	0 9	1	102 1/2	102 1/2	Exchequer Bonds 1 1/2% Feb. 15, 1950...	102 1/2	102 1/2	0 9
105 1/2	105 1/2	105 1/2	105 1/2	0 12	2	105 1/2	105 1/2	War Bonds 2 1/2% March 1, 1951-53...	105 1/2	105 1/2	0 12
105 1/2	105 1/2	105 1/2	105 1/2	0 16	4	105 1/2	105 1/2	War Bonds 2 1/2% March 1, 1952-54...	105 1/2	105 1/2	0 16
106 1/2	106 1/2	106 1/2	106 1/2	0 14	1	106 1/2	106 1/2	Funding 2 1/2% June 15, 1952-57...	106 1/2	106 1/2	0 14
108 1/2	108 1/2	108 1/2	108 1/2	0 16	10	108 1/2	108 1/2	National Def. 3% July 15, 1954-58...	108 1/2	108 1/2	0 16
109 1/2	109 1/2	109 1/2	109 1/2	0 17	11	109 1/2	109 1/2	War Loan 3% Oct. 15, 1955-59...	109 1/2	109 1/2	0 17
108 1/2	108 1/2	108 1/2	108 1/2	0 18	11	108 1/2	108 1/2	Savings Bonds 3% Aug. 15, 1955-65...	108 1/2	108 1/2	0 18
105 1/2	105 1/2	105 1/2	105 1/2	0 18	11	105 1/2	105 1/2	Funding 2 1/2% April 15, 1956-61...	105 1/2	105 1/2	0 18
109 1/2	109 1/2	109 1/2	109 1/2	0 18	11	109 1/2	109 1/2	Funding 3% April 15, 1959-69...	109 1/2	109 1/2	0 18
122 1/2	122 1/2	122 1/2	122 1/2	0 15	8	122 1/2	122 1/2	Funding 4% May 1, 1960-90...	122 1/2	122 1/2	0 15
110 1/2	110 1/2	110 1/2	110 1/2	1 3	2	110 1/2	110 1/2	Savings Bonds 3% Sept. 1, 1960-70...	110 1/2	110 1/2	1 3
104 1/2	104 1/2	104 1/2	104 1/2	1 5	5	104 1/2	104 1/2	Savings Bonds 2 1/2% May 1, 1964-67...	104 1/2	104 1/2	1 5
123 1/2	123 1/2	123 1/2	123 1/2	0 19	3	123 1/2	123 1/2	Victory Bonds 4% Sept. 1, 1920-76...	123 1/2	123 1/2	0 19
111 1/2	111 1/2	111 1/2	111 1/2	1 4	5	111 1/2	111 1/2	Savings Bonds 3% Aug. 25, 1965-75...	111 1/2	111 1/2	1 4
108 1/2	108 1/2	108 1/2	108 1/2	0 17	3	108 1/2	108 1/2	War Loan 3 1/2% (after Dec. 1, 1952)...	108 1/2	108 1/2	0 17
117 1/2	117 1/2	117 1/2	117 1/2	0 15	4	117 1/2	117 1/2	Consols 4% (after Feb. 1, 1951)...	117 1/2	117 1/2	0 15
115 1/2	115 1/2	115 1/2	115 1/2	1 1	1	115 1/2	115 1/2	Conversion 3 1/2% (after Apr. 1, 1961)...	115 1/2	115 1/2	1 1
100 1/2	100 1/2	100 1/2	100 1/2	1 8	8	100 1/2	100 1/2	Treas. Stk. 2 1/2% (after Apr. 1, 1975)...	100 1/2	100 1/2	1 8
110 1/2	110 1/2	110 1/2	110 1/2	1 5	10	110 1/2	110 1/2	Treas. Stk. 3% (after Apr. 5, 1966)...	110 1/2	110 1/2	1 5
117 1/2	117 1/2	117 1/2	117 1/2	1 5	8	117 1/2	117 1/2	Redemp. Stk. 3% Oct. 1, 1980-96...	117 1/2	117 1/2	1 5
99	99	99	99	1 9	0	99	99	Consols 2 1/2%...	99	99	1 9
Other Securities											
105 1/2	105 1/2	105 1/2	105 1/2	10 1	2	105 1/2	105 1/2	Australia 3 1/2% 1956-69...	105 1/2	105 1/2	10 1
102 1/2	102 1/2	102 1/2	102 1/2	10 1	2	102 1/2	102 1/2	Birmingham 2 1/2% 1966-71...	102 1/2	102 1/2	10 1
142/-	142/-	142/-	142/-	40 c	50 c	142/-	142/-	Argentine 3 1/2% 1972...	142/-	142/-	40 c
160/-	160/-	160/-	160/-	118 1/2	15 b	160/-	160/-	Anglo-American Corp. 10s...	160/-	160/-	118 1/2
76/-	76/-	76/-	76/-	60/-	10 c	76/-	76/-	Anglo-Iranian Oil (L)...	76/-	76/-	60/-
42/-	42/-	42/-	42/-	36/4	25 c	42/-	42/-	Assoc. Port. Com. Ord. Stk. (L)...	42/-	42/-	36/4
95/4	95/4	95/4	95/4	79/6	7 a	95/4	95/4	Austin Motor 'A' Ord. Stk. 5s...	95/4	95/4	79/6
245/-	245/-	245/-	245/-	197/6	15 a	245/-	245/-	Barclays Bank Ord. 'B' (L)...	245/-	245/-	197/6
106 3/4	106 3/4	106 3/4	106 3/4	88/9	8 a	106 3/4	106 3/4	Bass Ratcliff Ord. (L)...	106 3/4	106 3/4	88/9
58/7	58/7	58/7	58/7	2 1/2	a	58/7	58/7	British Oxygen Ord. (L)...	58/7	58/7	2 1/2
29/1 1/2	29/1 1/2	29/1 1/2	29/1 1/2	24/-	8 c	29/1 1/2	29/1 1/2	Courtaulds Ord. (L)...	29/1 1/2	29/1 1/2	24/-
77/4	77/4	77/4	77/4	68/6	8 c	77/4	77/4	Dorman Long Ord. (L)...	77/4	77/4	68/6
49/9	49/9	49/9	49/9	41/-	7 b	49/9	49/9	Dunkop Rubber Ord. (L)...	49/9	49/9	41/-
40/-	40/-	40/-	40/-	71 c	10 c	40/-	40/-	Emp. Chem. Ind. Ord. Stk. (L)...	40/-	40/-	71 c
47/6	47/6	47/6	47/6	10 c	12 c	47/6	47/6	Lancs. Cotton Ord. Stk. (L)...	47/6	47/6	10 c
62/6	62/6	62/6	62/6	10 c	12 c	62/6	62/6	Lever & Unilever Ord. (L)...	62/6	62/6	10 c
78 1/2	78 1/2	78 1/2	78 1/2	10 c	12 c	78 1/2	78 1/2	London Brick Ord. Stk. (L)...	78 1/2	78 1/2	10 c
33/-	33/-	33/-	33/-	2 1/2	a	33/-	33/-	L.M.S. 4% 1st Pref. Stk. (L)...	33/-	33/-	2 1/2
62/10 1/2	62/10 1/2	62/10 1/2	62/10 1/2	47/-	5 a	62/10 1/2	62/10 1/2	N. Eastn. Elec. Ord. Stk. (L)...	62/10 1/2	62/10 1/2	47/-
39	39	39	39	169/58	174 c	39	39	Pchina Jacon Ord. Stk. 10s...	39	39	169/58
63/4	63/4	63/4	63/4	91/7	12 1/2	63/4	63/4	Prudential 'A' (L)...	63/4	63/4	91/7
100/9	100/9	100/9	100/9	118/9	12 1/2	100/9	100/9	Stewarts & Lloyds Def. (L)...	100/9	100/9	118/9
96/9	96/9	96/9	96/9	81/3	3 1/2	96/9	96/9	"Shell" Transport Ord. Stk. (L)...	96/9	96/9	81/3
107/6	107/6	107/6	107/6	93/1 1/2	15 a	107/6	107/6	Tribe Invest. Ord. Stk. (L)...	107/6	107/6	93/1 1/2
								Turner & Newall Ord. Stk. (L)...			
								Woolworth (F. W.) Ord. Stk....			

* To earliest redemption, except flat yield and; assumed average life 17 years 6 months. Net yields after allowing for tax at 2s in £.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Also a capital bonus of 2 1/2 per cent. free of income tax; yield worked on 15 per cent. basis. (f) Free of Tax

Abridged Particulars.

MORPHY-RICHARDS LIMITED

SHARE CAPITAL.
Authorized: £55,000 in 550,000 Ordinary Stock Units of 1/- each and 550,000 Ordinary Shares of 1/- each. Issued and Fully Paid: £27,500. There are no Debentures, Mortgages or Loan Capital.

OFFER FOR SALE BY ROBERT BENSON & COMPANY, LIMITED, OF 150,000 ORDINARY STOCK UNITS OF 1/- EACH AT 25/- PER UNIT

The Offer for Sale shows (inter alia) that—

1. The Company carries on a business as manufacturers and distributors of electrical appliances, which includes the well-known "Morphy-Richards" Automatic Heat Controlled Iron.
In June, 1944, A. Reyrolle & Company, Limited, acquired a substantial share interest in the Company after allowing for the Stock Units sold and included in this Offer. A. Reyrolle & Company, Limited, will hold approximately 30 per cent. of the Issued Capital of the Company. The Company has already derived, and expects to continue to derive, considerable benefits from working arrangements with A. Reyrolle & Company, Limited.

2. The profits of the Company, as shown by the Auditors' Report, from 8th July, 1946, to 31st December, 1946, before charging Taxation, Directors' and Managing Directors' Remuneration, War Risks Insurance on premises and Plant, A.R.P. Expenses and other expenditure directly attributable to war-time conditions, but after charging War Risks Insurance on Stocks, and after making such other adjustments as were considered appropriate, were as set out in column (2) below—

(1)	(2)	(3)	(4)
Period	Profits as defined above	Estimated Charge for W.D.C. or S.P.T.	Profits before Income Tax
	£	£	£
Period 8th July, 1946, to 30th June, 1947	730	—	730
Year ended 30th June, 1948	3,902	—	3,902
" " " 1949	29,496	2,210	27,286
" " " 1950	27,914	16,294	11,620
" " " 1951	38,600	6,657	31,943
" " " 1952	76,605	9,795	66,810
" " " 1953	26,306	26,083	2,223
" " " 1954	47,063	28,371	18,692
" " " 1955	74,694	94,238	19,645
" " " 1956	98,374	122,248	23,873
" " " 1957	98,902	49,408	49,494
For 12 months ended 31st December, 1946			

COMPANY MEETINGS

ANGLO-PALESTINE BANK,
LIMITED

EXPANSION OF BUSINESS

MR L. BRAUDO'S STATEMENT

The ordinary general meeting of the Anglo-Palestine Bank, Limited, was held, on April 29th, at the offices of the company, 6 Gracechurch Street, London, E.C.

The following is the statement of the chairman Mr. L. Braudo which had been circulated with the report and accounts for the year ended December 31, 1946.

On the occasion of the presentation of the bank's report and accounts for the year 1946 some additional information both on the bank's business and on present conditions in Palestine will, I presume, be welcome.

The controversies on the country's political future, the Government's attempt to enforce for the time being the policy laid down in the year 1939 under the shadow of the threatening war, and the violent reactions against this policy, are apt to obscure the fact that even under these adverse circumstances Palestine is continuing to make considerable economic progress.

Government finances show the impact of the political complications by the high amounts appropriated for security purposes, but, even so, each succeeding year shows a surplus. The 1945-6 accounts produced a surplus of £2,300,000. The surplus in the 1946-7 accounts can hardly be smaller than some £4,500,000.

IMPRESSIVE TRADE FIGURES

The trade figures are impressive. Net imports show a figure of £54,600,000, as against £30,400,000 in the previous year. In volume they are double that of the year 1945, and 117 per cent. of the 1939 volume. Exports amounted to £24,500,000, as compared with £20,400,000 in 1945. As the adverse trade balance revealed by these figures is covered by large capital imports and by Army expenditure, the balance of payments shows a satisfactory picture. Unfavourable comment on the adverse trade balance, which is often enough heard, tends to overlook the fact that, broadly speaking, it is not (in the case of Palestine and similar young countries) the import surplus which calls for capital import, but the capital import which causes the import surplus.

Deposits in all banks (including our own) went up by £8,200,000 and deposits with the local loans and savings societies by £2,400,000. The note circulation went down by £5,020,000; one may, perhaps, see in this decrease a welcome indication of a return to normal conditions.

Whilst in the season 1945-6 4,600,000 cases of citrus fruit were shipped, the total export for the present season, now drawing to a close, is estimated at 7,800,000 cases.

The consumption of electric current went up from 216,000,000 kw hours in 1945 to 252,000,000 in 1946.

GENERAL PROGRESS

The general progress to which I have referred is reflected in the bank's accounts.

Deposits are up again by £5,300,000, and the growing demand for credit facilities has enabled us to expand our business by nearly the same amount. The aggregate amount of our liquid means (including short-dated Government securities) has in consequence remained practically unchanged at somewhat over £36,000,000.

Our main subsidiary, the General Mortgage Bank of Palestine, Limited, has again shown satisfactory results and has, for the first time since the outbreak of war, resumed lending on a large scale. It has paid a divi-

dend of 6 per cent., subject to Palestine income-tax (5s.).

The Otsar La-Taassiya, Limited, which specialises in the granting of medium and long-term loans to industry, and the Otsar La-Hagla-uth, Limited, which grants similar credits to agriculture, have found employment for the whole of their available means and expect to increase their capital in the course of the present year. It is intended, for the present, to allow them to retain their profits in the business instead of distributing them by way of dividends. We are the main shareholders in these two companies.

NEWEST SUBSIDIARY'S GRATIFYING RESULT

Our newest subsidiary, the A.P.B. Investment Company, Limited, of which I made mention last year, has made a gratifying start. Its present available means amount to £750,000 and profitable investment has been found for the whole of this amount. The company is beginning to attract the attention of many investors in the sterling area.

The profit and loss account shows a profit of £177,950 for the year, after a generous allocation to the contingency accounts. This has enabled the directors, as will have been observed from the report, to appropriate an amount of £125,000 to the reserve fund and to recommend the payment of a final dividend of 4½ per cent. (free of income-tax) on the ordinary and "A" ordinary shares, thus bringing up the total dividend to 7 per cent., tax free.

The report and accounts were unanimously adopted.

The retiring directors, Mr L. Braudo and Dr George Halpern, were re-elected. The General Manager, Mr S. Hoofien, who had recently been co-opted as a member of the Board of Directors retired in accordance with the Articles of Association and was re-elected as a director. The auditors, Messrs Jackson, Pixley and Co., having been re-appointed, the proceedings terminated.

NORTH BRITISH AND
MERCANTILE INSURANCE
COMPANY, LIMITED

FURTHER PROGRESS

The annual general meeting of the North British and Mercantile Insurance Co., Ltd., will be held, on the 8th instant, in Edinburgh.

The following is an extract from the circulated statement by the chairman, the Rt. Hon. Lord Brand:—

Life Department.—In 1946 the net new business completed amounted to £5,921,105. This constituted a record for the company and represented an advance of no less than £2,822,539 over the previous year's total.

Fire Department.—Premiums have increased by over £1,000,000. Losses have again been very heavy, particularly in the United States. The profit is £79,700 as compared with £148,753.

The premiums of the Railway Passengers Assurance Co., which transacts our Casualty business, totalled £2,069,225, an increase of 28 per cent. The underwriting profit amounted to £56,950 compared with £68,214.

The accounts of The Ocean Marine Insurance Co., Ltd. by whom our Marine business is transacted, show premiums for the year 1946 of £765,232 against £674,618 in 1945. We have transferred £200,000 to profit and loss account from profits of past years now closed.

In The Fine Art & General Insurance Co., Ltd., the premium income amounted to £533,604 against £473,333. The underwriting profit was £50,190 compared with £63,408.

Consolidation of Profit and Loss Accounts.—Summarising the results of our various sections, underwriting profit amounts to £386,840, compared with £430,375 in the previous year. Net interest shows an increase from £433,652 to £448,260. After allowing for allocations the aggregate balance to be carried forward is £7,686,254 against £7,619,925. A dividend of 7s. per share less income tax is again recommended, payable one-half on May 15th and the other one-half on November 11th. This dividend, with the preference dividend, will absorb £462,000.

ENGLISH ASSOCIATION OF
AMERICAN BOND AND
SHAREHOLDERS, LIMITED

A SATISFACTORY REPORT

MR J. F. A. SWANSTON'S SPEECH

The sixty-second annual general meeting of the English Association of American Bond and Share Holders, Limited, was held on the 30th ultimo at 5, Great Winchester Street, London, E.C., Mr J. F. A. Swanston, the chairman, presiding.

The secretary (Mr George Cooper) read the notice convening the meeting and the report of the auditors.

The chairman said: Gentlemen, unless any shareholder signifies to the contrary, I will assume it to be the wish of the meeting that the annual report be taken as read. (Agreed.)

However much I might be tempted to dwell on investment possibilities in Canada and the United States, the present controls and restrictions make it incumbent upon me not to discuss them on this occasion, but all those who in the past have been interested in business relations with the U.S.A. and who hope to be able to take a like interest in the future, can derive hope from the speech delivered by the American Ambassador at the Pilgrims' Dinner on April 22nd.

As he expressed it, "The links of the chain which binds Britain and the U.S.A. have been forged upon a common furnace of experience." He gave an impressive list of "the Golden Coins of our Common moral currency." By its economic policy his country hoped to open markets and make the world less divided. The closer relationship and co-operation between this country and the U.S.A. will hasten the time when we can expect to return to normal reciprocal trading relations.

IMPORTANCE OF EXPORTS

Before this can be accomplished, we, in Great Britain, must see to it that our production is vastly increased, firstly in coal and subsequently in all other industries, in order to increase our world trade and have a substantial balance of exports over imports. We shall then, but not till then be in a position to invest money abroad.

I might add that both Canada and the United States have progressed in wealth and prosperity, although, of course, they are not without their problems in both countries. And I am sure you will agree that both are keenly concerned for the rehabilitation of their old customer—Great Britain. Upon that unity, understanding and close co-operation of the British Commonwealth of Nations and the United States of America rest the peace and the hope of the world.

We are presenting what we feel we may call, from every point of view, a thoroughly satisfactory report, as a result of our activities in the year 1946, and your board are very sensible that such results can only be attempted by the team work of officers and staff in our various departments. We are sure you will wish to join with us in paying this tribute to their work.

The report and accounts were unanimously adopted; the proposed final dividend of 9 per cent., making 12 per cent., less tax, for the year, was approved; the retiring director, Mr. Hubert Smithers, was re-elected; the auditors, Messrs. Peat, Marwick, Mitchell and Company, were re-appointed, and the proceedings terminated with a vote of thanks to the chairman.

THE ROYAL LONDON
MUTUAL INSURANCE
SOCIETY, LIMITED

INCOME - - - £12,400,000
TOTAL ASSETS - £72,000,000

The eighty-sixth annual general meeting of this company was held, on the 29th ultimo, at Winchester House, London.

Mr J. K. Wiseman, F.C.I.I., chairman and joint managing director, who presided, in the course of his speech, said:—

We have made our customary valuation of the investments at the end of the year. The market value of Stock Exchange securities substantially exceeds the book value, and the investment reserve remains intact.

Turning now to our accounts, the total income for the year amounted to £12,430,000, an increase of £744,000 over the previous year. The combined premium income amounted to £9,770,000, an increase of £578,000 over the previous year.

The total claims and surrenders paid during the year amounted to £4,656,000. This, however, only partially represents the amount applied for the benefit of policyholders, as a proportion of the premiums being paid now are set aside to provide for sums assured which emerge for payment in the future. In this way, in addition to the £4,656,000 paid to policyholders during the year the sum of £4,293,000 has been added to the funds as provision for future payments to policyholders, these two items together making a total of £8,949,000.

The premium income in the ordinary branch (including consideration for annuities granted) amounted to £2,659,000, an increase of £216,000 over the previous year.

During 1946 new policies for a sum assured of £7,743,000 were issued. This is a record in the society's history.

In the industrial branch the premium income for the year amounted to £7,110,000, an increase of £362,000 over the previous year. Claims and surrenders amounted to £3,130,000.

The amount added to the fund during the year was £2,888,000, which includes £1,818,000 interest on investments. This addition to the fund is money put aside as a provision for future payments to policyholders. Adding this item to the actual disbursements to policyholders during the year the total is £6,018,000. Thus the actual amount paid to policyholders, plus the amount added to the fund, which provides for future payments to policyholders, together make up a sum equal to 85 per cent. of the premiums received.

The premiums received on the fire and accident and general insurance business amounted to £320,000, an increase of £72,000 over the previous year, but as the whole of this business has been reinsured it does not appear in the accounts.

The report and accounts were unanimously adopted.

RICHARD COSTAIN, LIMITED

HOUSE BUILDING RESTRICTIONS

MR R. R. COSTAIN'S SURVEY

The fourteenth ordinary general meeting of Richard Costain, Limited, was held, on the 1st instant, at the Chichester Room, Dolphin Square, London, S.W. In the absence of the chairman, Mr R. R. Costain, C.B.E., Mr A. P. Costain, joint managing director, presided.

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

Before referring to the accounts of the company, it is with sincere regret that I have to advise you that Mr R. A. Costain has decided to resign his directorship of the company, his action being prompted by the recommendations of the Cohen Report. It was only last year that he resigned the chairmanship. This loss to the company will be very great, but I am sure he has the good wishes of us all in his well-earned retirement.

I referred last year to the uncertain trading outlook, and your directors are gratified that while the consolidated trading profits show a small reduction compared with 1945, the net balance available after taxation is well maintained. You are able, for the first time, to compare the consolidated profit and loss account with that of the previous year.

POSITION STRENGTHENED

The financial position of the group has been consolidated and strengthened by the issue during the year of £1,469,000 mortgage debenture stock by Dolphin Square, Limited, a subsidiary company, which enabled existing mortgages and bank overdrafts to be repaid.

The accounts show a net profit for the year of £86,183 which, with the amount brought forward, and after having made the necessary provisions for the dividend on Preference shares and Preference share capital redemption reserve, gives an available balance of £127,501. Having regard to the exceptional trading losses sustained in this country in the early part of 1947 (due to weather conditions and the fuel crisis) and developments taking place overseas, the sum of £50,000 has been transferred to a special provision account, to be used, if necessary, in respect of these contingencies. It is proposed to ask the meeting to approve a dividend of 10 per cent., less tax, on the Ordinary shares, which leaves a balance to be carried forward of £49,562.

HOUSES AND FLATS

Before considering future prospects, I would first like to refer to the large amount of property owned by your company and its subsidiaries, including a considerable number of houses, all covered by the Rent Restrictions Act. You are no doubt aware that this Act precludes the raising of rents to meet increased costs, but, in spite of this, your company has endeavoured to maintain as high a standard of repair as is possible today. A far more momentous problem, however, is that of the flats owned by your subsidiary company. Here, of course, I refer to Dolphin Square. It is a debatable point whether the Rent Restrictions Act applies to this building, but up to the present your directors have not proposed any general increase in rents as such, although present and possible future increases in rates will, in the meantime, have to be passed on to tenants.

Day-to-day costs of operating this important undertaking have, during the last war and the post-war period, shown a considerable increase, and they are still rising. At the present time they are more than £25,000 per annum in excess of 1939 costs. Local authorities have already raised their rents

and it is to be hoped that the Government will soon permit the burden of the additional costs of maintaining and running private properties to be shared by the tenants in increased rents.

FACTORS IN THE OUTLOOK

During the last 12 months, we have ceased our private house-building. The restrictions imposed by the Minister of Health, and the negotiations necessary in order to build even a few houses, make the proposition entirely uneconomical for the private house-builder. Nor does the new Town and Country Planning Bill clarify the position—indeed, the reverse is true. From the personnel angle alone, it will be extremely difficult to find enough men capable of administering it, and lack of skilled personnel invariably leads to confusion and delay. In fact, this Bill can hardly fail to be the cause of a definite increase in the cost of houses to the nation and to the individual.

In considering the future prospects of your company, your directors have not been unmindful of these difficulties, and they have taken every opportunity of widening the scope of the company's business. You will recall that I made reference last year to the establishment of factories for the production of reinforced concrete products. These, during the course of the year, have been extended in size and are now operating as fully productive units. It is the intention of your directors to open a further factory in another part of the country, should business prospects in that area prove satisfactory.

OVERSEAS ACTIVITIES

I must make particular reference to the work that your company has for many years carried out overseas, as, apart from the ordinary business angle of these ventures, we believe that work performed abroad by British building and civil engineering firms is one of the most satisfactory channels available to this country for the invisible import of foreign currency, and has an important role in maintaining our national prestige. I trust that the Government will do everything in its power to encourage British firms in their development in other countries. The considerable reputation that your company has achieved overseas has resulted in requests from several of our clients to extend the areas in which we are operating and, in consequence, we have opened offices in Ankara, Turkey, and Salisbury, Rhodesia. You will appreciate that it would be unwise to expect financial benefits from these projects in the current year.

In spite of my gloomy prognostications, I would like to assure the shareholders of the very considerable strength of the company's position as reflected in its balance-sheet and in the well-balanced organisation which has been built up and of my confident hope that, while the immediate future may not be entirely satisfactory, the diversity of the interests held by your company will enable your directors to take every advantage of opportunities as they arise. My remarks would not be complete without referring appreciatively to the loyal and devoted service of the company's employees, whose unremitting efforts have been one of the main causes of the success of the year's work.

The report and accounts were unanimously adopted and the proposed dividends were approved.

The retiring directors, Brig. A. G. Bonn, C.B.E., M.C., and Mr J. K. Costain, were re-elected, and the auditors, Messrs James Worley and Sons and Messrs Peat, Marwick, Mitchell and Company, having been re-appointed, the proceedings terminated.

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

The annual meeting of the Clerical, Medical and General Life Assurance Society, was held, on the 30th ultimo.

The chairman, Sir Francis E. J. Smith, in the course of his address reported the resignation from the board of Sir Percival Horton-Smith Hartley, C.V.O. M.D., and of Sir John B. Lloyd, both of whom had rendered valuable services to the Society over a long period. To fill the vacancies so caused the Society had been fortunate to secure the services of Sir Arnold Stott, K.B.E., F.R.C.P., and the Right Hon. Lord Courthope, P.C., M.C.

The Society's total holding of British Government securities remained, during 1946, virtually unchanged at about £5,000,000 and increased holdings of ordinary and preference shares compensated for a reduction in mortgages and property investments.

The gross rate of interest—£4 9s. 11d. per cent. as compared with the 1945 rate of £4 11s. 5d. per cent.—reflected the general fall in interest rates during the year. The fact that the net rate had risen from £3 7s. 9d. per cent. to £3 8s. 4d. per cent. was due to the incidence of taxation in a year when, largely as a result of the bonus declaration, there was a specially high expense claim.

One agreeable effect of the fall in interest rates had been to produce a rise in capital values generally and it was possible to report that the margins between market values and book values, for which no credit had been taken in the Society's accounts had been further increased in 1946. These margins constituted a substantial hidden reserve to meet possible future adverse changes in capital values.

NEW BUSINESS

Net new life assurances in 1946 reached the record figure of £3,515,620, a gratifying result for which the Society was largely indebted to its agents, including those established by the Society's association with The Employers' Liability Assurance Corporation Limited.

The outset of the year 1946 marked the beginning of a new quinquennial bonus period and also the introduction of the Society's revised and simplified bonus system applicable to new policies issued in that year and thereafter. The rate of intermediate bonus at present allowed on any such full-profit policies as become claims by death was £1 10s. 0d. per cent. per annum. That this new system was proving popular was shown by the fact that, of the new whole life and endowment assurances issued during the year, about three-quarters had been effected on the profit-sharing basis.

THE VALUE OF LIFE ASSURANCE

The chairman concluded his address by referring to one of the Society's forms of policy which, after being suspended during the war, was once again available.

This was the supplementary units scheme, under which, for a comparatively small additional premium, the immediate cover of a whole life or endowment assurance could be trebled. The scheme included valuable options by the exercise of which the cover could be adapted in ways most suited to the policyholder's subsequent requirements.

The scheme was specially suitable for those under the age of fifty, and was extremely popular with many of the Society's younger policyholders who could, by taking advantage of it, secure adequate life assurance protection on terms which placed no undue strain upon their incomes.

DAVIS AND TIMMINS, LIMITED

RECORD ORDER BOOK

The forty-eighth annual general meeting of Davis and Timmins, Limited, was held, on the 28th ultimo, in London.

Mr F. Le Neve Foster (chairman and joint managing director) said that the net profit for the year, after making provision for depreciation, taxation and other items, was £42,388 as against £39,192 for the previous year. Gross trading profits were £68,004 as against £63,344 last year. The results of the group as a whole showed the net profit for the year at £43,568 as against £41,268. Depreciation had been provided for at the substantial sum of £18,682, which was £5,600 more than last year. That was due to the substantial increases which had been made to plant during the year.

It had been the hope of the directors that they would be able to recommend the repetition of the 10 per cent. additional bonus on the ordinary shares, and the results presented in the accounts and strength of the balance certainly would well justify such a distribution. In view, however, of the effects and consequences of the recent electricity cut-off, the directors had decided that it would be prudent to confine the distribution on the ordinary shares to the usual final dividend of 20 per cent., making 30 per cent. for the year.

STRONG FINANCIAL POSITION

The consolidated account showed a thoroughly sound and strong financial position. The total of reserves and undistributed profits had now reached the remarkable figure of £280,246, approaching nearly three times the nominal amount of issued ordinary capital of £100,000.

He did not intend to emphasise the current difficulties with which they were contending in common with all industry under present conditions. On the labour side, although still short of women, their training schemes were working well and bearing fruit. Generally, the morale and efficiency of their labour force was excellent. When last he had addressed the shareholders their raw material situation had looked reasonably comfortable, but since then conditions had deteriorated. They were, however, on excellent terms with their suppliers and could count on their goodwill.

The recent electric power shut-down in February had lasted three weeks in their area and was disastrous in effects to industry. As they were dependent on electricity for the whole of their power at all their works it had resulted in a complete cessation of production, though in the later stages by various expedients they had got a certain amount of production going again and in the last week were achieving nearly 40 per cent.

The board had decided at the outset that the company would continue to pay wages for the full 44 hours. The psychological effect of that gesture on the workers had been excellent and they were now all working overtime to make up the considerable leeway lost. It was confidently expected that by the end of June they would have made good the whole considerable production loss during the shut-down period, which would be a remarkable performance.

HEAVY DEMAND

They had a record order book at the present time and everything pointed to the heavy demand for their goods continuing for a long time to come. They had excellently equipped works and a happy and skilled band of workers. The results achieved during the last six months in spite of the difficulties encountered were most encouraging. Given a fair chance by external conditions he had the utmost confidence that, with the benefit of their unrivalled goodwill and experience in the trade and the efficiency they could demonstrate, the company would continue to give a good account of itself.

The report was adopted.

INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

A NEW PRODUCT

The annual meeting of this company was held, on the 30th ultimo, in Toronto.

Mr Robert C. Stanley (chairman and president), in the course of his address, said: The year 1946 was the first full post-war year. During this period much has been done in all parts of our company. Markets for the metals we mine have changed. A new major nickel product has been developed, prices of our output have been adjusted and much has been accomplished by our Development and Research Division.

During the past four years intense research in our laboratories and plants in Canada developed a new product, nickel oxide in sinter form. A plant to produce this material is being constructed at Copper Cliff and should be completed this year. The Nickel Oxide Sinter will afford a new form of nickel for alloy steel and stainless steel making.

SALES EQUAL PRE-WAR MAXIMUM

For the greater part of the year nickel production was about 50 per cent. of capacity but during the final quarter output was raised to over 75 per cent. of capacity. Sales were low during the first half of the year due to strikes in our principal consuming industries, such as steel and automotive. Sales of nickel in all forms amounted to 201,103,234 pounds compared with 201,572,987 pounds in 1945, about equal to the maximum sales in the pre-war years.

Our refined copper sales in 1946 were 149,777,060 pounds comparable with 215,723,220 pounds in 1945. The major portion of our sales of export copper is being made under contracts with the United Kingdom Ministry of Supply and these contracts for the year 1947 now cover 75 per cent. of our exportable production. Sales of the platinum metals in 1946 were 320,794 ounces, comparable with 381,741 ounces in 1945. The total of our world sales of mill and foundry products in 1946 was 70,528,539 pounds as compared with a yearly average of 69,721,798 pounds during the year period.

The Nimonic alloys developed in the Mond laboratories were adopted in Great Britain during the war as standard material for blades and other parts in jet engines and gas turbines. Aircraft equipped with Nimonic blades hold the world's speed record. The use of Nimonic is being extended to engines designed for commercial development.

The difference between total income and total costs shows \$29,681,352 of net profits for 1946 as compared with \$25,010,938 for 1945. Quarterly dividends on the common stock were paid at the rate of 40 cents per share. The 1946 profit, less \$1,933,899 paid for preferred dividends, left \$27,747,453, which, after disbursing \$23,325,070 for common dividends, left \$4,422,383 for earned surplus.

RESEARCH

Research has played a very important role in the progress of this company and it has proven good insurance for its prosperity. We have a striking example by comparing market conditions today with those which existed after the first world war. Modern industry progresses more effectively with nickel and its alloys.

A major aspect of our research programme is the development of process improvements in our own plants. We now have three large international research laboratories and seven plant laboratories, all located in Canada, the United Kingdom or the United States.

The report was adopted.

GOVERNMENT RETURNS

For the week ended April 26, 1947, total ordinary revenue was £54,333,104 against ordinary expenditure of £37,925,637 and issues to sinking funds, £110,000. Thus, including sinking fund allocations of £349,015, the deficit accrued since April 1st is £2,856,085 against £101,074,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousands)			
		April 1 to April 27, 1946	April 1 to April 26, 1947	Week ended April 27, 1946	Week ended April 26, 1947
ORDINARY REVENUE					
Income Tax	107,300	88,313	69,716	17,064	16,854
Sur-tax	80,000	5,100	4,970	5,000	1,420
Estate, etc., Duties	155,000	10,325	12,620	1,680	4,470
Stamps	37,000	3,020	2,900	1,120	400
N.D.C.	2,199	2,115	700	365	
E.P.T.	202,000	26,600	17,510	4,910	3,850
Other Inland Rev.	1,000	65	45	10	20
Total Inland Rev.	156,800	135,622	109,876	26,484	27,379
Customs	736,960	35,021	45,150	4,338	9,981
Excise	643,040	37,984	28,644	24,284	15,544
Total Customs & Excise	1,380,000	73,006	73,794	28,622	25,525
Motor Duties	50,000	2,675	3,030	175	487
Surplus War Stores	95,000	...	503	...	350
Surplus Receipts from Trading	65,000	...	...	...	...
Post Office (Net Receipts)	11,000	370	...	370	...
Wireless Licences	1,000	160	160	160	160
Crown Lands	21,000	1,052	44	...	...
Receipts from Sundry Loans	270,000	1,682	4,014	85	433
Miscellaneous Receipts	345,100	212,980	191,422	55,896	54,333
Total Ord. Rev.					
SELF-BALANCING					
Post Office	144,230	8,400	7,800	2,950	2,400
Income Tax on E.P.T. Refunds	49,000	10,292	2,324	2,391	839
Total	364,423	231,672	201,546	61,237	57,572

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to April 27, 1946	April 1 to April 26, 1947	Week ended April 27, 1946	Week ended April 26, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	41,988	42,343	1,003	3,207
Payments to N. Ireland	23,000	443	696	443	696
Other Cons. Fund Services	8,000	268	267	...	...
Total	556,000	42,699	43,306	1,447	3,903
Supply Services	262,567	270,887	150,623	57,187	34,023
Total Ord. Exp.	318,137	313,586	193,929	58,634	37,926
SELF-BALANCING					
P.O. & Broadcasting	144,230	8,400	7,800	2,950	2,400
Income Tax on E.P.T. Refunds	49,000	10,292	2,324	2,391	839
Total	337,459	332,278	204,053	63,975	41,165

After increasing Exchequer balances by £123,209 to £3,213,731, the other operations for the week decreased the gross National Debt by £8,840,733 to £25,641 million.

NET ISSUES (£ thousand)

	Apr. 12, 1947	Apr. 19, 1947	Totals Mar. 31, to Apr. 19, 1947
Savings Certificates—			
Receipts	8,400	3,200	24,850
Repayments	2,400	3,000	6,800
Net Savings	6,000	200	18,050
Defence Bonds—			
Receipts	1,675	2,180	5,855
Repayments	441	708	1,750
Net Savings	1,234	1,472	4,105
P.O. and Trustee Savings Banks—			
Receipts	10,660	12,691	40,089
Repayments	9,192	10,980	36,088
Net Savings	1,468	1,711	4,001
Total net savings	8,702	3,383	26,156
Interest on certificates repaid	480	600	1,365
Interest accrued on savings remaining invested	2,255	2,271	6,781

Statistical Summary

CHANGES IN DEBT (£ thousands)

NET RECEIPTS	NET REPAYMENTS
Nat. Savings Certs. 9,600	Treasury Bills 11,638
2½% Defence Bds. 1,959	3½% Defence Bds. 1,466
2½% Treasury Stk. 9	2½% Ter. Annuities 1,428
Other Debt —	Tax Reserve Certs. 3,813
External 62,035	Other Debt —
	Internal 198
	Ways & Means Advances 63,900
	82,443

* Including £838,000 paid off in maturity.

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts. Bank of England	
1946				
Apr. 27	1820.0	2702.1	551.0	1543.0
1947				
Jan. 18	2150.0	2457.2	412.2	1681.0
25	2145.0	2461.6	395.1	1657.5
Feb. 1	2145.0	2435.2	427.2	1633.5
8	2145.0	2418.2	439.7	1600.0
15	2155.0	2441.3	469.7	1560.0
22	2165.0	2506.5	446.5	1500.0
Mar. 1	2175.0	2565.5	530.3	1500.0
8	2185.0	2600.7	583.7	1443.5
15	2185.0	2628.5	582.2	1435.0
22	2185.0	2690.9	582.6	1434.0
31	2185.0	2699.7	613.5	1456.5
Apr. 5	2185.0	2704.4	592.7	1443.5
12	2185.0	2728.8	580.6	1443.5
19	2185.0	2708.6	583.8	1463.5
26	2190.0	2692.1	519.9	1463.5

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
1946					
Apr. 26	150.0	225.7	150.0	10	2.01
1947					
Jan. 26	160.0	277.2	160.0	10	1.43
31	160.0	303.0	160.0	10	1.14
Feb. 7	170.0	290.6	170.0	10	1.52
14	170.0	263.6	170.0	10	2.17
21	170.0	277.2	170.0	10	1.79
28	170.0	246.9	170.0	10	2.16
Mar. 7	170.0	287.0	170.0	10	1.15
14	170.0	273.9	170.0	10	1.59
21	170.0	288.2	170.0	10	1.29
28	170.0	296.9	170.0	10	2.51
Apr. 5	170.0	293.9	170.0	10	2.60
12	170.0	282.2	170.0	10	2.57
19	170.0	280.7	170.0	10	3.10
26	160.0	291.8	160.0	10	2.72

On April 25th applications for bills to be paid on Monday, Tuesday, Wednesday and Saturday were accepted as to about 27 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Thursday and Friday at £99 17s. 5d. and above were accepted in full. £160 million (maximum) of Treasury Bills are being offered for May 2nd. For the week ended May 3rd the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended Apr. 12, 1947	Week Ended Apr. 19, 1947	Totals Mar. 31, to Apr. 19, 1947
Savings Certificates—			
Receipts	8,400	3,200	24,850
Repayments	2,400	3,000	6,800
Net Savings	6,000	200	18,050
Defence Bonds—			
Receipts	1,675	2,180	5,855
Repayments	441	708	1,750
Net Savings	1,234	1,472	4,105
P.O. and Trustee Savings Banks—			
Receipts	10,660	12,691	40,089
Repayments	9,192	10,980	36,088
Net Savings	1,468	1,711	4,001
Total net savings	8,702	3,383	26,156
Interest on certificates repaid	480	600	1,365
Interest accrued on savings remaining invested	2,255	2,271	6,781

BANK OF ENGLAND

RETURNS

APRIL 30, 1947

ISSUE DEPARTMENT

Notes Issued: £	Govt. Debt: £
In Circulation 1387,599,656	Other Govt. Securities 11,015,100
In Bank Department 62,648,177	Other Securities 1438,324,475
	Coin other than Gold 653,160
	Amt. of Fid. Issue 1450,000,000
	Gold Coin and Bullion (at 172s. 3d. per oz. fine) 247,833
	1450,247,833

BANKING DEPARTMENT

Capital: £	Govt. Secs.: £
14,553,000	317,140,660
Reserves 3,268,175	Other Secs.: 17,957,853
Public Depts. 6,873,486	Advances 27,700,353
	Securities 45,658,206
Other Depts. 803,725,063	Notes 62,648,177
Other Assets 97,988,403	Coin 961,083
	426,408,126

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

COMPARATIVE ANALYSIS (£ millions)

	(£ millions)			
	1946		1947	
	May 1	Apr. 16	Apr. 23	Apr. 30
<i>Issue Dept.:</i>				
Notes in circulation	1345.0	1396.6	1387.9	1387.6
Notes in banking department	55.2	53.7	62.3	62.6
Government debt and securities*	1399.1	1449.3	1449.4	1449.3
Other securities	0.9	0.7	0.6	0.7
Gold	0.2	0.2	0.2	0.2
<i>Valued at s. per fine oz.</i>	<i>172/3</i>	<i>172/3</i>	<i>172/3</i>	<i>172/3</i>
<i>Banking Dept.:</i>				
<i>Deposits:</i>				
Public	9.1	9.0	8.4	6.9
Bankers'	238.9	305.7	288.7	303.7
Others	56.6	100.1	99.6	98.0
Total	304.6	414.8	396.7	408.6
<i>Securities:</i>				
Government	222.3	348.2	330.2	317.1
Discounts, etc.	20.8	12.4	14.4	18.0
Other	23.1	17.6	16.9	27.7
Total	266.2	378.2	361.5	362.8
Banking dept. res.	56.3	54.6	63.1	63.6
%	%	%	%	%
"Proportion"	18.4	13.1	15.9	15.5

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 (1946 Accounts)

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Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 111 Broadway, New York, 6.—Saturday, May 3, 1947.

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UNIVERSITY OF LONDON

The Stamp Memorial Lecture, entitled "Economics in the Sphere of Government," will be given by the Rt. Hon. Sir John Anderson, G.C.B., G.C.S.I., G.C.I.E., F.R.S., M.P., at the University of London: The Senate House (entrance from Russell Square or Malet Street, W.C.1), on Monday, May 12th, at 5.30 p.m. The chair will be taken by the Vice-Chancellor of the University of London (Professor D. Hughes Parry, LL.M., M.A.). Admission free, without ticket.

JAMES HENDERSON, Academic Registrar.

PROVINCE OF NEW BRUNSWICK

FOUR PER CENT REGISTERED STOCK, 1949.

For the purpose of preparing the Interest Warrants due July 1, 1947, the BALANCES will be STRUCK on the evening of June 2, 1947, after which date the Stock will be transferred ex-dividend.
 For BANK OF MONTREAL.

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

PROVINCE OF QUEBEC

FOUR-AND-A-HALF PER CENT REGISTERED STOCK, 1954.

For the purpose of preparing the Interest Warrants due July 1, 1947, the BALANCES will be STRUCK on the evening of June 2, 1947, after which date the Stock will be transferred ex-dividend.
 For BANK OF MONTREAL.

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

DOMINION OF CANADA

THREE-AND-A-QUARTER PER CENT REGISTERED STOCK, 1958-63.

For the purpose of preparing the Interest Warrants due July 1, 1947, the BALANCES will be STRUCK on the evening of June 2, 1947, after which date the Stock will be transferred ex-dividend.
 For BANK OF MONTREAL, Financial Agents of the Dominion of Canada in London.

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

The Economist

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May 10, 1947

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VOL. CLII NO. 5411

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2.

Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3

BY AIR (U.S. and Canada only) \$24

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Is Britain Finished?

THERE is a sense in which the Moscow Conference can be said to have been decisive precisely because it decided nothing. It ended the phase of post-war history in which the victors clung to the belief that they could work out agreed policies. Henceforward, the two opposing groups of states will more and more go their respective ways. Willy-nilly, world politics moves back towards the balance of power, and issues will now tend to be determined by the relative strength or influence of the two groups. This has not been willed by the Western powers—and possibly not consciously willed by the Russians either. But it has happened, and it therefore becomes a matter of some relevance to assess the relative weights and influences. How strong are the powers? In this and the succeeding issues of *The Economist* it is proposed to pass in brief review some of the data that go to make up the answer to the question. Next week an attempt will be made to take a clear view of Russia, free either of romantic idealism or of alarmist fears.

But in these matters, clarity begins at home, and the first question to be asked is obviously that which has been set at the head of this column and which has so often recently been answered in America with a finality that is as solicitous as it is maddening. The fact that the downfall of Britain has been falsely prophesied so many times before does not of itself make the prophecy untrue this time. There are at least enough data in the present state of things to make it necessary for the question to be solemnly posed. Is Britain finished?

It is not proposed to try to guess here how Britain would fare in another war. It is only in the last resort that even the argument of power politics becomes one of power to make war; the more interesting question is whether Britain will be able, by remaining a great power, to help in preventing the last resort from arising, or whether it is our lot in future to join those who wait on the sidelines to learn their fate.

The case for the prosecution rests on two arguments. The first is that Britain is an imperial power or nothing; that the overcrowded island of Great Britain, shorn of its imperial estate, so far from being a great power, would be a great weakness to all its associates; and that the British Empire is dissolving before our eyes. The second argument is that because of shifts in the economic currents of the world the British people can no longer support themselves in the style to which they have become accustomed and that the enforced reduction of living standards to which they will have to submit will undermine their vitality. The two arguments are clearly connected; but they can be dealt with separately.

It would be foolish to deny that the Empire has been, and is, a source of wealth to Great Britain. But the relations between Britain and the Empire are, in overwhelming measure, those of mutual interest. What Britain gets from the Empire is paid for in full—sometimes more than fully. It is true that the formal ties of sovereignty are being loosened, but in neither of the two aspects that really matter—strategy or economics—have any of the ties been severed, or even seriously frayed. It does not at present seem likely that the approaching end of the British

Raj in India will have catastrophic economic consequences for Britain; India, after all, has long had its full economic independence. It is still less likely that the independent Indian state or states will be unwilling to play their part in the design of Commonwealth defence. The other area where evidence of the collapse of the British Empire is often found is in the Middle East. In the Eastern Mediterranean the retreat is undeniable; but it is very doubtful whether that area is still vital for Britain, and further east, in the Persian Gulf countries, where the interest is certainly vital, there is no retreat. The vital interests of the British Commonwealth, economics marching with strategy, lie in the oceanic fringe of the Continent of Europe, in the Atlantic Ocean, in the African Continent and in the Indian Ocean. Not one of them has been abandoned, not one of them is more seriously threatened now than before the war, except by the cosmic threat that overhangs all civilisation everywhere. The Commonwealth is a loose-jointed organisation; but it is still a very effective one.

★

The second argument cannot be so summarily dismissed. Even though the outer limbs of the Empire are as strong as ever, the central heart-beat is painfully irregular. It is manifest that the country is in a serious economic mess at the moment. It is also manifest, as has so often been insisted here, that an even more difficult economic crisis is coming next year. These things cannot be laughed off or waved aside; they are serious, far more serious than the British people realise even yet. But are they permanent weaknesses?

Many of the economic afflictions of the moment are clearly no more than the inevitable after-effects of wartime distortion. This is true, above all, of the maldistribution of labour. Men and women were moved into the wrong places during the war, and it is proving a more difficult job than was expected to move them back to where they are most needed. It is almost inconceivable that this situation should last very long. It can be corrected in one of two ways, either by the compulsory direction of labour or by the reappearance of a certain degree of unemployment. Both are distasteful and would be unwelcome. But sooner or later, one or the other will do the trick. There is no reason to suppose that the purely wartime distortions will be permanent, however slow they are in taking their departure. Much the same applies to the additional distortions and scarcities produced by the fever of inflation in which the country now finds itself. Inflation cannot last for ever; if it is not deliberately deflated, the bubble will burst, and the public will be astonished to discover how many things then fit into place. The months of waiting for the adjustments to be made may well be weary, and the method of adjustment, when it comes, painful; but unless all past economic history is misleading, it will surely come.

Underlying these temporary difficulties, however, are two more serious: shortage of coal and shortage of dollars. Neither of these is a temporary phenomenon, though the effects of both are aggravated by temporary conditions. Neither the shortage of coal nor the shortage of dollars can be expected to correct itself automatically. The shortage of coal ought nevertheless to be curable in time. It is a technical problem; the requirements are known and the method is agreed. If the coal mines could be properly concentrated and properly equipped, there should be no difficulty, in time, in raising the necessary quantity of coal or even in lowering the real costs of getting it. Moreover, in the National Coal Board, the instrument of a deliberate policy exists. How much time will be required is the crucial question and one that is difficult to answer. But it will be very surprising, and a sign of very bad management indeed of the nation's affairs, if the decade of the 1950s is, on the average, one of coal shortage.

The problem of the balance of payments is far more complex, far more intractable and possibly still more catastrophic in its

effects than the coal problem. Indeed, over the period of the next year or two it is very difficult indeed to see how it is to be solved. But in the longer context of ten or fifteen years it is less frightening. The size of the problem, after all, is not overwhelming. Of the total output and expenditure of the United Kingdom before the war something like one-fifth entered into some form of international trade. The basis of exchange has not been destroyed, but only distorted, and a regrouping of the national resources affecting only about one-tenth of the total would be ample, if it were successful, to balance the account. The task is a very heavy one to impose on an exhausted country at a time when it has many other adjustments to make and when the world is upside down. But in a longer-term context it is probably a smaller adjustment than was successfully accomplished by, say, Australia in the Great Depression.

Moreover, the balancing of the British accounts will some day be powerfully assisted by a turn in the world conjuncture. It has become a truism to say that the whole world is now a sellers' market; but it is perhaps not fully realised how much this affects the British economy. There is every reason to expect before long a fall in the world prices of primary products—especially of foodstuffs, but also of many raw materials—that will be second in sharpness only to those of 1921 and 1931. Not only will Britain gain in relative prices, but there will also be a great gain in the availability of supplies. This will not make low costs and high quality of British export goods, or aggressive salesmanship in disposing of them, any less necessary. But it will bring the solution of the problem of the balance of payments well within the range of possibility.

The chief reason for believing that the balance-of-payments problem will be solved, however, is that it must be. It is not the sort of problem that can drag on from year to year. No country can live on credit indefinitely, or even, in Britain's position, for very long. If the patient does not naturally recover, he must be operated on. The solution may be relatively painless or it may be very painful. But a solution will have to be found, and no Government, however hesitating or divided, can postpone it. Thus the very intensity of the crisis that faces Britain in the remaining years of the 1940s is itself the strongest reason for thinking that it will be surmounted before the 1950s are far advanced.

The conclusion towards which these arguments point is not in itself wholly reassuring; but it has the elements of reassurance in it. Nothing can wave aside the difficulties of the next few years. But there is nothing equally ineluctable in the external framework of the long-term problem. The two major problems—coal and foreign exchange—ought to yield to careful policy and hard work. Indeed, it can be argued that the greatest menace to British strength and influence in the world lies not in the catastrophic stoppages that the public mind now fears but in something far less dramatic and more insidious. The danger is not that Britain will never be able to recapture the place it held in the world before the war, but that it will be content with mere recapture and will not make the effort to keep up in the race. In this technical age, all strength ultimately depends on productivity; productivity depends on keeping up the rate of capital formation; and that in turn depends on habits of thrift and enterprise. America and Russia will both certainly go on creating new productive capital at a rate sufficient to keep their economies progressive, the one by sheer superabundance, the other by deliberate restriction of consumption. But in Britain it is still too early to say whether the retreat from individual organisation of economic affairs—a retreat in which both major parties are engaged—will succeed in substituting collective providence and enterprise for the individual virtues. This is the real question. There is nothing in their present external circumstances that need defeat the British people or lower their estate in the world. Their fate lies in the future, and with themselves.

No Teeth for Uno

N EARLY two years have passed since there was general rejoicing over the decision of the victorious Allies at San Francisco to "put teeth" into the Charter of the United Nations. It would be more accurate to say that they conceded to the Security Council the right to have and use teeth; Articles 41 to 51 laid down how armed forces—and facilities to use them—would be provided by member nations, under special agreements and according to plans recommended by an expert committee. There, until last week-end, the matter publicly rested; and anyone who regards as metaphysical the distinction between the Security Council's teeth and those of its members should study the report just presented by the Military Staff Committee of Uno. It is in several respects incomplete—for instance, it gives no estimate of cost—but it offers most illuminating glimpses of agreement and disagreement between American, British, Chinese, French and Russian military experts "on the general principles governing the organisation of the armed forces" to be made available to the Security Council. In the jargon of the day, it gives a blue-print of that body's dentures: for dentures they will be, to be put in and taken out as emergencies come and go.

It has taken the representatives of the Allied chiefs of staff nearly fifteen months to get this far. Not until Mr Truman and Sir Alexander Cadogan had expressed curiosity about the progress they were making and anxiety about the toothlessness of the Security Council did their discussions show signs of crystallising. What has now appeared will shatter many illusions but not all hopes. For there is more agreement than disagreement, and the way lies open to useful work. But, as is the way with the Security Council in its present phase, the few disagreements threaten to cancel out the agreements, or at least to frustrate them. Not for the first time the Russian representatives have exposed their government to the suspicion of playing for time. For there are several important points of disagreement at which they stand inexplicably alone against their allies the British, the Americans, the French and the Chinese. The outstanding instance is the failure to decide how big a Uno force should be and where and how it should be held ready.

The Military Staff Committee make no mention of sizes and numbers. In spite of persistent rumours from New York that they have talked in terms of a "Uno force" two million strong, the tendency of their report is to recommend that it should be as small as possible. In spite of wide-felt hopes that there might be a permanent international police force always ready for swift action, they lay special stress on the swift withdrawal and disbandment of the force once its work is done. It is argued that, even when under their United Nations supreme commander, the national contingents will retain their own commanders and their "national character," and be subject to their own discipline and regulations. There appears to be no question of allowing an American contingent which has lost its aircraft carriers to be reinforced by carriers from the British contingent; or of allowing French infantry to reinforce a Russian unit which has suffered losses at the hands of Uno's enemy. And although the Service experts agree—as they must—that the Uno forces should be ready to start operations "in good time," the degree of readiness of the national contingents is to be fixed by the politicians of the Security Council. Indeed, there runs through the report an almost comic eagerness to ensure that the five Great Powers which are permanent members of the Security Council, and which will "contribute initially the major portion" of Uno force, shall never get away to anything but an exactly fair start—better no start at all than

anything that looks like a handicap. Suspicion of motives and reluctance to surrender sovereignty, or even to make temporary loans of it, crop up on every one of the eighty pages.

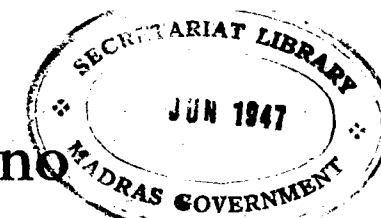
Yet the Big Five succeed in agreeing on 16 articles out of 41. They agree that the contingents maintained for Uno force shall be taken from the "best trained and equipped units" they have; that no member nation should be asked to increase its forces in order to do more for Uno force; that some nations need furnish only facilities; that the special contingents may be used only for Uno force and only for the time which the Security Council lays down as necessary to carry out their international task; that each national contingent shall provide its own reinforcements, supplies and transport; that each shall be based during operations wherever the Security Council decides; that they will be for that time under the "control" (the French draft says *autorité*) of the Security Council and under the strategic direction of the Military Staff Committee.

It does not take a military expert to see the farcical effect of many of these agreed principles. They assume a united and determined Security Council, deliberating and deciding with lightning rapidity—and forgetting all about the veto. They assume concerted and secret staff plans for the concentration of forces in any quarter of the globe at short notice; which in turn—as the French point out—assumes that the supreme commander of Uno force will know the locations, state of readiness and strength of all the national contingents ready for use. They further assume that the measures "not involving the use of armed force"—such as economic sanctions and cutting of communications—recommended in Article 41 of the Charter to precede the use of armed force, will have been concerted beforehand. But these assumptions underlying the agreed clauses are nothing compared with those implied in the articles of the report over which the Big Five failed to agree.

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The chief points of disagreement are five: about the relative strength and composition of the national contingents to Uno force; about the strength of the air forces to be kept "immediately available for combined international enforcement action" in accordance with Article 45 of the Charter; about the offer of bases and facilities to Uno force and the control of them while in use; about the location of the contingents when they are not under Uno command; and about the time to be taken over their withdrawal when their job has been done. Obviously, agreement on each of these points is essential to the planning of operations; without it Uno force, as a whole, could neither take the initiative, nor concentrate, nor indeed move at all.

The first difficulty arises because the Russians insist on interpreting literally Article 2 of the Charter, which says that "the Organisation is based on the principle of the sovereign equality of its members"—the principle which, one day, may kill Uno. General Vasiliev uses this article to insist that the contingents contributed by the Big Five shall be equal in strength and composition. His four colleagues merely suggest that there should be "comparable initial overall contributions." In other words, the Russians want each of the Big Five to contribute the same amounts and types of men, machines, ships and equipment. Presumably, this is intended to ensure—among other things—that nations with conscription do not have to provide all the infantry while nations without it provide only aircraft and ships. The Russians, it is true, concede that in practice differences might be permitted in the contingents contributed, but only by decision of the Security Council and



only if asked for by one of its permanent members. Until this point is settled, the Russians refuse to allow the Security Council and the Military Staff Committee to begin estimating the overall strength that Unoforce will require.

On bases again the Russians hold a lone view. The British and Americans are ready to give the Security Council on paper the run of bases and facilities. The French and Chinese agree that mention must be made of those bases which Unoforce may require (are all the bases of the five Powers to be kept ready for Uno?—ask the French). The Russians reply that Article 43, of the Charter—which is the basis of the Military Staff Committee's work—does not mention bases; why then should this report? And whereas the other four agree that members shall retain sovereignty over bases and facilities placed at the disposal of the Security Council, the Russians do not. It is difficult to see why.

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When they come to the question of where the national contingents for Unoforce shall be located, strategic and political suspicions become blatant. The Russians say these forces should be kept within national territories and territorial waters or in ex-enemy territories. The Americans, British and Chinese say they should be based in any territories or waters to which they have legal right of access. The French would like to add ex-enemy territories and agreed strategic areas of their own and other people's territories. The wording of the drafts shows that the Russians feel strongly on this matter, and still have in mind the dispute over British troops in Greece and Indonesia. The French politely point out that, while they have a world-wide federated Union to look after, Russia "is territorially and constitutionally united"—which goes to the heart of the whole matter.

Then there is the most urgent question of the air forces to be kept "immediately available" for "combined international enforcement action"—as laid down in Article 45 of the Charter. The Russians say: work out first of all the full implications of the more general Article 43—which means, in fact, settling the whole problem of Unoforce—get agreements signed between the Security Council and individual governments, and then let the Security Council determine what portions of national air forces shall be held ready for action. There is no doubt that the Russian interpretation of the Charter is here formally correct; but by insisting on it against their colleagues they are postponing indefinitely the day when the Security Council will have some teeth to bite with.

Clearly the important differences, which might hold up progress indefinitely, are those on the constitution of the force and the location of its contingents in quiet times. The Americans point out that the Russian insistence on equal contributions by the Big Five means a levelling down, of the most doctrinaire Socialist kind, with the weakest setting

the standard. If one of the Big Five has no four-engined bombers, then Unoforce must have no four-engined bombers. The Chinese—very appropriately—point out that nothing will alter the fact that national forces are at different levels of quantity and quality, and the British argue that by maintaining these discrepancies equality of sacrifice is ensured. But the Russians stoutly maintain that no member should have any advantage at all—presumably in case the contingents of Unoforce fall out among themselves as used to happen among allies in the Balkan wars.

It has of course to be remembered that the Security Council, besides planning its own armaments, is studying proposals for everybody else's disarmament; and that if in time the Great Powers did disarm to any significant extent, notable discrepancies in certain types of armament—say between American and Russian long-range aircraft—might have dangerous possibilities. But to remove such discrepancies is clearly a task for general political negotiations, not to be undertaken in a first draft of general principles for an international force. Until diplomatic efforts have been made to overcome the major differences, there is clearly no point in the Military Staff Committee continuing its work on present lines. Fifteen months spent in producing such a document is a nonsensical waste of time. While the deputies of the five chiefs of staff have sat and wrangled in New York, the chiefs themselves have gone on—as chiefs of staff always must—considering plans against their potential enemies, who are only to be found among the Big Five. And their Ministers have made hypocritical speeches about the necessity of maintaining large national forces in order to fulfil their commitments under the United Nations Charter.

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It would be more honest, more realistic and pacifying if the British, French and Americans went on with the regional arrangements for defence and economic co-operation, which are provided for in the United Nations Charter. The Russians have already made theirs in eastern Europe—a point which is often overlooked—and there is no reason why Mr Molotov should be either surprised or irretrievably estranged if similar arrangements were set in train in western Europe, the Mediterranean and the Pacific. Sooner or later any international security system will have to be based on such regional plans, and Article 53 of the Charter recognises the fact. It is true that Article 53 provides that "enforcement action" under regional arrangements shall be taken only with the approval of the Security Council. But approval by the Security Council means now agreement between the Americans and the Russians. And that agreement will not come about inside Uno until it has been vigorously and earnestly sought outside it. Meanwhile it will do the Security Council no great harm to remain toothless for a couple of years or more; the likely bones of contention are still too large for it and are likely to remain so.

Planners' Opportunity

THE Town and Country Planning Bill, having been digested—so far as a ruthless employment of the guillotine permitted—in twenty-five sittings of Standing Committee, is expected to be returned to the Commons for third reading next week. The Bill is better and fairer than it was, but the impact of the alterations made in committee will be slight. That this is so, despite the energy of Opposition Members and the conscientiousness of Mr Silkin, is due to the omnibus nature of the powers that the Bill confers. For years, proper planning has been thwarted for lack of powers; and now a superabundance of powers is being bestowed on the Government at one stroke. It may be as well to recapitulate the position that the Bill creates. Effective control over all types of physical development—including any change in the use of buildings or land—will be universally established. The local planning authorities, who are to be the counties and county boroughs, are to be able to prohibit development without any liability to pay compensation—which rids them of their worst boggy; and they are given facilities, on a wholly unprecedented scale, to acquire land compulsorily and to use it as they choose. Private development will have its wings clipped, while public development is set free—to do better if it can. Behind the local authorities stands the Minister, empowered to plan both by direct interference with local schemes and by giving instructions over the levying of development charges to the Central Land Board.

It is an impressive edifice of planning control, which gives to the planners a great and unique opportunity. The Bill itself is the barest of skeletons, whose success or failure will depend upon the administrative reality with which it is clothed. The acid test will be whether, with the flying start that the Bill provides, physical planning can show itself to be both effective and popular—or whether it will turn out to be just another control to weary the citizen, this time in the guise of improving his amenities. At any rate, the opportunity is there.

The part of the Bill that has been left most vague is its important financial provisions. The Government has made a welcome concession in abandoning the 1939 basis of compensation for land that is compulsorily acquired, or is subjected to restrictions on its existing use, and in substituting a formula that relates compensation fairly closely to current market values. This removes the Bill's worst anomaly. But how the central provisions relating to the compensation and betterment tangle will work out in practice remains something of a mystery. The Bill sets up a Central Land Board, which has the duty of paying compensation for the State's acquisition of all existing development and redevelopment values in the country and of levying a development charge, if it elects to do so, whenever building or change of use is permitted in future. But this is only the machinery; how the Board will operate, on what principles it will pay compensation and levy development charges—which is the important thing—is left to be settled by instructions that will proceed both from the Minister of Town and Country Planning and the Treasury, and of whose nature only a glimmer could be discerned after the most strenuous efforts by the Opposition. This is a new field of administration, in which policy—especially where development charges are concerned—needs to be experimental and variable; but such wholesale obscurity should not be necessary. Mr Silkin would agree to little more than that his directions should be of a general character, and should not amount to interference in individual cases.

The total sum available for compensation is indeed fixed at £300 million, a figure whose adequacy has never been demonstrated and which was not debatable in committee. The scheme

for its distribution is to be drawn up by the Treasury, and there is something to be said for delaying its final form until most claims have been ascertained. But the Government's whole attitude—which regards these payments as being made not of right but of its own grace and which envisages that they should be graded according to whether the prohibited development would have offended against "good neighbourliness" and so forth—has created legitimate fears about their intentions. Certainly if Mr Glenvil Hall—on his showing in committee—has anything to do with the Treasury scheme, the worst may be expected. The Government should have the decency to recognise that they are getting a good bargain, imposed by themselves, out of the transaction. They will draw all the income from site values that is obtainable from development in future, to a tune that should certainly surpass the £300 million paid out now in compensation, a sum which most emphatically excludes the unfair "float" element in land values.

There are admittedly a number of exceptional claims, such as land held by builders, where the element of "float" is less than elsewhere. In such cases, as in the case of the private citizen who means to build a house on land which he already holds, it is only fair that the compensation payable should be related closely to the development charge which will later be levied. Mr Silkin is bringing in some late amendments intended to meet this point. There are other cases—such as estimates which, in the light of the Bill, have been overassessed for death duties—where extra compensation is again necessary in equity. But all the cost of meeting these special claims is apparently to come out of the £300 million and reduce the sum available to satisfy more normal claims. This is all the more reason why the Government should not add any fancy discriminations of its own, about the deserts of owners. After satisfying the fairly exceptional claims, it would surely be best to share out such compensation as is left as a flat proportion of duly assessed claims. It is most unsatisfactory that no suitable principles for compensation have been written into the Bill.

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The levying of development charges raises a wealth of issues that have economic as well as planning repercussions. Theoretically, the collector's net can be cast very wide, taking in even small improvements to private houses where the addition to cubic content is over 10 per cent; but Mr Silkin has promised to bring in a clause that will exclude small claims for development charge—just as these are excluded from participating in compensation. The Opposition have accepted the Government's view that this charge should be varied from place to place and time to time according to the degree of desirability of encouraging development. The development charge is not envisaged as a tax at all, but as the freely negotiated price of permission to develop. It is hard to say if this idea will work well. One danger arises from the fact that the Central Land Board, unlike the private landlord, has a complete monopoly. But the Opposition's remedy of providing for an appeal against the Board's charges to an independent tribunal would hardly be appropriate in this instance, since it is of the essence of these charges that they are partly arbitrary and not governed simply by commercial considerations that are reasonably uniform.

Mr Silkin envisages that the Board will be governed by "commercial considerations tempered by public interest." This is a nice conception, which can lead to some awkward tussles. Since the Board is accountable to Parliament, it may be subjected to strong political pressure to keep down its charges, but there will equally be pressure from the Treasury to keep them up in the interest of redeeming the compensation fund. There

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will also be differences between commercial and planning needs. It is reasonable to vary development charges for broad purposes such as the encouragement of building in a development area. But the Board as an instrument of detailed planning control must be highly suspect. After all, the Minister has perfectly adequate powers of direct control, without needing to make much use of this further device, which might even serve to undermine and estrange the local planning authorities.

All in all, the advantages of flexibility in fixing development charges have been greatly overstressed. Nothing would so discredit the scheme and discourage desirable building as too much uncertainty about the Board's principles and the suspicion of unfairness which always arises when individuals are dealt with very variously. As far as possible, then, the Board should be made to act on clear and uniform principles, which should not be change over-frequently; and it is a great pity that some suitable principles have not been written into the Bill.

Whatever the impact of the Bill's financial provisions may be in practice—and it is by no means certain that land values will respond as desired or that the financial burden of development charges will always fall where it is intended—this can make little difference to the effectiveness of the new planning powers that are handed to the Minister and the local authorities. These powers, it may be repeated, are completely adequate to clear away any obstructions arising from private interests and to enable the authorities, not only to draw up whatever development plan they like, but also to execute it on their own. But this fact alone cannot make planning successful. Town planning is involving both the businessman and the householder in a new and quite onerous crop of controls, and it is essential that in return it should be made worth the candle. This is primarily a matter for a high degree of intelligence and of real devotion to the public interest (not merely to the planners' interest) among Government departments and local authorities and for properly agreed policies consistently pursued by all of them—and the Bill does very little to see that any of these things are forthcoming in due measure.

There is room here to point out just two instances, where the citizen needs to be given—and could quite well be given—

Divided Dominion

ON Monday, the Royal Family return to London after their strenuous and exacting tour of South Africa, during which they visited, not only the Union, but the self-governing colony of Southern Rhodesia, the protectorate of Northern Rhodesia and the High Commission territories as well. The tour was arranged many months before the United Nations Assembly opened last autumn. But between the time it was arranged and the time *HMS Vanguard* left Portsmouth, the Union had been arraigned at the bar of the Nations and publicly reprimanded for its policy towards its coloured population. It was thus not only an ancient adversary of Great Britain that the King set out to visit. It was also a country whose people had been made angry and resentful, hurt and conscience-stricken, or even openly triumphant—according to their several outlooks. The Union of South Africa is not a united country even in normal times, for no common purpose animates the three big racial divisions—Africans, Europeans, and Indians. But the blow to its prestige administered by the United Nations had accentuated and increased its internal dissensions.

The Royal Visit was, therefore, of more than usual significance; for the Crown is the one link binding together Africans, Indians, "Coloureds" and the different brands of Europeans, and the strength of the link was now to be tested. There were

a fair return for the controls he is accepting. The first concerns the delays that are involved in getting permission to make any change, even a comparatively minor one, in the use of land. Not only does planning permission have to be asked of the local authority—which, as a matter of fact, is not normally a slow process—but the development charge will have to be agreed and security for it given, and, in the case of industrial buildings, a certificate will have to be obtained from the Board of Trade; all this is additional to the securing of the normal building permits. There is a danger that all of these permissions will wait on each other. Mr Silkin has talked of introducing a centralised licence, which would give on one document all the permissions required, together with the amount of the development charge and other details. He should make it a point of honour to introduce it at an early date.

The other instance is more fundamental. The new development schemes of local authorities will designate all the land that is liable to compulsory purchase for Government use over a ten-year period. This is a satisfactory method of planning in the open; but although the designation will be extensive, it will not be inclusive, since Government departments can come along later and acquire different land under their existing individual powers. Thus the public authorities, unlike the private owners, are not bound—even for a short period—to follow their own plan, and the security and harmony which the plan should beget is thwarted. The obvious solution is to centralise all powers of public land acquisition in one Ministry, which should presumably be Mr Silkin's. If a large degree of discipline is necessary in the private enterprise sector, a small amount of self-discipline cannot be out of place in the public sector.

This Bill is the planners' opportunity. But it will not add to the Government's popularity, unless its powers are used with courage and strength, with vision and imagination. Half-baked planning, which stops everybody else's ideas without having any of its own, is the worst of all alternatives. It is not worth its cost in controls. It will be up to Mr Silkin—having got the powers over the public that he needs—to prove that his department really can plan well and carry the other arms of Government with it, and is not just confined to stopping up the worst abuses that ran riot through the land before the war.

some who argued that, after the proceedings at Uno, the tour should have been cancelled in order to register disapproval of the Union's attitude over South-West Africa and the Indians. Those who did so showed a complete disregard for the constitutional position of the monarchy. The King is not a symbol to be lent by Great Britain to deserving Dominions. His constitutional position is the same in South Africa as it is in this country. In South Africa, he is not the King of England, but the King of South Africa. He is neither responsible for, nor approves or disapproves his Ministers' policies, wherever the seat of government. In point of fact, those on whose behalf concern was expressed at the United Nations Assembly, Africans and Indians, showed themselves loyal supporters of the monarchy. African enthusiasm for the Royal Family is always touching and can always be relied upon. But the attitude of the Indians, whose sympathies are still with India rather than with the land of their adoption, was more doubtful. Except, however, for one or two small incidents, demonstrations of loyalty were much greater than might reasonably have been expected.

Yet in one respect the King in South Africa is not above politics, for republicanism is a political issue between the two main parties. On the question whether the Union should remain tied by the Crown to the British Empire, the clash is not

between white man and coloured man, but between white and white. The doubtful factor in planning the Royal Tour was the attitude which would be taken by the supporters of Dr Malan of the Nationalist Party. How would the republican section of the Afrikaners welcome the royal visitors? This was not the first time that its attitude had been put to a personal test, for the Prince of Wales had visited the country in 1924. But it was interesting for other South Africans to speculate how people who had openly sided with the King's enemies would comport themselves in the King's presence.

As with the Indians, Royal charm seems to have won the day. Dr Malan absented himself from the Capetown ceremony of the address of welcome—even though the wording of the address, which made no mention of loyalty, was agreed upon between the parties. Other prominent Nationalist leaders were absent from the official opening of Parliament, Mr Strydom—Dr Malan's probable successor—making his absence conspicuous by remaining in the lobbies while the speech from the throne was being read. On the other hand, against these and similar incidents must be put the captivity of "General" Marsh, a local leader of the extremely republican *Ossewabrandwag*, the hospitality shown by the Nationalist mayor of Pretoria, and the attitude of the Nationalist press, which, with the exception of *Die Transvaler*, gave full space to stories of the visit. And the cheers of the Nationalist rank and file more than made up for the coolness of their leaders.

This, however, could be attributed, as it has, in fact, been attributed by Nationalists, to traditional Afrikaner hospitality, hospitality which is accorded to every visitor, august or humble. The attitude shown to royalty before the war gave no indication of the attitude of the Nationalist party when war came. The party has accused General Smuts of arranging the Royal Tour in order to strengthen his political position before next year's general election. Even if the issue of the monarchy were to be the dominating one, this accusation ignores the transient nature of the impact of Royal charm. It is highly unlikely that General Smuts was guilty of this kind of political manoeuvre. It is even less likely that he could have hoped to gain anything from it.

In any case, next year's election will not be fought over the monarchy so much as over the colour problem. And it looks as if it will be a straight fight between the Nationalists and General Smuts's United party. The Dominion party, the pro-British party, is gradually being eliminated. The Labour party, which bears little resemblance to the Labour party in this country, is hopelessly divided. The Afrikaner party, founded by General Hertzog after he broke with General Smuts in 1939, and led by the moderate Mr Havenga, who was Minister of Finance in the Smuts-Hertzog Coalition, has joined forces with the Nationalists. Neither party will lose its identity, but they will co-operate at the general election, for—so their leaders declare—"the foremost national interest of South Africa demands the rejection of the Smuts-Hofmeyr regime and the harnessing of the utmost and united efforts of their respective parties to attain this end." There is no doubt that at the next election General Smuts will have to face a formidable challenge.

His trouble is that his so-called United party is anything but united. It comprises people with pro-British sympathies who vote for him rather than for the Dominion party because they see no prospect of the latter ever being returned to office, a centre section which valiantly strives to foster a nationalism that is neither British nor Afrikaner, but South African, and Afrikaners with Nationalist sympathies who cannot accept the republican and isolationist views of Dr Malan. General Smuts's difficult task is to avoid offending any section of his varied following, in particular his near-Nationalist supporters. That is why his attitude over the United Nations, or over native and

Indian policy, often seems equivocal. He is too much of an international statesman not to realise how the tide is flowing in a world which is shortly to see an independent India. But his political acumen is too great for him to risk his leadership of his country by taking too pronounced a liberal line which would drive many of his Afrikaner supporters into the Nationalist camp.

An example of his difficulty may be found in *apartheid*. This word is not found in Afrikaans dictionaries, and it was first introduced into the South African Parliament by Dr Malan in the debate on the United Nations proceedings. It may be translated literally as "separation"; but it actually implies far more, and it is applied indiscriminately to the question of South-West Africa, the Indians and native policy in general. It epitomises the growing consciousness of European South Africans that, white immigration notwithstanding, their numerical inferiority to non-Europeans is being rapidly intensified.

When Dr Malan first used the word *apartheid*, General Smuts's followers sought to query its meaning. Recently, however, General Smuts himself used it in Parliament, declaring that it is not a new word and not a new thing. With the industrial development of the Union, the drift of the natives to the towns would grow, he said, and they would have to be accommodated next to European communities on the basis of separatism (*apartheid*). He presumably hoped to disarm his near-Nationalist followers by associating himself with a policy of *apartheid*, while at the same time removing its sting. He cannot forget that a statement by his deputy, Mr Hofmeyr, to the effect that natives and Indians would eventually be represented in the Union Parliament by members of their own race, is commonly thought to have lost him the Hottentots-Holland by-election.

It is impossible, however, to decide from the by-elections exactly how dangerous is the Nationalist challenge to General Smuts. Against the defeat at Hottentots-Holland, thought to be a safe constituency for the Government, should be set a victory in the Zululand constituency of Natal where, in spite of the discontent over the Government's Indian policy, the United party candidate defeated a strong Nationalist candidate. Altogether, since 1943, out of eight by-elections the Government has lost three seats to the Nationalists.

But although on the colour question, public opinion in South Africa may be moving towards the Nationalist party, Dr Malan has to overcome the disadvantage that he backed the wrong side in the war. This fact may sometimes be forgotten today, but in the heat and dirt of a general election, the Nationalists' prayers for a German victory and their published text of a republican constitution, that bore a distinctly Fascist stamp, will be recalled and flung back at them. On the other hand, if they live this down and are returned to power on the colour question and on general dissatisfaction with a Government that has been a long time in office, will they dare to bring this constitution into force? For all the symbolic moves towards republicanism that have characterised recent years—the disappearance of the King's head from postage stamps, the elevation of "Die Stem" to be co-equal with "God Save the King," and many similar changes—there is one consideration which must give any South African Government pause before it renounces the monarchy. The Union, outside the British Empire, would no longer have even the medium status it enjoys today among the powers. It would be condemned to be a small nation, cut off even from its neighbour, Southern Rhodesia, to which along with the white settlers of East and Central Africa General Smuts once looked to make his bulwark against black domination. South Africans are not likely to forget, moreover, that in foreign trade Britain is their best customer. Nor are they likely to forget that their security depends on Britain's control of the seas. Memories of the Royal Family may be short-lived. The symbolism of *HMS Vanguard* may endure.

NOTES OF THE WEEK

The First Five Days

Whether in the spirit of Dunkirk, the spirit of Stakhanov, or the unregenerate human desire to show those so-and-so's, the miners have got away to a flying start on their five-day schedule. Of course it is far too soon to say whether they will keep up the pace; in spite of the exhortations and warnings of Mr Horner and Mr Shinwell, whose promises to reconsider the five-day week if necessary show a welcome realism, it is painfully possible that the enthusiasm of the start will go the way of the average smoker's post-Budget resolution. Certainly, as is argued at greater length in an article on page 723, no complacency is justified; from now on, the weekly output figures will be watched with much the same feelings as the statistics of ship and submarine sinkings during the Battle of the Atlantic. Moreover, it was nothing less than brazen of Mr Horner to announce fantastic demands for higher wages—including compensation and superannuation at the same level as the guaranteed wage—before the effect of the five-day week on the cost of coal has been made clear.

Exasperating and inexcusable as is the winders' strike in Durham, there is some satisfaction to be derived from the way in which the miners themselves have reacted to it. A depressing feature of the recent crop of unofficial strikes has been the blind support of rank-and-file labour outside the immediate storm centre—a specific strike reflex, no more rational than a knee-jerk, impelling every working man with a job even remotely connected with that of the really, or supposedly, aggrieved to down tools in sympathy, regardless either of his own interests, those of the Labour movement, or those of the public. In the minefields this form of contagious St. Vitus's Dance has been emphatically avoided; if the public and the National Coal Board are unsympathetic to the winders, the miners themselves are reserving for them the sort of feelings generally entertained for scabs, and have thrown themselves wholeheartedly into the job of frustrating their knavish tricks.

If this is the beginning of a new and more rational view of labour solidarity—the solidarity of the responsible, democratic and productive against the frivolous, anarchic and destructive—then the prospects of the whole British economy are on the mend. This change of heart, if it be one, does, however, need supplementing by an improvement in labour organisation. No one has as yet really thought out the implications, in this field, of state ownership or operation. Here if anywhere, for instance, may be the justification of the closed shop; although irresponsible trouble-makers can make mischief enough without official standing of any kind, their power for harm is vastly enhanced if they are in fact officials of a splinter union. Here is food for thought during the miners' long week-end.

* * *

National Service in Committee

Proceedings in Parliament are often mystifying. Last week, by the use of the guillotine, the Government cut short the debates on the Transport Bill, in spite of the inadequacy of the similarly curtailed discussions in Standing Committee, and in spite of the fact that it is the most important and the most controversial measure of the session. This week, they allowed three days to the committee stage of the National Service Bill, taken in a committee of the whole House, of which the first was largely wasted. Since the principle of peacetime conscription had been fully discussed during the second reading, there was only one amendment of note to be debated—the Government's decision to reduce the period of service from eighteen months to twelve. Actually, there was interminable discussion on, first, an amendment to raise the age of conscription from 18 to 21, and then on proposals to leave out Wales and Scotland, to add Northern Ireland and to confine conscription to England. Since most of these amendments called in question the principle of conscription, these surely were obstructive tactics if anything was.

In moving the big amendment, the Government, as represented by Mr Alexander, cut a sorry figure. No longer did he try to pretend that the decision to reduce the period of service was taken in agreement with the Chiefs of Staff. He now explained that it was taken for economic and industrial reasons—as a result of "further study of the economic situation." This explanation will convince no one. It was easily demolished by Mr Churchill, who was in his element. Of course Mr Alexander was right in saying that the period of eighteen months had never been visualised as

an "irreducible minimum." The size of the armed forces since demobilisation began never has been an irreducible minimum. It has been successfully reduced after pressure from public opinion, and the reason why this new *volte face* on the part of the Government came about more quickly than on other occasions was the size of the adverse Labour vote on the second reading. However, the tactics worked. Labour opposition, except for a few extremists, disappeared. The Conservatives voted against the Government on the motion that eighteen months should be retained, and, when it was defeated, with the Government on the motion that twelve months should be substituted, thereby registering their disapproval of the Government's hasty switch but their support of the main principle of the Bill. But the small political advantage secured by the Government can hardly compensate it for its loss of face in the country as a whole.

* * *

Horse Sense in Lewisham

Mr Herbert Morrison has probably, during the months of his illness and convalescence, chafed a good deal to get back into the firing-line; but it cannot have escaped him that, however unwillingly, he has enjoyed some political good fortune in being out of it. He returns with prestige unimpaired, indeed heightened by contrast with that of his less fortunate colleagues, and with the added advantage of a renewed freshness of impact on public opinion. Of all the Labour leaders, he has always had the most outstanding gift of popular exposition (which is not the same thing as either spell-binding or lecturing), together with a convincingly firm personal grip on the things to be expounded.

These qualities were typically displayed in his speech to his Lewisham constituents last week. The argument between planners and anti-planners, controllers and anti-controllers, is dead; what plan, what controls, and how operated are the questions that matter. A good, sound, clear plan obviates the need for many controls, and, conversely, many and irritating controls are often a symptom of inadequate planning. Plans must put first things first, so that shortages, even if uncomfortable in the present, should not wreck the future; and they must be plans for future prosperity, not for merely making the best of present poverty. Thus one may have to plan economy in the use of electricity, but more to the point is the planning of standard electrical generating equipment. Sectional ideas, hangovers from the pre-war world, must be scrapped, whether they are held by trade unionists, employers, particular industries, or Government departments. Unofficial strikes undermine the Labour movement. Nationalisation must be carried through, where necessary, in the interests of efficiency, but most of industry should remain private and prosperously enterprising. Such were Mr Morrison's main points. How true! How sound! How eminently worth saying! How different from . . . but comparisons are odious.

Were these reasonable, well-balanced and far-sighted views recognisable in practice throughout the activities of the Government, Labour's adversaries would be disarmed, its critics, all but the wholly unreasonable, silenced, its supporters inspired, and a magnificent example set to Social Democrats the world over. But are they? Contrast with the condemnation of sectionalism, the Government's wriggling on the closed-shop issue; with the criteria of nationalisation for efficiency, the farce of the Transport Bill; with the call for overall planning, the planless Economic Survey for 1947; with the principle of first things first, the total absence of a man-power policy; and set beside Mr Morrison's opening appeal for the "right spirit" the class war catcalls of Mr Shinwell and Dr Summerskill. Admittedly the Opposition's manners are as bad or worse, but those who appeal for national unity should set an example.

Altogether, Mr Morrison has come back none too soon. More power to his elbow—and more action to match his words.

* * *

French Communists Take a Rest

Once again M. Ramadier has avoided a breakdown by the skin of his teeth. Having got rid of the Communist Ministers who on Sunday voted against the Government but refused to resign, he had to secure on Tuesday from the National Council of his own party a change of their previous ruling that Socialists must not take part in a coalition which did not include Communists, either

in the Government or in the majority supporting it. The change of that golden rule he eventually secured, but only by 2,529 block votes against 2,125, and not without a resolution forbidding the Socialist Party to join in any anti-Communist coalition which might divide the workers of France, or to stay in power supported by a reactionary majority. This, of course, puts the retiring Communists in a strong position for the future; but there is every sign that they intend to use the next few months as a "creative pause." They cannot afford to lose any of the credit that may come from improved economic prospects. They can therefore hardly provide opposition in the ordinary sense of the word.

It is early to say how much the Socialists will gain by their handling of the latest governmental crisis. M. Ramadier can have no real sense of security, for he has virtually accepted "the enemy on the left" by putting national before party principles. But he and President Auriol have done a great service to the Fourth Republic by showing that the executive can rise above party pressures, that the collective responsibility of the Cabinet can be asserted, and that the new constitution has a flexibility which was little suspected, least of all by General de Gaulle.

From the British point of view the important thing is that M. Ramadier and M. Bidault remain to deal with the ticklish German problems that will arise during the next three months. Sooner or later the invitation to bring the French Zone into the Anglo-German fusion arrangement is bound to come; and it may make some difference whether it comes from the British or the American side. The directors of French foreign policy want to work with the British on Germany, but are convinced that the revival of its western industry in the near future must be bad for France. Only the very few who are convinced that occupied Germany will never be united and that a clash between east and west is inevitable are prepared to let French policy give up its insistence on international control of the Ruhr. There is, of course, the further complication that, by one means or another, the French Zone is made to pay its way; no French Government would dare shoulder part of the financial burden created by the British and Americans in their zones.

The French are rapidly becoming export-minded, partly as a result of watching British techniques; and they see their salvation in creating a great French industrial machine with the help of specialised imports from America. Any suggestion that such imports of equipment, tools and raw materials should be shared with the Germans would cause the greatest bitterness among all sections of opinion. International control of the Ruhr is therefore seen not only as a guarantee of French security but as a condition of French industrial power.

* * *

Progress at Geneva

Reports from Geneva this week indicate that the delegates have been concerned with both aspects of their curriculum: tariff negotiations and discussions on the proposed charter of the International Trade Organisation. On the tariff front the main, and certainly most explosive, event appears to have been the intimation by the United States to the Australian and New Zealand delegations that the United States would regard it as a generous gesture to "bind," i.e., stabilise, the tariff on imported raw wool at its present level. Since this tariff is one of the highest in the world, reaching, according to quality, a figure of 70 per cent *ad valorem*, and since the Southern Dominions had counted on a substantial reduction in the American wool tariff as part of the consideration for dismantling Imperial Preferences, the effect of this intimation was unfortunate and irritating. It may well be that the American "offer" was merely in the nature of an opening gambit in the long game of negotiation which is now opening. Even so it cannot be denied that it has struck a very odd note in the American chorus of praise for the objectives of freer trade with which the Geneva Conference was launched.

The debate on the Charter has taken place between British Commonwealth delegations which this week held their first joint meeting since those which took place in London before the opening of the Geneva discussions. At this meeting the more controversial aspects of the Charter were discussed and further attempts made to arrive at the greatest possible unity of views between the Empire delegates before the full 18-nation debate on the Charter opens towards the end of this month. This general debate is being anticipated by a study group which has been set up to consider a memorandum prepared for the Norwegian delegation by Professor Ragnar Frisch, of the University of Oslo, on the general problem of international trade equilibrium and non-discrimination. The memorandum argues that discrimination is not always reprehensible, and that in certain

circumstances a careful, selective application of discriminatory methods may cause a far smaller contraction of total world trade than would result from the rigid application of non-discrimination. This plea for a flexible approach to the problem of quantitative restrictions to international commerce has aroused some approving echoes with other delegations. The Norwegian thesis clashes head-on with the American philosophy, and will prove valuable in crystallising differences on these basic issues.

* * *

International Air Standards

Organisational matters and the planning of future work are occupying the first Assembly of the International Civil Aviation Organisation (ICAO) which met in Montreal last Tuesday. Once these questions and the status of ICAO as a specialised agency of Uno have been settled its progress should be rapid. For its way has been thoroughly and skilfully prepared by the Provisional International Civil Aviation Organisation which was established in June, 1945, under the terms of the Chicago Convention on international civil aviation. The provisional body, which became permanent early in April when the requisite number of countries had ratified the Convention, has for various reasons been mainly concerned with the technical problems of aviation. The political divergencies revealed at Chicago between Britain and America on the rights of through air-lines to local traffic, or on the desirability of multilateral agreements on commercial rights and the refusal of Russia to participate in the organisation's activities indicated clearly that, until the attitudes of these Powers changed, effort would be better spent on more technical matters.

There are now signs that the attitudes of Britain and America at least are coming nearer together, although the British proposal for an international company to own and operate the main air lines of the world, first raised last May and now repeated this week, envisages a much greater degree of internationalisation than America is likely to accept for a long time.

Meanwhile much valuable work has been done by various committees and technical divisions. Particularly important is the formulation of "international standards and recommended practices" which, after submission to member states, become effective within three months, unless rejected by a majority. In this way the consensus of expert technical opinion is enabled indirectly to exercise control over the design and performance of aircraft, to standardise navigational procedure, in short, in the words of the Convention, to "promote generally the development of all aspects of international civil aeronautics." The process is necessarily slow, since it must allow for the transition from existing types of aircraft, auxiliary equipment, and procedures; but it does mean that eventually uniform standards—the highest considered feasible at any given time—will obtain on all the air routes of the world.

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The Dockers' Return

It was perhaps fitting that the Glasgow dockers should have decided to return to work on the very day that the Transport and General Workers' Union was celebrating its jubilee in London—the bulk of the London dockers, who had come out in sympathy, had been back at work since Saturday. Otherwise the celebrations would have had a very unfortunate background. Even so, the strike and its underlying causes must have given Mr Bevin, chief architect of the mammoth union, and Mr Deakin, his successor, plenty to think about in their review of twenty-five years of the Transport and General Workers' Union. Many questions have lately been arising in the public mind: has the union grown too big for its boots; in the amalgamation of heterogeneous organisations has it lost sight of the interests of individual sections; do its leaders retain sufficient control over their rank and file; and is a general union the best form of trade union organisation for these types of workers?

The dock strike was only one in a long series of troubles among dock and road transport workers. Although it was brought to an end when the Minister of Labour promised that the constitutional negotiating machinery would enquire into the Glasgow men's grievances and gave an assurance that there would be no victimisation, the danger of similar unofficial action in the future has by no means been removed.

Mr Isaacs has for some time been considering how to speed up and improve the industrial negotiating machinery, so as to remove the opportunity for disaffected elements to play upon the workers' grievances, legitimate or otherwise. The Liberal Party's sug-

gestion for a commission of enquiry into the trade unions has much to commend it, but much speedier action is required to investigate the whys and the wherefores of unofficial stoppages.

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The Boundary Commission's Decisions

Hot on the heels of the Local Government Boundary Commission's first annual report comes its first batch of decisions and opinions in particular cases. The report held out hopes that these first decisions would be no more than provisional, while a major policy for local government was being evolved; and to a certain extent this seems to be the case. Certain county boroughs—Liverpool, Hull, Southampton, Plymouth—and one non-county borough, Luton, all of whose housing problems are acute, have been given boundary extensions "on account," without prejudice to some more drastic reorganisation of county boroughs and counties at a later date. Grimsby's claim has been turned down, and Luton's application for county borough status has been rightly deferred. The permitted boundary extensions are a great deal smaller than was claimed by these authorities, but for all that they are quite appreciable. Plymouth, for instance, is doubled in area.

This is all as expected. But some of the Commission's observations give rise to the belief that, if and when its wider policy for local government is formulated, the large-scale expansion of county boroughs will not be found to be part of it. In other words, from the county borough's point of view, some of these first decisions are more nearly final than provisional. Liverpool's claim to expand to a point that would give it a total population of 912,000 is rejected on the grounds that this is too big for one all-purpose authority—rather strangely, since its pre-war population was almost this size. Plymouth's claims have been heavily scaled down on the advice of the Ministry of Town and Country Planning that the council has overestimated its desirable overspill of population; so there is to be no more than one satellite town allowed to Plymouth. But in any case the Commission regards any large-scale expansion of Plymouth as being inherently undesirable.

These decisions may not be unreasonable. But they should not be treated as final until the Commission can produce a satisfactory alternative long-term policy. It is continuing its investigations into the possibility of creating some new and mainly urban counties, by reviewing in conjunction Manchester and Salford county boroughs, together with nine non-county boroughs, 11 urban districts and one rural district that surrounds them. This sounds an imposing area to be grouped together; but in fact it is comparatively small, with a pre-war population of 1,460,000 (or twice that of Manchester itself), an area one-twelfth that of Lancashire, containing little countryside or provision for a "green belt," and abutted on several sides by other county boroughs that are excluded from the scheme. This is not at all the sort of county that is wanted. The whole purpose of setting up a county instead of an enlarged county borough would be to cover a much wider area and to bring some measure of unitary control to a large conurbation and its countryside—which, in this instance, is the whole of South Lancashire. The Commission may include other authorities in this review, and it is essential that it should do so. The Commission is producing some interesting ideas and has shown good intentions, but there are already signs of a timidity that would be fatal to both these assets.

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Next Move over the Sudan

The Egyptian delegates who are being tough at Lake Success in support of the Palestinian Arabs show less aplomb when questioned about their intentions toward the Sudan. Are they or are they not going to refer the question of their "permanent sovereignty," as a dispute, to Uno? At home in Cairo, their premier, Nokrashy Pasha, says yes. His prestige, possibly even his retention of office, depends upon it. The nationalist press is whipping him into a course that, in his personal interests, he does well to pursue; but does it redound to Egypt's credit? Some of his colleagues think not. They know that there is only one item in dispute with Great Britain and that is whether the Sudan has or has not an ultimate right to decide its own future. They foresee how the Egyptian contention that it has not will seem to come ill from a state which champions the right to self-determination of Palestinians, Libyans and others.

Sensing this difficulty, Nokrashy Pasha intends to base his main

case against Britain on another point altogether: the illegality of maintaining troops in a foreign country against its will. But here too he is on bad ground. He intends to base his contention upon the part of paragraph 7 of the General Disarmament Resolution passed by the last Assembly, which advocated withdrawal without delay of armed forces stationed in the territories of members "without their consent freely and publicly expressed in treaties or agreements consistent with the Charter." Accordingly, he will question the validity of the freely negotiated and public Anglo-Egyptian treaty of 1936. For in his mind, and in that of all Egyptian nationalists, is the conviction, first, that Egypt is capable of defending itself; secondly, that even if it is not, no one is wanting to fill the vacuum that would be left by a British exodus; and, thirdly, that even if an unwanted third party appeared before Egypt was "ready," the British, and now also President Truman's Mediterranean forces, would be first upon the scene.

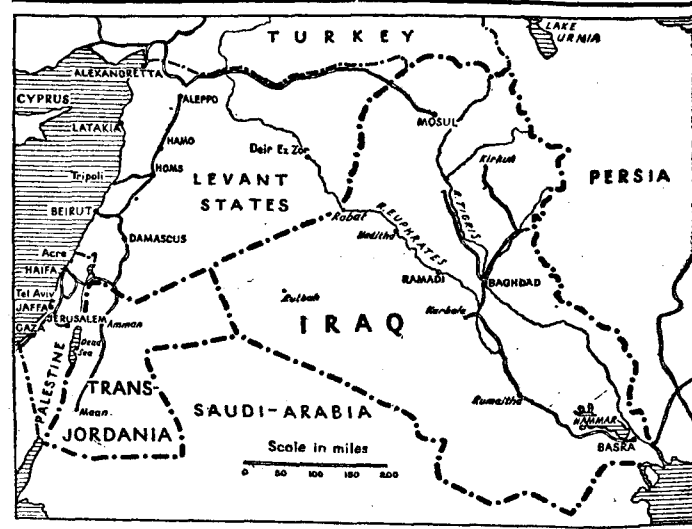
After a delay that was impolitic but is now over, all British forces in Egypt are now fulfilling the 1936 treaty conditions. To Nokrashy's claim that the 1936 treaty has become invalid, the British answer will therefore be that it has not expired; that it was signed not under duress, but eagerly, by an all-party delegation which, rightly enough, feared Mussolini; and that the remedy for a treaty that one party no longer likes is not to dub it invalid but to seek a substitute.

Egyptians who want to return to this search are busy sowing rumours that American mediators are offering their services. This is untrue. Next, they suggest that the British Government may suggest some face-saving concession, such as greater Egyptian participation in the administration of the Sudan. But such an offer would be a half-measure serving no useful purpose. It would not satisfy Egyptian nationalists. And, inside the Sudan, it would have manifest drawbacks. As anyone who knows Egyptian homesickness for Cairo can foretell, it would introduce discontented officials into a contented administration. Worst of all, it would upset the Sudanese by retarding Sudanisation of the administration. If a new treaty is to be the way out of Egypt's dilemma, it is for Cairo, not London, to make the first overture.

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"Greater Syria"

The treaty ratified this week between the Cousinly Kingdoms of Iraq and Transjordan goes farther than is agreeable to King Ibn Saud—who dislikes Hashimite family solidarity—but not nearly so far as King Abdullah of Transjordan would wish. Drafted in the main by the Iraqis, it is to be valid for ten years and is renewable at the end of the term, during which the two states will train their armed forces on parallel lines and will undertake "mutual consultation and united effort" in all their relations with third parties. Beyond this, it does nothing to further the so-called "Greater Syria" project of closer unity—if not fusion—with Syria also, a project so dear to King Abdullah's heart



that he is said to be behind the issue of a new 294 page Arabic publication on the subject.

But 294 pages of wishful thought do not make a kingdom, and he is a long way from his objective. In the first place, many Syrians are not monarchists and those that profess the doctrine—chiefly the tribesmen—are by no means sure that King Abdullah is the monarch they would choose. And Syrian republicans would,

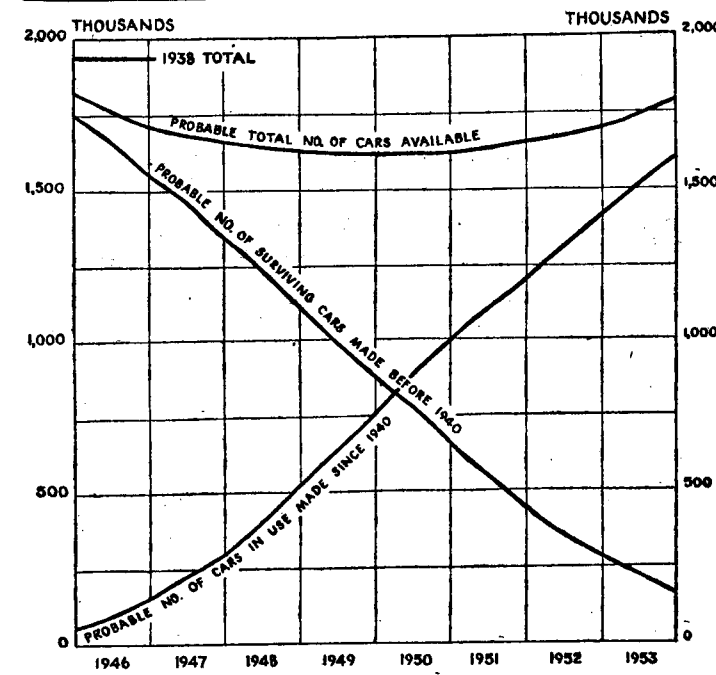
if there were to be fusion of any kind, prefer a Greater Syrian Republic. Secondly, the conception is not popular with other members of the Arab League. The Christian Lebanese are not sure that so large a Moslem neighbour would be an advantage. The Egyptians, scenting in the scheme an intention to create a power that would rival Egypt in size and importance, lose no opportunity of sowing discord among its potential components. They were well able to do this at the time of the Turco-Transjordan treaty, since Syria is still in disagreement with Turkey over Alexandretta. And King Ibn Saud does not want an "axis" all along his northern frontier. Curiously enough, the only outsiders in favour of the idea are the Zionists, who see in King Abdullah's ambitions a chance of rendering a partition of Palestine acceptable to one, at least, of the Arab rulers by throwing the Arab part of Palestine and Transjordan together.

But, at bottom, the biggest handicap to development of the Greater Syria project is a lack of funds. Its sponsors enjoy enough for single publications but not for publicity campaigns. Still less have they the means of staging the royal splash without which it would be difficult—even among Arabs, who relish a monarchy—to found a new kingdom in the nineteen-forties or fifties.

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Automobile Vital Statistics

A study of demand and supply in the motor industry, published in *The Motor* of April 30th, deserves publicity outside the specialist press. It draws on the White Paper on National Income (for an estimate of the number of potential car-buyers); on statistics of production, pre-war and present; and on reports by the Society of Motor Manufacturers and the Ministry of Transport on the rate of wastage of existing cars. The argument starts from the increase in the number of incomes between £500



and £2,000 (which has more than doubled since 1938), estimates that at 1938 prices this would mean a potential car population of 4.5 million, takes increase in car prices into account, and concludes that 2.4 million—an increase of some half-a-million on actual numbers—represents the total needed. This would hardly satisfy a statistical purist, no allowances having been made for the competing demand, also unsatisfied, for other things—such as houses; but it gives an idea of the size of the deficit. Given that the car population is 500,000 short of the optimum, what of birth and death rates—not forgetting emigration under the export drive?

Pre-war output capacity was for about 400,000 cars a year, and has probably doubled; but a ceiling is set by shortages of manpower, steel and fuel. In 1946 output was under 220,000, and the very best that can be expected is an increase to 500,000 by 1949, half the total being earmarked for export. So much for the birth and emigration rates, which yield a gross addition, in five peace-time years, of some 1,350,000 cars. But the death-rate

is rising, too, as the car population, overwhelmingly pre-war, grows older. Of every 100 cars, it has been calculated, 97 survive for 2½ years, 80 for 5½, but only 10 for 10, and even allowing for war-time hibernation, many cars now running are senescent if not senile, as half-an-hour's observation on any main road will confirm. Taking the fairly predictable death curve and the admittedly optimistic birth curve together, one reaches the conclusion that supply will fall shorter and shorter of demand between now and 1952; that buyers will continue to wait two years or so for delivery; and that drivers will continue to use—and to buy and sell at fancy prices—the superannuated menaces now infesting the roads. The prospects for the private motorist, in fact, remain fairly grim.

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Half-Cooked Tripe

The report of the Committee of Enquiry into the closing hours of shops attempts to codify, simplify and rationalise the horrid muddle resulting from successive legislative attempts (in 1912, 1928, 1936 and under Dora) to combine the incompatible aims of closing the shops and allowing the public to buy. Of that muddle the famous provision of the 1928 Shops (Early Closing) Act, under which tripe may be sold after hours half-cooked but not raw, is the quaintest but not the least rational example. To deal with the anomalies which now bring the law into contempt two lines of action are possible. Parliament can abolish or drastically reduce the concessions which permit the after-hours sale of fish and chips, cigarettes, tripe in an adequately cooked condition, and other immediate public necessities, and so remove or lessen the awful temptation to buy or sell a writing pad with a packet of cigarettes or a pair of herrings with a parcel of fish and chips; or it can abolish statutory closing altogether and, while enacting whatever fresh provisions may be necessary to ensure decent working hours and weekly rests for shop assistants, leave the shops to open and close as their owners please.

This latter course the Committee rejects with finality, in three lines and without discussion. Even if the interests of shop assistants can be otherwise taken care of, shopkeepers need to be protected from themselves. The Committee does not explain why the sluggish should need protection against the ambitious, the lazy against the hardworking, more urgently in the field of retail trading than in those of, say, taxi-driving, restaurant-keeping, or the professions; but as the safeguarding of those least willing to serve the public against those more willing, whom the public might otherwise prefer, has in practically every context been elevated into a first principle of national economic policy, the Committee's decision is hardly surprising. All the more appreciation is due to them for their recognition of the painfully obvious fact that six o'clock is too early a compulsory closing hour to meet the needs of the people who must both work and shop. "It is now the public's turn for consideration," it says, and reports itself as struck by the "tendency on the part of some witnesses to assume that the wishes of the shopkeeper should be regarded as conclusive."

Given the overriding principle of statutory hours, no serious quarrel is possible with the detailed process of codification applied to the exemptions under the various Acts; even though the changes are mostly in the direction of further restriction. "We cannot have it both ways," says the Committee. How painfully true.

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Manpower in the British Zone

The talks on bizonal administration and the level of German industry which are now proceeding in Berlin have as their background a shortage not only of food and fuel, but of manpower. This may seem strange in a country where lack of coal is keeping most of industry running on short time, and it is certainly true that while unemployment is limited to the virtually unemployables, there is a great deal of under-employment in the British Zone. Yet shortage of effective manpower is one of the most pressing problems now facing the Control Commission.

The total registered working population in the zone is 8.9 million, of whom 6.8 million are working for employers. The latest figure for unemployed is 391,000. According to official estimates, out of every ten of the pre-war male population between 18 and 45, only four can be considered fit for employment, four being dead or missing and two disabled as a result of the war. The return of prisoners of war, many of whom are in the most productive age-groups and are in relatively good physical condi-

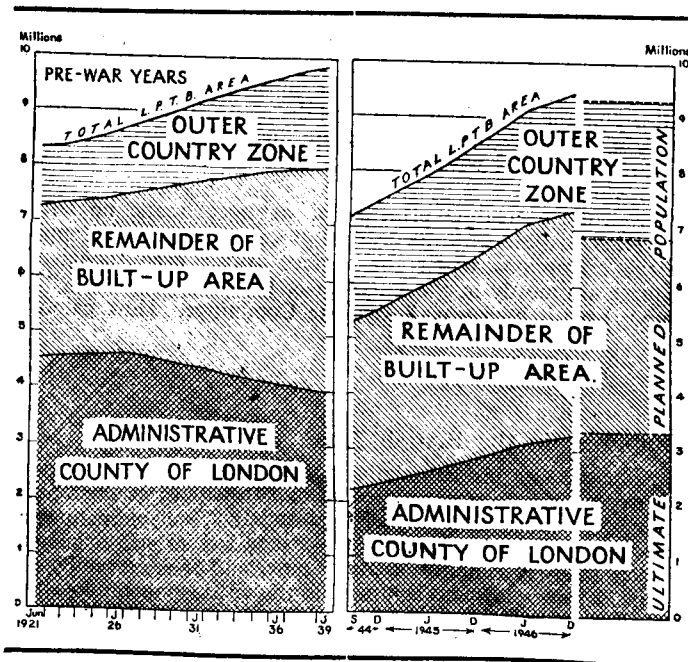
tion, should make an appreciable difference both in quantity and in quality. But the need is urgent to increase the labour force and its productivity. The authorities are trying unsuccessfully to recruit more women to industry. Tradition in Germany—even before Hitler's "back to the kitchen" movement—is against the employment of women in factories, and many employers need a great deal of persuading before they will take on women. In any case, many of the women themselves, particularly the married ones, are too preoccupied with getting food and of keeping themselves and their families alive to think seriously about factory work.

Apart from mining, which has absolute priority in labour, the occupations which most need strengthening are building, clearance work and timber production. The labour force in the steel industry is sufficient to meet the present production level, but it will have to be raised if more fuel becomes available. There are too many people working on the land, since many people registered as agricultural workers in the hope of obtaining extra food. In theory, military government has powers of direction, but in practice it is unwilling to use them; it is, moreover, reluctant to place this weapon in the hands of the German authorities. At the moment, of course, shortage of fuel is hampering industrial recovery, and the general shortage of food will make nonsense of any attempts to raise productivity. But, on a longer view, what is clearly needed is that the economic experts should draw up a man-power budget for the two zones, relating the available labour force to the labour requirements and forming the essential basis for any kind of economic plan.

* * *

London's Population

The steady flow of population back to London has already brought its size to a level rather above that envisaged under the Government proposals set out in the County of London and Greater London Plans. Figures published by the London Passenger Transport Board in its annual report for last year show the growth since 1921 of the population in the Board's area. The wartime decline persisted up to September, 1944, but by the end of last year the population had risen again by 2.3 million and was less than 500,000 below the pre-war figure. There are some striking changes in the distribution over the area. The population in the Administrative County of London, which had been thinning out steadily before the war and, of course, dropped sharply in the early part of the war, had risen again by the end



of last year and had practically reached the planned ceiling of 3.33 million. In the remainder of the continuously built-up area, bounded roughly by a circle of twelve miles radius from Charing Cross, the figure has already exceeded its planned limit by 500,000. The growth in the outer country zone has increased rapidly since the war, and the proposals allow for a further increase of only 0.33 million from the end of 1946.

The post-war growth of the London population was losing its impetus in the latter part of last year, but nevertheless was con-

tinuing and the question must arise whether it can be restricted to its present level. Even if it can, it is evident that an appreciable redistribution of the population must take place if the proposed planning for the Greater London area is to be realised.

Shorter Notes

Concessions were announced this week in the restrictions on domestic fuel consumption. Gas and electric heating will be permitted, without a medical certificate, in households "where it is necessary in the interests of the health" of children under three and old people over seventy. It will also be permitted for the drying of clothes and household linen, and for drying premises affected by floods. In other words, people are now legally permitted to do what they would have done in any case.

*

The Agriculture (Emergency Payments) Bill fulfils the Government's promise to provide a special subsidy for farmers who, in response to the need for increased production, have sown crops this spring on land damaged by floods. The payments will vary from £3 to £15 an acre, according to the crop, and are expected to cost not more than £2½ million. The Bill also enables claims for the hill sheep subsidy to be assessed on the number of eligible sheep last December, instead of on the reduced number after decimation by snow. These are modest contributions to those farmers who were very hard hit by last winter, but farmers as a whole should gain greatly from the general increase of prices announced recently.

*

Mr. Silkin has made an able defence of the proposed Bankside power-station. The power-station will take up little room, will be set well back from the river, will use oil instead of coal, and its chimney will be a good deal lower than St. Pauls; still more convincing was his argument that London's electricity requirements were so great that Bankside was necessary as well as—not instead of—the alternative site at Rotherhithe. What the Minister could not demonstrate successfully was that the power-station would fit satisfactorily with the LCC plan for the South Bank.

*

In a speech last week-end the Minister of National Insurance stated that by the end of April, 1947, there had been 2,735,500 claims for family allowances, compared with 2,600,000 by the end of 1946 and 2,300,000 by August 6, 1946, when payment began. New claims are arriving at the rate of 7,000 a week. Claims rejected amount to approximately 3 per cent of the total, and allowances are being paid in 2,553,000 cases, that is, in respect of just over 4,000,000 children.

*

In the House of Commons this week, the Attorney-General gave some figures on the number of divorces. In 1945, 25,000 petitions were filed and 20,000 disposed of. In 1946, the figures were 43,000 and 33,000 respectively. It was because of this that the Denning Committee recommended that undefended cases should be heard by county court judges sitting as Special Commissioners, and that this recommendation, which was implemented, was justified is illustrated by the fact that, in the first three months of this year, about 17,000 petitions were filed and 16,820 disposed of. The Attorney-General added, however, that it might be two years before the "really frightful arrears of Service cases" were wiped out.

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Letters to the Editor

Bonus Issues

SIR,—In your leading article on the Budget, in the issue of April 19th, you said that "there is a case for some taxation on bonus issues, many of which are undeniably devices for evading surtax." In the debate on the Budget resolutions on April 23rd, I said that I proposed to ask you to give me instances of bonus issues being used to evade surtax. That I now do. What did you mean?—Yours faithfully,

House of Commons

DAVID ECCLES

[On further examination, it is apparent that our statement, as a general proposition, cannot be sustained and should be withdrawn. It is true that, before the war, when bonus issues were permitted, shares of companies that were believed to have the intention of making a bonus issue, especially a regularly recurring one, were often sought after by investors, and recommended to them by their professional advisers, as a means of reducing liability to tax. It was this widespread opinion that misled us. But it is really based on a fallacy. Take the case of a company whose profits steadily rise from year to year. It could raise its dividend from 5 per cent to 6 per cent to 7 per cent. Or it could keep the dividend at 5 per cent and issue a 5 per cent capital bonus every year. If it chose the second course, a surtax payer could sell his bonus every year and keep his income, and accordingly his tax, steady. But he could achieve the same result, if the company pursued the first course, by selling part of his holding every year. In either case, he would be taking his capital profit every year and reducing his proportionate share in the company. His tax liability would be the same in either case.

This is the simplest case. But much the same reasoning applies in other instances. There may, or may not, be highly ingenious ways of dodging tax liability which involve at some stage the issue of bonus shares. But the general argument that bonus shares are a method of avoiding liability to tax is incorrect and should be withdrawn. It follows that Mr Dalton's stamp duty on bonus issues is not only defective in detail, as we argued at the time, but also wrong in principle.—EDITOR.]

The Tobacco Duty

SIR,—The shorter the stub . . . the greater the net gain" in cutting a cigarette in half, says Mr John Green, and his demonstration seems convincing. But what of a man who throws his cigarette away after half-a-dozen whiffs? Evidently half a cigarette will serve his turn as well as a whole one; so by cutting it in half he doubles his profit, a far greater gain than that envisaged by Mr Green. Therefore the longer the stub the greater the gain!

Of course, there is a catch in it. This appears to be that the length of the stub depends in part at least on the rate at which the marginal utility diminishes, and this varies greatly for different smokers, whereas Mr Green assumes it to be constant.—Yours faithfully,

W. W. GREG

River, Petworth.

SIR,—If you put out half your cigarette and light it again you lose only one CF, instead of two, as your correspondent suggested in your last issue. Thousands of soldiers and workers have relied on this method of maximising their personal utility. If the re-lighting method be adopted the cork-tip is an asset instead of a liability.—Yours truly,

A. M. DE NEUMAN

University College of the South West, Exeter

Prosperity for Wool

SIR,—The article in the issue of May 3rd gives a very clear and fair résumé of the Wool Working Party report, but a critical reading of the report suggests some further points of vital importance to the industry to which more consideration should be given.

Manufacturing requires a mixture of artistic imagination and commercial ability in the management—usually this means one man of a very small team owing to the size of the average business—many examples could be given of one man having made all the difference between a mill running or not. Therefore the quality of training and choice of suitable men is particularly important, especially so after the period of difficult trading conditions between the two wars, when many good men went into

other industries, where hard work would give more certain results.

A reduced labour force means that quite a considerable quantity of machinery may be unemployed. Under conditions of more normal trading, this might result in price-cutting, to the detriment of both employers and employees.

The relationship of the basic wool price with other fibres and its stability has an effect of considerably greater importance than casual reading of the Report would suggest.

Machinery in the textile trade is mostly slow-running by modern standards and consequently lasts a long time. As the nature of the raw material puts a definite ceiling to the possibility of considerable speeding-up, it is difficult to make new machines, which are worth the considerably increased extra cost.

A comparison with the textile trade in other countries suggests the possibility of improvements in finishing, in fine crêpe-twisting, and in styling for fashion. Finishing is hardly mentioned in the Report and will probably be one of the most important sections of the trade in the future.

Finally it is almost certain that more output could be obtained at present with the existing fuel allocations, if the trade were not so hampered by regulations—for example the utility programme requires the production of a certain yardage of a given weight cloth at a fixed maximum price—by coarser spinning a greater yardage of a heavier cloth might be produced but, owing to the weight, at a greater cost.—Yours faithfully,

EDWARD GLENDINNING

Tanfield Mills, Huddersfield

Italian Financial Agreement

SIR,—On my return to this country from a short visit to the Continent I hasten to write and protest against the fantastic settlement made with Italy and in particular with the glib satisfaction with it expressed in your issue of April 26th.

When are we going to realise that we are no longer a rich creditor nation, but owe money left, right and centre? What sort of impression will the gift of £100 million of war-time supplies and stores for a mere £8,000,000 have upon Egypt and India when the question of the sterling balances comes up for serious dis-

From *The Economist* of 1847

May 8, 1847

[Most of *The Economist* of this week was given up to an analysis of the financial crisis of the time and to its own proposed remedy—the substitution of a paper circulation for gold.]

The awful predicament in which the country is now placed, and the still more awful predicament into which it is fast hurrying, from causes over which human power can now exercise little or no direct control, render it the imperative duty of all to exert every effort of mind in order to avert, or at least to ameliorate, if possible, the disasters which impend over us. But, above all, it is our duty, while suffering under the severity of a great pressure, to be careful that we do not yield to mere empirical palliatives, which, while they may afford some immediate ease, must terminate in increased disorder and aggravation of the evil. At the same time, while this caution is necessary, it is our duty, as intelligent beings, to discard every prejudice which former abuses have created, and to bring all our intellect and experience, uncrippled by preconceived notions, to our aid at such a moment. . . . The question—how are the *hundred millions* of people which inhabit these islands and the adjacent countries to be fed during the next four months? remains still without the slightest solution, while every market-day witnesses fresh advances in the price of grain. And the almost equally important question, how are our artisans in the manufacturing districts to be employed during the remainder of the year? it is difficult to answer. And, lastly, the great and essential question: how is our public revenue to be kept up amid such prospects? forces itself upon us. It is a period when common danger demands that all party or other considerations should be set aside, and a great effort made to avert the serious calamities under which we suffer, and which time will only aggravate.

cussion? It may be so much easier for the diplomat and the Foreign Office, when faced with awkward problems involving the payment to this country of large sums of money, to say in lordly fashion "Forget it," but it is not now our money we are giving away so generously, but the money of our creditors, unless, of course, the people of this country are prepared to export an extra £92 million of goods for the pleasure of hearing Count Sforza say a few nice words about this country. I heard several expressions of opinion on this settlement from people on the Continent, mostly our Allies, and in every case they wondered whether our Government had lost its senses in being so outrageously generous to Italy, particularly after the niggardly treatment meted out to Denmark on the question of food prices.—Yours faithfully,

Whitewebbs, Margareting, Essex

A. P. ASHFORD

The Fire Services Bill

SIR.—In your last issue Mr R. C. Hazell suggested that little light was thrown, during the debate on the Second Reading, on the justification for increasing the cost of the fire services above the pre-war level. In order correctly to estimate the need for this increased expenditure one must examine the services obtained by the public for the £3,000,000 pre-war annual expenditure. The total full-time establishment of the pre-war service was around 5,000 officers and men, almost half of these being employed by the London Fire Brigade, which Brigade was also responsible for about £2,000,000 of the £3,000,000 total expenditure.

Outside London, with the exception of a few local authorities, the standard of fire protection was exceedingly poor—in some cases almost non-existent. An analysis of pre-war fire cover discloses the wide diversity which existed between local authorities of similar area, rateable value, population and fire risk. For example, the Borough of Barking, with a pre-war population of 80,000, employed 37 full-time firemen and officers, properly trained and adequately equipped. Gateshead, with a population

of 234,000, employed 8 full-time firemen, reinforcing its brigade when the occasion arose by police constables acting as firemen. Oxford, with a population of 90,000 and a rateable value of nearly £1,000,000, just prior to the war, employed no full-time firemen, maintaining a volunteer fire brigade. Bearing in mind the extensive, densely populated areas with hopelessly inadequate fire cover, few professional firemen and officers believed that it would be possible to operate the 1938 Act merely at the cost of an extra penny rate.

Before the war, "permanent duty" was commonplace. The men (and their families) were on duty day and night for seven days a week, having every eighth day free. A national system of 60 hours' duty per week is about to be introduced. Rates of pay of firemen before the war were inadequate and out of keeping with the professional status of the fire service. Those rates have been replaced by a national scale equal to that of the police forces.

The functions of fire brigades are to be extended. Now, firemen and officers must be trained in order to be competent to advise factory managements and owners of property on fire prevention. This long-delayed extension of the duties of firemen involves new fields of research and technical development. Moreover, a personnel of fire brigades will be required to undertake the salvage duties for which fire insurance companies have maintained their own salvage corps.

There is no reason why fire insurance companies, who unquestionably will benefit from the new brigades, should not contribute to their upkeep. The proposal is right in principle and easy of application.

The direct and indirect fire losses suffered by industry must call for an efficient, well-planned, well-manned and properly trained modern fire service. The firemen's contribution towards our country's production needs is to reduce these losses. To go back, as Mr Hazell suggests, to 1938 would be to throw away the lessons of the war and to deny the present needs of industry.

Yours faithfully,

JOHN HORNER,

General Secretary, the Fire Brigades Union

First Avenue House, Bedford Row, W.C.1.

Books and Publications

Mirror to Mussolini

"Ciano's Diary 1939-43." Edited with an Introduction by Malcolm Muggeridge. William Heinemann. 575 pages. 21s.

MUSSOLINI'S son-in-law, Italy's Foreign Minister, Count Ciano, looked, but did not write, like a vain buffoon. He was in fact an abler, more rational and more detached man than the Duce; but he had little of the dynamic swagger, will-power and ruthlessness of his chief. He tried to develop all three, and in the process discarded every shred of principle and independence. Such a man was bound to write a diary directly he got into power; losing round after round in the struggle between his own commonsense and the Duce's megalomania, he felt each day the need to confess his failure, to record that he had done what he could and to argue that, if Mussolini should lead Italy to disaster, here would be the evidence of his efforts to save her. And if, after all, Italy rose to new imperial heights on Germany's back, then the diary could always be rewritten.

It is the fact that some such thoughts were in Ciano's mind that makes this diary such a valuable and interesting document. It gives over the period January, 1939, to December, 1943, the day-to-day reaction of this young Foreign Minister to a whole gallery of rogues and a whole range of plots: Mussolini and Hitler first and foremost; then Ribbentrop and Pavelic, the Croat puppet leader; Laval's unofficial emissaries; incompetent Italian generals and admirals, with their optimistic lying reports when all went well and their last-minute qualifications and warnings when a crisis was upon them; some memorable diplomats; François-Poncet, watching Ciano enjoying the same illusions about the Germans as some Frenchmen; the German Bismarck and his entourage, always encouraging the belief that German morale was shaky and the High Command split from Hitler; Sir Percy Lorrain, grateful for small mercies but succeeding through all the painful appeasement period in impressing on Ciano's mind a picture of British determination to fight—if fight she must—to the end.

There can be no doubt of the authenticity of the document, or of the greater part of it. Where there are strange omissions, as at the time of the Battle of Britain, they are in character; where

there are strange changes of view, for example, about the wisdom of fighting side by side with the Germans—they, too, are in character. There are the makings of great tragedy here, if farce were not so often breaking in; and if the real tragic hero, the Italian people, did not appear in so minor and so ludicrous a rôle. Mostly they are ignored, although Ciano frequently reminds the Duce that they would rather fight against than for the Germans, and there are depressing reminders of the widespread hatred there was for the French. They are the tools of the empire-builder; nowhere does Mussolini or Ciano show any sense of responsibility towards them. The master said one day to the son-in-law:

The Italian race is a race of sheep. Eighteen years is not enough to change them. . . . We must keep them disciplined and in uniform from morning until night. Beat them and beat them and beat them.

And the son-in-law, visiting Poland and finding Beck incapable of understanding that Italy might be a valuable ally, writes:

Too many painters, sculptors and architects have represented Italy in Poland in the past. . . . They love in us our artistic nature rather than the strength of our arms, in which they still do not completely believe.

The *obiter dicta* of this diary are memorable, in many cases because the gem of dictatorial thinking has a setting of Ciano's dry and quiet humour. Ribbentrop, in October, 1941, returning from a shoot, says: "Hitler's New Order in Europe will ensure peace for a thousand years"; Ciano suggests that a "couple of dozen generations" is rather a long time and Ribbentrop gives in: "Let's make it a century then," he said. And Ciano, interpreting the impulsive intuitions and wayward moods of Mussolini which made Italian foreign policy so unaccountable, declares just before the war that "it is becoming more and more difficult to work with these democracies."

One has the impression that these two Italian bosses never really cleared their in-trays, or only read those papers which were likely to strengthen views already formed. It is remarkable how scant is the attention paid in this diary to Italy's desperate economic weaknesses both before and during the war, how wrong they were about "Roosevelt's bluff," how they were completely surprised by the German attack on Russia, how little they understood the British strength that lay behind the "tired

sons of a long line of rich business men." The point is of interest because Stalin has once or twice given a similar impression; if one has to answer to nobody for one's actions, why bother to brief oneself adequately? Ciano in fact—particularly in his war-time entries—presents a fascinating display of all the familiar symptoms of personal tyranny.

The tone of the book is summed up by a sentence that François-Poncet wrote from Rome to Paris: "I have to deal with servants who have become masters."

The real villain is of course Hitler—or rather the Hitler-Ribbentrop combination. It would have helped the ordinary reader if the editor of the diary had taken a rather wider view of his duties and illuminated by footnotes the significance of many of the German events. Otherwise he has done his job very well and the index is a model of its kind.

American Health Insurance

"Health Insurance in the United States." By N. Sinal, Odin W. Anderson, Melvin L. Dollar. The Commonwealth Fund. London: Geoffrey Cumberlege. 1946. 8s. 6d.

WITH the recent large expansion of social insurance schemes in this country it is interesting, by way of contrast, to read an account of the position in the United States of America, where a national health insurance scheme does not exist. The place of the State and of compulsory insurance is taken in America by voluntary services which have developed rapidly. In the 'thirties, when the health insurance movement was given renewed attention, the hospital associations and medical societies were in a position to initiate and operate their own plans: they pressed for special enabling legislation and from 1933 to 1946 the number of plans so developed by the largest, the Blue Cross hospital organisation, increased from 1 to 87 and the enrolment (in round numbers) from 2,000 to 20,000,000.

The problems connected with this development and other matters concerning "voluntary group prepayment plans" are analysed with care and in great detail by the three authors, their book being one of a series of monographs published as part of an intensive study of medical care in the United States by a special "Committee on Medicine and the Changing Order" of the New York Academy of Medicine. It is interesting to discover from the chapter dealing with the attitudes of professional government and lay groups towards health insurance that since the early 'thirties the American Medical Association has actively opposed compulsory health insurance under governmental auspices, but it would have been still more interesting, just because of this opposition, if the authors had compared the administrative machinery in countries with compulsory insurance under official or semi-official control with the American arrangements. There is much in the book which would have provided the basis of a detailed critical comparison between the American systems and those existing in most other countries. European readers will regret this gap in an otherwise commendable study. And so may Americans.

Distilled Erskine May

"An Introduction to the Procedure of the House of Commons." By Sir Gilbert Campion, K.C.B. Macmillan and Co., Ltd. 346 pages. 18s. net.

SIR GILBERT CAMPION is Clerk of the House of Commons. He is also editor of Erskine May's "Parliamentary Practice," that authoritative work with which the Speaker can quell even the most recalcitrant and resilient member of Parliament. In this book he gives a lucid but comprehensive summary of parliamentary procedure, including all the changes and developments that have taken place between 1929, when the first edition appeared, and the summer of 1946.

It is difficult to see how MPs, especially new MPs, could get along without this work. To the ordinary reader of *Hansard*, intrigued but perplexed by such phrases as "Getting Mr. Speaker out of the chair," it is a book of revelation. But it is far more than a guide through the intricacies of parliamentary procedure. It is also a constitutional study, for the chief value of his work is to show how parliamentary procedure is part and parcel of the English constitution. From the early days of Parliament, when the faithful Commons refused to grant money to the king until their grievances had been redressed, until to-day, when the Opposition criticises Government policy on the allotted supply

days, there can be traced an unbroken development of procedure. Before the present Government uses its majority in the House, as it proposes to do before this session ends, to carry through changes in procedure which the House's own Select Committee have turned down, it should reflect upon this indivisibility of procedure and constitution. Hear what Sir Gilbert Campion says about the guillotine, which the Government has applied to the Transport and Town and Country Planning Bills:

This drastic form of procedure is not popular in any part of the House. In 1935 a successful attempt was made to substitute for it a voluntary agreement, reached through representatives of the Government and of Opposition parties. The various stages of the Government of India Bill of that year were by this means allotted an agreed number of days, and its consideration was punctually completed in conformity with the schedule. It would be a triumph for the spirit of conciliation if this precedent comes in future to be generally adopted.

World Survey

"The Between-War World." A Short Political History, 1918-39. By J. Hampden Jackson. Gollancz. 10s. 6d.

THIS book is a revised and enlarged edition of a work on *The Post-War World*, first published in 1935. Mr Jackson's method is mainly descriptive. He begins with Western Europe, and then goes *via* the USSR to the Near and Far East, Africa and America. The allocation of space is on the whole satisfactory. At first sight, it may seem a little odd that a chapter on Iran, Iraq and Afghanistan should be as long as the only chapter directly on France, but the English reader needs more "background" explanation of the Middle East than of France, and this "background" could hardly be given in fewer pages. Indeed, the merits of the book lie in these short accounts of large countries. Mr Jackson has a clever way of selecting essential facts and presenting them, without overcrowding, in an easy, readable style.

The treatment of controversial questions is not always free from the partisanship which the author deplores in his preface. Mr Jackson is too much inclined to "lean over backwards" when he is judging his own countrymen. He thinks of capitalist imperialism as the preacher to whom Mr Calvin Coolidge once listened thought of sin. This may be the right view, but it is a little too simple for a historian. For example, the book would gain in fairness if, without taking out any of the criticisms of British rule in India and elsewhere, more were said about the other side of the picture. Mr Jackson himself realises that the capitalist imperialists did not break into an idyllic Africa or India, and it is not quite certain that Chinese civilisation was or is (Mr Jackson is here quoting Earl Russell) "superior to ours in all that makes for human happiness."

The book also tends to be a little out of focus, in spite of revision and enlargement; the world is seen as it appeared to Mr Jackson ten or twelve years ago, and many of his judgments have a far away ring about them. Nevertheless, once the reader is aware of this slight distortion, he can make his own corrections. A more serious fault is the partisan treatment of political history in the strict sense of the term. The chapter on the Treaty of Versailles and the penultimate chapter, "Internationalism on Trial," are the weakest in the book. Mr Jackson repeats uncritically many of the German legends of the 1930's about the treaty, and is even kinder to the first stages of German rearmament. Thus, after misstating the terms of the Disarmament Convention rejected by Hitler in the last phase of the Disarmament Conference, Mr Jackson makes the astonishing comment that "Germany very properly walked out of the Conference and resigned from the League on October 14, 1933."

Shorter Notices

"The American Individual Enterprise System: Its Nature Evolution and Future." By the Economic Principles Commission of the National Association of Manufacturers. McGraw-Hill. 2 Vols. 1,119 pages. 50s.

This colossal manifesto (described as "a vital message for every red-blooded believer in American democracy") covers virtually the whole field of economics, practical and theoretical, with enough history and statistics thrown in to make a book in itself. Valuable reading for Socialists; others, particularly "red-blooded believers," should handle with care. The only gap in its otherwise comprehensive scope is the absence of any treatment of America's rôle (except as pacemaker) in world economic affairs, apart from a page of obloquy directed against intergovernmental commodity agreements, and a small dose of free trade argument for the exclusive benefit of farmers.

AMERICAN SURVEY

Waging World Peace

(From Our US Editorial Staff)

THE title of Mr Walter Lippmann's address to the convention of the US Chamber of Commerce on April 29th symbolises the mixture of motives behind the very general public support of Mr Marshall's summary of the Moscow conference, particularly in relation to its forecast of action in Western Europe. (The three phrases most often quoted in editorials were those in which the Secretary said that this country will not "compromise on great principles for the sake of agreement," that "action cannot await compromise through exhaustion" and that "the patient is sinking while the doctors deliberate.")

The Secretary gave no indication of what is going to be done to help the patient rise again: press speculation, drawing in part on Mr Dulle's broadcast and on Senator Vandenberg's speech, is anticipating a merger of the three Western zones of Germany, the raising of industrial levels, and the revitalisation of the Ruhr. How does such a programme fit with the long-term American objective for Germany? In 1945, at the end of the war, the announced American purpose was to denazify, to demilitarise, and to deindustrialise, especially in respect of war potential. Since then, unannounced short-term US objectives have accumulated out of a series of case-by-case decisions. They are not necessarily compatible with previous declarations, even though attempts at reconciliation are being vigorously made.

The major reliance in such attempts is on the approach through the stomach. Mr Hoover has documented the fact that the Germans, to use Mr Roosevelt's famous phrase, are "ill-housed, ill-clothed, ill-fed." Mr Hoover apparently also subscribes to the thesis that of the Four Freedoms, freedom from want is the most important as preparation for the understanding and practice of democracy.

Once accepted, the point that the Germans must have more in order to be good democrats—that no one can eat the Bill of Rights—leads to an upward revision of the level of industry. Reindustrialisation affects the other two American short-term objectives regarding Germany. More fertilisers would mean more food. But the elements that go into fertiliser, as a recent event in Texas City has illustrated, are also effective explosives. A stepped-up operation of fertiliser plants and other industrial capacity, moreover, would be more practicable if fuller use were made, in responsible positions, of the men whose know-how was evident under the Nazi regime.

This desire to give the Germans more, in order to aid them to be good democrats, runs wholly parallel to three desires which are not primarily related to the Germans: to provide some of the goods for which the whole of Europe cries out, to erect an effective bastion against the Russians, and to lighten the load on the American taxpayer and consumer. The editorial comment of the Patterson group's Washington outlet, the *Times Herald*, summarises succinctly:

Marshall, we're glad to see, doesn't fall for that One World piece of wishful thinking.

Our own feeling has long been that the best thing we could do would be to get out of Europe as fast as possible, leave it to

go Communist if the Europeans haven't the guts to resist the Reds, and devote ourselves to girding the Western Hemisphere against any possible future attacks.

However, it is a safe bet that our present rulers have no idea of doing that, and the Vandenberg "Republicans" are going to go along with the Truman plan to fight Communism with dollars around the world.

Under these circumstances it seems to us that the best thing we can do is to get Western Germany merged economically as soon as possible and help its industries step up non-military production as fast as they can.

In doing all this, the Western Allies would not be acting out of any sob-sister pity for the Germans, who, after all, let Hitler lead them into that 1939 attack on Poland which precipitated World War II.

The object would be the cold and businesslike one of taking some of the present crushing loads off American, British and French—especially American—taxpayers, and stopping some of the drain on US food which is helping to keep our own food prices so high.

The cost to the United States of the future of Europe is a recurrent consideration. The *New York Times* may urge that it is "up to us to make it clear to Russia that whatever happens the United States will never again disinterest itself in Europe, and will never again attempt to stay aloof from conditions which twice involved us in Great Wars," but the *Detroit News* is thoroughly pertinent in noting that "the validity of this [the hopeful] view depends altogether on whether, in the long run, the policy agreed on by the American delegation will be given adequate financial support by the American people through their Congress." Three instances of financial reluctance in relation to Germany have recently occurred. During consideration of the War Department deficiency Bill, an attempt was made in the Senate to attach an amendment requiring wider use of the fertiliser plants in the US zone. The item of half a billion for non-military expenditures in occupied areas has roused considerable protest. Secretary Marshall's first crossing of swords with Congress concerns his hope of restoration, by the Senate, of the \$150 million cut the House made in the \$350 million foreign relief programme.

Along with consideration of such costs, go queries whether the money spent and to be spent, if and as applied under the short-term objectives, is being applied in such a way as to give the maximum yield. The *New York Herald Tribune* declares that to "hold Europe for democracy a policy of boldness in generosity is the only practicable course." Where is the boldness to go with the generosity? When the Greco-Turkish proposal was laid before Congress, there was general awareness that this was a first instalment on a very large order. A good many people wished they could get a look both at the whole bill, and at the design for reconstruction which it could facilitate. If aid were not to be rushed, country by country, and only after "armed minorities and outside pressures" were already active—if aid were not to be a counter-measure—toward what positive result should it be directed?

It is quicker to get foods for Europe by rebuilding Germany along the old lines, to become for a third time the dominant industrial area of the Continent. But what about the slightly longer run? That Germans will work more on fuller stomachs seems likely; that within any brief period they will also think differently awaits proof. Before the war, Germans had a higher standard of living than any of their neighbours. But did this make the adolescent game of "Follow the Leader" less attractive?

The idea of European federation—economic, political, or both—keeps cropping up. It has appeared in the form of the concurrent resolution introduced on March 20th by Senators Fulbright and Thomas and Congressman Boggs: "that the United States hereby favours the creation of a United States of Europe within the framework of the United Nations," and in the declaration of 81 prominent Americans assembled by Count Coudenhove-Kalergi, and again in Mr Truman's interview with Mr George Creel. The converse of General Eisenhower's comment that "weakness cannot co-operate; it can only beg" is

Mechanisation in Coal Mining

(From an American Correspondent)

WITH the ending of the post-war reconversion period, the coal industry in the United States is initiating a programme of research. One firm located in the Pittsburgh area has announced plans for a project designed to perfect a commercial process for making petrol and gas fuel of high heat value from bituminous coal. Research in the gasification and liquification of coal is also being pushed at experimental plants scattered throughout both the eastern and western coal regions. Keeping pace with research in processing, the coal mining industry is studying means of increasing the efficiency of mechanisation both underground and on the surface. The American Mining Congress has recently held its first post-war Coal Convention and Exposition and it is here that the latest equipment, most of it designed during the last two years, was displayed for the first time.

Mining activities in coal fields throughout the United States have in the past been concentrated mainly on seams easily accessible to strip mining, outcrop entries, or shallow shaft openings. Regardless of the type of mining, past production has come from beds containing the highest quality coals and from seams of greatest vertical thickness. Although coal reserves are enormous—one authoritative estimate places them at over 3.2 trillion, that is, 3,200,000,000,000 tons—it is generally agreed that beds close to the surface and those ranging from five to seven feet in thickness result in lowest mining cost. Reserves in this category are less, and as depth and thickness are only one phase of the problem relating to coal reserves, quality being of equal importance, it is virtually impossible to predict accurately the significant tonnage of coal reserves or the exact length of time a given deposit will suffice for a stated purpose.

However, increased labour costs and the necessity of maintaining a high standard of product have resulted in the extensive use of mechanical equipment to supplant the man with pick and shovel both underground and in strip coal operations. Today more than half of the coal produced from underground comes from mines that are entirely mechanised. Where machinery can be used to special advantage, as is the case with surface or strip operations, output has increased so sharply that in 1945 it was possible for 370,000 strip miners to produce the same tonnage that 615,000 miners produced in 1936.

The total soft coal production in the United States is about 530 million tons annually. Strip mining accounts for about 110 million tons of this total. A similar situation exists in the anthracite industry where stripping methods account for 10 million tons of the total output of 55 million.

The growth of strip mining is logical; it is free of hazards inherent to underground operation, less skill is required of the miner, work in the open air is more attractive than work underground, and stripping is cheaper. Although the quality of the coal thus mined is frequently inferior to that secured by the more selective underground operations, the differences in cost more than offset this disadvantage, as coal from the majority of all operations requires some processing today to meet the exacting demands of both industry and the home. Cleaning and screening plants are generally required irrespective of mining method. In 1945 a ton of coal mined by stripping

noted in the joint ITO delegation to the Geneva Conference on International Trade of the Netherlands, Belgium and Luxemburg.

The case for making decisions further ahead than the next crisis has been repeatedly urged since the Truman Doctrine was announced. The impression exists that the major positive result of the Moscow meeting is an improved working basis among the Americans, the British and the French. Is it strong enough to support the kind of boldness that would make Europe's 200 million people and 2 million square miles a balanced and productive economic area?

methods averaged \$2.33 against \$2.83 per ton for machine-loaded coal underground. Equipment now available for stripping operations makes it possible to mine coal with fewer employees than ever before and, equally important, to go after coal at greater depths. Gigantic shovels capable of handling fifty cubic yards of overburden at one scoop are now on order. Shovels of this type will be able to dig to a vertical depth of eighty feet to clean off the dirt and rock that lie over the coal seam. Today it is considered economical to strip off as much as fifty feet of waste soil and rock to reach a five-foot seam of coal.

Strip mining is carried on extensively in Illinois and Indiana where the terrain is level, the seams are of required thickness, and equally ideal, they are for the most part flat-lying. In the hilly terrain of the Appalachian region stripping is less extensive but in Pennsylvania there are anthracite stripping operations extending to depths of nearly 200 feet.

Important though stripping has become, most coal in the United States still comes from underground mines. It is generally recognised that the best method of improving production per man-hour underground is by decreasing hand labour through the increased use of efficient machinery. It is further generally recognised that increased mechanisation of production, coupled with more efficient management of all other phases of the industry, is the only way in which maximum employment at maximum wages with a fair profit can be brought to the American coal mining industry.

One of the most interesting mechanical developments in 1946 was that of a timber setting machine. Available for both track and trackless mining, the use of these machines resulted in timber work being done with from one to four less men than when timber was set by hand. As timbering is one of the most important means of accident prevention underground, especially in mines where roof action is uncertain, it can be readily understood that the development of a machine that will eliminate much of the tedium of hand work in setting heavy timber props is an important development in safety and economy.

Improved cutting machines, used extensively to part the coal from the waste rock below and above the seam prior to blasting, have also been developed. Through use of alloy bits, the speed of cutting is being materially increased.

One of the most tedious tasks underground in a coal mine was formerly that of loading the broken coal at the mining face. In the past, this work was done by hand. A miner shovelled the coal into a mule car or a battery-drawn train of cars. Today, in most American mines, especially those producing high tonnages, loading is done mechanically either into railroad cars, on to belt conveyors, or into rubber-mounted shuttle cars, the

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THE WORLD OVERSEAS

Scramble for Power in India

(From Our Bombay Correspondent)

ONE of the most serious drawbacks to the use of shock tactics as a political technique is that the results are unpredictable. This is already obvious in India, where it is generally believed that the Prime Minister's statement that British control would be withdrawn by June, 1948, was intended to jerk bickering politicians back to a sense of realities. The British Government evidently hoped that, under this new stimulus, the contending factions would coalesce to form the Indian Union outlined by the Cabinet Mission last year, or at least would produce some other plan for self-rule which would command general support.

So far, the results of the shock have been very far from British intentions. Instead of coalition there has been fission. Even agreement to disagree is still lacking. The real effect has been a mad scramble for power, based on a somewhat vague paragraph in Mr Attlee's statement saying that, if the Constituent Assembly did not produce a constitution in time, the British Government would have to consider to whom the powers of the Central Government in British India should be handed over—"whether as a whole to some form of Central Government for British India, or in some areas to the existing Provincial Governments, or in such other way as may seem most reasonable and in the best interests of the Indian people." It might seem unduly pessimistic to claim that this vagueness ended any hope of a peaceful settlement, but it certainly added impetus to a great many schemes which had previously been regarded as of doubtful value.

Not only did Pakistan, the Muslim League dream country, become a probability; but if the British were willing to hand over power on a provincial basis to the local government in office in June, 1948, the obvious thing to do was to grab that office and hang on to it. Those who were not enamoured of the Constituent Assembly and the Indian Union, as proposed by the Cabinet Mission and implemented by Congress, realised that they had only to maintain their stand for another 15 months to have a very good chance of being given their own way. For the Muslim League the vagueness of the Prime Minister's statement turned several awkward corners. The first was the anomaly that Pakistan, as originally planned, consisted of two completely distinct areas in North-West and North-East India. If power were transferred on a local basis that anomaly would no longer be so apparent. As for the authority of any constitution the Constituent Assembly might produce, it was automatically limited to those areas which recognised the Assembly; in other words, the A Group of provinces in peninsular India which are administered by Congress Governments. The statement, at least by inference, indicated that the Princes would be left free to do as they wished.

Land of Utter Confusion

The net effect has been to turn India in the past two months into a country of utter confusion. So much so that Mr Fazlul Haque, a Bengal Muslim politician, has suggested that perhaps it might be better if the British stayed after all!

Most serious are the determined attempts, still in progress, to drive at least two provincial governments from office and to prevent the formation of a third. The race for local power is the cause of the civil war which rages in the Punjab and the North-West Frontier Province, the intractable condition of Calcutta and the crises in Assam. So far, the main storm centre has been the Punjab, which, because of its economic strength, would be the most important section of Pakistan. Muslims have a majority of 53 per cent in the population of the whole province, the majority rising as one goes west. Despite the preponderance of Muslims the League has never succeeded in forming a government, mainly because the late Sir Sikander Hyat Khan and his associated rural magnates, who control a very large Muslim vote, refused to countenance the League and formed coalition governments with the aid of the important Sikh and Hindu minorities. Since Sir Sikander's death this admirable arrangement has broken down and the League has gained considerable ground, especially

as it was joined by a number of Unionist (coalition) Muslims. After the last general election in the Punjab the League was not powerful enough to form a Ministry without outside support and by default office went to a rump—all that was left from the old coalition days.

Inevitably the League's first move after the "Quit India" announcement was to attempt to drive this rump administration from office by launching a civil disobedience campaign. This campaign was successful and comparatively bloodless. The intention was to form an administration dominated by the Muslim League under the Khan of Mamdot. His summons to Government House, however, was a signal for a counter-offensive by the Hindus and Sikhs with the battle cry "No Muslim domination." This time the affair was very far from bloodless. The Muslims accepted the challenge and an unknown number of lives were lost and many millions of pounds worth of damage was done. The flourishing towns of Amritsar and Multan were virtually gutted, Murree hill station was razed and many scores of villages were wiped out. For a time anarchy broke loose, especially in the North-West. Roving armed bands practically besieged Rawalpindi for a time and cut off Kashmir from India. Some of the bands were sufficiently well armed to fight pitched battles with British and Indian troops. Meanwhile, the administration of the province passed under the control of the British Governor, Sir Evan Jenkin, and up to the end of April it had not been possible to form a new Ministry.

Troubles on the Frontier

The neighbouring N.W. Frontier Province was fairly closely involved in the Punjab affair (at one stage the Punjab Government protested to Peshawar that raiders from the Frontier were doing the damage). But the Frontier has got its own troubles. In population it is almost entirely Muslim, but the provincial government is in the hands of Muslims who are members of Congress and a few Hindu associates who are also Congressmen. In the event of the formation of an Indian Union under Congress auspices, the Frontier would become a member.

For the Muslim League such a development would be a calamity and the League is working hard to prevent it by attempting to drive the present Government from office. The League's influence in the province appears to be increasing and its civil disobedience campaign is having some effect despite determined attempts to suppress it. It is causing the exodus of large numbers of non-Muslims from the province. The League's refusal to co-operate in the provincial Cabinet indicates its unwillingness to compromise about the Frontier's place in Pakistan.

In Bengal the situation is, as usual, confused. Western Bengal is Hindu, Eastern Bengal Muslim, and it is from the Eastern Bengal votes that the present Suhrawardy Cabinet draws its support.

Mr Suhrawardy owes his own brand of allegiance to the Muslim League and, having no intention of being parted from office, has adjusted the Muslim League doctrine that Leaguers should administer Muslim provinces to meet his own needs. He is to-day a keen advocate of all-party governments with of course Mr Suhrawardy at the helm. The opposition, led by the equally experienced Dr Shyam Prasad Mukerji, the power behind the Hindu Mahasabha, is unconvinced by such great-heartedness and has replied with a campaign for the removal of Mr Suhrawardy and his colleagues, even going to the extent of claiming that a Governor's administration would be preferable to the present Cabinet. Mr Suhrawardy's efforts at accommodation have a double aim: to keep a Ministry dominated by the Muslim League in office in Bengal to receive power when the great hand-over comes, and, by widening the base of his Cabinet, to prevent the partition of the province, which the Hindus are now demanding.

The Congress contribution to this pull devil, pull baker situation is to come most of the way to admitting Pakistan ("cannot

force unwilling groups to join us"), to denounce Mr Jinnah's offer of a truce on the basis of Pakistan and to suggest the partition of the Punjab and Bengal (a complete reversal of its previous policy of resisting the "vivisection of India"). Congress is plainly in a quandary from which in earlier days it could have saved itself by launching yet another "movement" against the British. The chief problem is the Constituent Assembly, which Congress insisted on establishing, regardless of whether the Muslim League participated or not. The League having persisted in its boycott, the Assembly owes practically the whole of its inspiration to Congress and is in fact little more than a platform for that party. It was therefore losing its all-India character even before Mr Attlee's suggestion that local arrangements for power transfer might be made. Since then Muslim Leaguers have been canvassing a scheme to hold a separate Constituent Assembly for North-West India at Lahore. To counter the general decline in the original Constituent Assembly's status Congress has made high-pressure attempts to bring more groups into it without delay. Particular attention has been paid to the Indian states whose representatives were originally intended to enter the Assembly for the all-India union discussions after the groups of provinces had settled their constitutions. As it is, some dozen princes have agreed to send their representatives to the Assembly immediately. The states represent two-fifths of India, so their addition to the Assembly's strength would go some of the way towards giving it an all-India character.

Nehru and the Princes

Recently Pandit Nehru has alternately cajoled and threatened the rest of the Princely Order to join now. His extraordinary remark that states which did not participate would be regarded as hostile brought a rebuke from his Interim Government colleague, Mr Liaquat Ali Khan, who is also responsible for the opinion that the Constituent Assembly is dead beyond resurrection. The majority of the Princes appear to be unmoved by the impetuous Pandit, partly because they also realise that Congress is very anxious to compensate for the omission of the British to hand over paramountcy to an Indian Government at Delhi. At first Congress insisted that a new Indian Central Government must wield this power. Latterly the claim has been dropped and the attitude of some of the princes that they will be free to do as they please has caused increasing irritation in Congress ranks.

The continued silence of the really important princes like the rulers of Hyderabad, Kashmir and Mysore has led to a crop of rumours that they intend to set up as independent kings. In Hyderabad's case the most fantastic stories about his armament plans have gained currency. Sir C. P. Ramaswami Aiyar, the very astute Dewan of Travancore, indicated the general tendency when he announced recently that with the passing of paramountcy his Maharajah would revert to independent kingship. Many of these claims on behalf of the princes are no doubt bargaining points intended to keep Congress ambitions in check, and it is significant that Muslim League spokesmen lose no opportunity of applauding them.

Indeed from many points of view conditions in the British Indian provinces are parlous. The primary cause is Hindu-Muslim strife, but the activities of the Communists, the Socialists (who recently left Congress) and Dr Ambedkar's Scheduled Castes Federation are also blameworthy. Drastic legislation of all kinds has been passed, and in the name of law and order it is now possible for any administration to stamp out opposition, and even to

place the inhabitants of whole towns under virtual house arrest, by imposing curfews which have lasted as long as three days without a break. Long curfews are being used as an indiscriminate punitive measure against unruly localities, and—because of the way population is distributed in most Indian towns—against particular communities.

Draconian Methods

The press is tightly controlled in its handling of internal events, and freedom of speech and assembly is frequently suspended. Provincial governments claim that these steps are necessary to prevent deliberate trouble-raising, and in many instances this is no doubt true. On the other hand, even the worst anti-British demonstrations or pre-war Hindu-Muslim riots never required such draconian methods as the present-day Indian Ministries have shown themselves capable of using. The only possible conclusion is that the older leaders, particularly in Congress, are losing their influence and Sardar Vallabhbhai Patel, Home Minister in the Interim Government, did not indulge in oratorical fancy when he recently admitted as much.

If the provincial administrations are losing ground in the prevailing state of uncertainty, the Interim Government is no better off. Though a bold show is made of post-war planning, the fact is that no one can do very much when it is still not known whether there will be one India or two and whether the Delhi Government will be able to fulfil its promises of aid to the provinces. The fact that Congressmen and Muslim Leaguers still share the Interim Government seems to be because, so far, neither can gain anything by leaving it. Though Mr Liaquat Ali Khan's recent budget, with its heavy taxes on profits and capital gains, was virtually a direct attack on Hindu big businessmen (the chief financial support of Congress), his Congress colleagues were unable to resist him effectively because his proposals were the first step towards Pandit Nehru's socialist goal.

Up to the time of writing, Lord Mountbatten, the new Viceroy, has been occupied in fact finding, and since his inaugural announcement that the time had come for a decision his only public gesture has been to induce Messrs Gandhi and Jinnah to sign an appeal for communal peace.

But the appeal did not prevent renewed rioting in Bombay and Calcutta, and had no practical value. However, there is a growing feeling that the present chaos will be resolved in the very near future by a Viceroyal announcement on partition proposals.

Work and Politics in Italy

[FROM OUR ROME CORRESPONDENT]

FOR over a month now Italy has been writhing in the throes of an acute inflationary crisis, with inevitable repercussions in industry. The country has never been anything but potentially bankrupt since the liberation two years ago; but the discovery in March that the national deficit had reached 610 milliard lire created a situation that was new, even if long foreseen. After the orgies of autarky in which the Fascists indulged, a large schol of Italian economists, bankers and businessmen believes in *laissez faire* with the fervour of eighteenth-century rebels against worn mercantilism. According to these *liberisti* the root of Italy's economic troubles lies in the socialistic practices of the new state; on the other hand, the working-class leaders and all those

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with Socialist inclinations find the fault rather in the half-heartedness of the present Government's Socialism.

The main causes of the crisis this spring may be summarised briefly: Firstly, the end of Unrra deliveries, which means that Italy has to pay henceforth vastly more for the food and raw materials which its economy compels it to import; there are, secondly, persistent signs of foreign competition likely to cut short the boom which certain industries have been enjoying; and, lastly, the weakness and inconsequence of the Italian Government's economic policy which have certainly aggravated an already difficult situation.

Last autumn almost every branch of the Italian textile industry was snowed under with orders and was working to full capacity; only the shortage of coal and electric power interrupted this activity during the winter. But now in the spring, when electricity is no longer restricted and work can go ahead, it is becoming increasingly clear that cheap American competition may capture Italy's markets in South America, while Czech, Belgian and Far Eastern competition is making itself felt in other parts of the world. A typical case is that of the wool and cotton industry of Prato; it employs 17,000 hands, and is at present working to full capacity, largely (as for many years) for the South African and Indian markets. Besides the general rise in prices, the cost of the dyes and grease required by the Prato industry is rising, and great fear is felt that here, too, foreign markets will be lost before the end of the year to Czech, Belgian and even Chinese competitors who can underbid.

As well as textiles, many kinds of machines, from steamships, railway engines and motor-cars down to typewriters, are in great demand either for the reconstruction of Italy itself or because six years of war have created a feverish world demand for them. So Italy's machine and metal industries may expect with the spring a flourishing season with, of course, the proviso that post-war reconstruction and replacement are jobs which, roughly speaking, come to an end and that, while raw materials (such as Swedish ore) are now arriving in Italy, they are still severely limited in quality and amount. It is characteristic of the present situation that a firm like Lancia's, of Turin, employing about 5,000 hands, has the raw materials and surplus of car orders at this moment to take on another 2,000. But the vacillations of the Government, the monetary crises and the general unrest make it unwilling to risk the uncertainties of the future.

Evasion of Taxes

To break the vicious circle—which means restoring confidence at home and abroad and attracting the capital resources which are so much needed—the Italian Government, for all its weaknesses, could take certain steps. It is notorious that the whole fiscal system requires revision, and that the wealthier classes habitually evade taxation; it is also widely believed that exporters are leaving a part of their profits abroad. A capital levy has at last been decreed on a steeply rising scale; since wealth in Italy is concentrated in relatively few hands this measure may be regarded as long overdue, and it should bring noticeable relief to the hard-pressed Treasury. The unequal distribution of wealth is reflected in the unequal distribution of food, and it is again characteristic of the situation that, immediately after announcing the deficit of 610 milliard lire, the Government declared its determination—not for the first time—to enforce economy by stopping the worst food abuses. Spartan restrictions upon the consumption of meat, cakes and sweets were announced, and a 50 per cent tax levied on every restaurant meal costing more than 500 lire; but the Rome restaurateurs struck against the tax, and the rest of the programme has been left hanging fire. Following the French example, a 5 per cent reduction of prices has been recommended, and is even announced in a number of shop windows of the larger cities. But what might otherwise be reassuring is lost in the mass of ineffectual regulations.

The partial abolition of the so-called "political price" of bread has actually come into force; bread has been the one almost adequately rationed food, on which the population could count at 30 lire the kilo, but the cost to the Government of maintaining its price made up 96 of the 610 milliard lire deficit. On April 15th, therefore, the price was raised to 43 lire provisionally, with a small provisional bread allowance of 104 lire to be added to monthly wages and salaries until a fresh system can be worked out. It is not clear that the saving to the Treasury will be very considerable, and the psychological effect of the campaign for the reduction of prices seems to be cancelled out.

What then is the present outlook? It cannot be said that there is any atmosphere of panic, in spite of the scepticism which is natural to Italians. The governor of the Bank of Italy has pointed out that the present problems are not very much more alarming

than the economic situation in Italy after the first World War which was overcome without tremendous difficulty. It is obvious that the country still possesses considerable real resources even if they have that ingenious elusiveness which is so specifically Italian. The peasants hoard their paper lire with deep conviction. A city like Milan rings with the sounds of building, now that the spring makes it possible to go ahead with reconstruction, and this activity is financed out of private savings. It is taking three years to construct hydro-electric plants; the big Edison electrical concern has a number under construction which will be of cardinal importance to the future of Italian industry. Edison alone have invested 4½ milliards of lire in new installations.

Vitality in Chaos

In every direction that one looks, Italian industry, which is bound to be the basis of Italy's economic health, shows signs of vitality. In the case of a key activity like the chemical industry, Montecatini is to-day employing 58,000 people in 136 factories, whereas two years ago it employed 25,000 people in 56 factories. But it is a vitality in chaos owing largely to the weakness of a Government based upon a predominantly Catholic-Communist coalition. It is difficult to see how the removal of controls, so ardently desired by the Right, could be justified in the Europe of to-day where a carefully planned distribution of raw materials remains essential. It would seem rather that a greater rationalisation of Italian industry is called for, with a systematic conversion of war and other industries for which the new Republic can have no use, and a readjustment of the proportions of raw materials, half-finished goods and machine-parts which Italy sets out to import. Certain concerns like the Fiat, which were nurtured on huge Fascist subsidies and have made ample Socialistic claims upon the Treasury since the liberation, should perhaps undergo some degree of contraction.

Many of the unhealthier industrial concerns in Italy are already controlled by the State which rescued them in 1933; in that year they were subjected to the control of the IRI (*Istituto per la Ricostruzione Industriale*) which was then taken over by the post-Fascist state. The plight of former war industries, such as Ansaldo and Ilva, which come under the control of the IRI is of course critical, and represents a heavy expense to the state. Conservative Italian opinion treats this situation as an anti-Socialist argument to be used in favour of demolishing the IRI. This perfectly logical attack from the Right may at last force the Government to face the contradictions in which it seems constantly to get involved. For Socialist opinion of every shade is well aware that the IRI is the thin end of a wedge, that it is a partial realisation of Socialist planning achieved on unfavourable terms, but capable of a more satisfactory development. Indeed, the only serious projects for industrial reform so far worked out in Italy are based on the expansion of the IRI. These emanate from the Socialist Minister of Industry, Signor Rodolfo Morandi, a prominent resistance leader.

Partnership in the Factory

Perhaps the gravest problem in the reorganisation which Italian industry needs is that of achieving a better distribution of labour. At present there is a huge unemployment figure—over 2½ million. Labour in employment shows bad production figures—a general post-war evil—while skilled workers tend to work overtime. A certain amount of labour needs to be transferred from unremunerative industries, and an enormous number of workers need the specialised training and experience which they could not acquire during the period of war. Signor Morandi attaches particular importance to stimulating the technical knowledge of the workers and their interest. He has done all that he could to transform the factory committees, which sprang up during the resistance to the Germans, into joint bodies representing both capital and labour and deliberating on the best technical methods of increasing production. Although not yet legally recognised on a national basis, these *Consigli di Gestione* now exist in many of the factories of Italy. Conservative opinion belittles their importance and there are sometimes difficulties between them and the parallel trade union organisation; but in a modest way progress is certainly being made, especially in the Montecatini factories and in those of the Breda machine industry. In the middle of April there was an interesting demonstration in favour of Morandi's plans, when a congress of representatives of the *Consigli di Gestione* met at Genoa to protest against the drive from the Right towards the liquidation of the IRI. Planning, together with the sharing of technical responsibility, would seem to offer a solid foundation for the future development of Italian industry; it is to be hoped that these bodies will be given their chance.

Frenchmen and their Social Services

[BY A CORRESPONDENT]

LARGE and gay posters, plastered by official order on the walls of Paris, inform the French worker to-day that he is free from insecurity and want and that his children and elderly relations will no longer be financial liabilities. In what one government critic calls "this orgy of useless coloured paper" the story is told of the provisions made by the Fourth Republic for a national system of compulsory insurance, old age pensions and family allowances. The enterprise is of particular interest in this country, and there is doubtless a link between the transformed conceptions of the State's obligation to the citizen in France and England, arising in both cases from the growing realisation that for social, economic and strategic reasons, human assets are those which each can least afford to neglect.

Misgivings are being expressed in Paris that the heavy expenditure on social services may divert available funds from the savings necessary to fulfil the Five Year Plan investment policy. It certainly will unless the present economic expansion arising from increased production can be maintained. The burden of the social services on the budget will be about one hundred billion francs (105 billion last year). This will cover: insurance, pensions and provisional indemnity for civil servants, war pensions and special subsidies to particular groups and institutions. While France's "ordinary" budget has less than trebled (allowing for the depreciation of the franc) since 1913, expenditure under the heading "social services" has multiplied by more than fifteen: constituting by far the largest single item of increase.

Even greater is the expenditure on various branches of social welfare financed by compulsory payments from private people (which includes the cost of paid holidays, recently extended to three weeks for young workers), expected to amount to some 237.5 billion francs in 1947. This is to say that the total of private and public contributions to social services will amount in the current year to well over one tenth of the national revenue (estimated in the Monnet Report at three thousand billion francs for 1947 rising to three thousand seven hundred billion for 1950).

Contrasts with Britain

Despite these heavy costs, all the benefits, which vary according both to the locality of payment and to the recipient's former earning capacity, command considerably less purchasing power than their equivalents in England. For example the basic rate for a single old age pensioner in a rural commune in France is only 1,000 francs a month, as compared to 26 shillings a week paid to his British equivalent. The French system is also, at present, less comprehensive than the British. Social insurance covers only salary and wage earners, and even among them important categories including miners, agricultural workers and civil servants have provisionally retained individual services of their own. For the rest, contributions are paid on a fifty-fifty basis by employers and employees, each paying a sum equal to six per cent of the latter's wage. The scheme differs again from the British in that it does not cover the unemployed, who are still provided for by local government relief funds, subsidised where necessary by the state.

The only two services for which non-wage earners qualify are family allowances and old age pensions. Both are covered from compulsory contributions from the employers, subscribing for themselves and their employees, while independent workers maintain a separate fund of their own. Old age pensioners not formerly insured are at present maintained by state grants.

In addition to this long-term social legislation, the state has recently intervened to protect the particularly needy. A special subsidy has been voted for those officially classed as "economically weak," mainly to enable victims of the inflation to keep body and soul together; while, for the first six months of the present year, all industrial employers are compelled to pay a provisional indemnity bringing salaries up to a minimum of seven thousand francs, pending a general wage revision.

But the principal difference between the French and British systems is in their administration: while the British entrust the management of their insurance scheme to civil servants, the French claim that their arrangement, by which the responsibility devolves on the elected representatives of those insured, is more democratic. "Ni étatsisme, ni fonctionnarisme" (neither state-control

nor bureaucratisation) declared Ambrose Croizat, Communist Minister of Labour until the present crisis.

Political Fight for Control

Accordingly, last week, twelve million people were called upon to vote by secret ballot, under the principles of proportional representation, for the local committees which form the pivots of the new French system: the *caisses primaires des assurances sociales*, to manage the funds for maternity, illness, accidents and death insurance, and in which workers and employees are represented in a ratio of one to four; and the *caisses des allocations familiales*, elected by those receiving family allowances.

The local committees are to be guided, and in some cases subsidised, by regional committees of which they will elect the majority of members. Old-age and disablement pensions will be administered directly by the regional committees, who, on the principle that prevention is better than cure, will also control a proportion of the funds set aside for social, sanitary and medical improvements. They in their turn send delegates to a National Council, on which all the economic Ministries will be represented, and will form the summit of the social service pyramid.

While theoretically the object of last week's vote should have been the selection of the best available administrators, in practice the campaign was fought from the outset on a political basis. Lists were presented, on the one hand, by the General Confederation of Labour, chief protagonist of the present system, supported by the Communist and Socialist Parties; and, on the other, by the Federation of Christian Workers and various private Mutual Aid Societies, supported by the MRP and the Right, who oppose the whole idea of a unified system and aim rather to revise than to administer the new laws. The anti-Marxist camp argue that the plurality in the administration of the social services is a necessary condition of plurality inside the Trade Union Movement—which they regard as a principal barrier to Communist control.

The elections of April 24th were prepared by bitter and lavish propaganda on both sides. A characteristic cartoon appeared in the current number of a Right-wing weekly, in which a sinister old pawnbroker says to the skeleton of a worker: "Just hand over your skin, and I will ensure you a comfortable old age." As a test of political strength they seem to have been indecisive, although there has been a curious delay in counting the votes, and a fortnight after polling, results are still incomplete. Official statistics covering three million voters show that one quarter abstained altogether and that, among those who did vote, 61 per cent supported CGT lists, 27 per cent CFTC lists, and the remaining 12 per cent other primarily anti-Communist lists.

While the CGT can therefore claim a straight majority, the CFTC argue that it has gained a much larger proportion of the total votes than its membership (about one-eighth of the CGT) entitled it to expect. This challenge to the supremacy of CGT control over the workers may have influenced the recent abandonment by the CGT and Communists together of the wage-blocking policy, evidently now considered too unpopular to sustain. Thus ten days ago the Communist *L'Humanité* was denouncing the Renault strikers as the victims of "a bunch of Trotskyist agitators," though last week-end the Communist Ministers left the Government to show solidarity with the strikers. In any case it is clear that the struggle between the CGT and anti-Communist elements to control the social services will now continue inside the newly elected committees.

Thus French social services, along with agricultural co-operatives, educational institutions, press and publicity organs, news agencies, production plans, and the Constitution itself have, in their turn, become the victims of what the French call *politisation*—a disease common to almost every creation of the Fourth Republic. The germ of this disease is perhaps to be sought in the angry disillusionment and discontent felt by the vast mass of French men and women, making them easy victims to any form of political agitation.

Record of Recovery

It is a discontent not altogether justified, for it is too easily forgotten that, since the liberation—when industrial production was at twenty per cent of its pre-war level, transport totally disrupted, the currency reeling under the effects of occupation and indemnity, the land scattered with a hundred million unexploded mines and the ruins of two million shattered buildings—very remarkable social and economic strides have been made. Coal, gas and electricity production and inland transport, to take only four key sectors, are to-day well above their pre-war level of activity. A million French prisoners of war have been socially

and economically reabsorbed. Financial calamity has so far been averted. And, beyond all this, social services have been extended on an unprecedented scale.

But the main difficulties remain, and the inhabitants of this once-favoured land, queueing for their recently diminished bread ration, seem to find it impossible to adjust themselves to the hard fact of poverty or to realise how far French fortunes have sunk, absolutely and relatively, as a result of two catastrophic wars, and of world industrial and demographic developments, largely outside their control.

Mood of the Ruhr Miners

[BY OUR CORRESPONDENT RECENTLY IN DUSSELDORF]

A FRESH wave of unrest is developing in the Ruhr, where the food situation is going from bad to worse. The bread ration, recently cut by two-fifths, has not yet been restored, and the shortage of potatoes is now beginning to affect even the miners' canteens, which had so far been guaranteed supplies. It remains to be seen whether the miners will once more withdraw their labour, as they did before Easter, to support a general protest against British and German handling of the food problem. This week's ration in Essen is 741 calories, mostly in bread, and on Saturday last only 219,500 tons of coal has been produced in the whole region.

Daily gross output of hard coal, which was only 191,000 tons at the beginning of the year, had risen to 238,000 tons in the third week of March, and it was hoped that this upward trend would be maintained. Since the one-day strike of April 3rd, however, production has been running at the rate of under 225,000 tons a day. The target, set by the North German Coal Control, for a daily output of 300,000 tons by September, is now beyond the bounds of possibility. Output per manshift, at the face, which was only 1.26 tons at VE day, was 2.31 tons in December, 1946, and had risen to 2.38 tons by February, 1947. It was estimated at one mine that the honouring of the official calory level for ordinary consumers would bring about an increase of 20-25 per cent in the miners' productivity.

As under the Hitler régime, the Ruhr miner is highly privileged. Whereas the current basic consumer ration is only 1,550 calories a day, the daily ration of a miner doing "heavy" work is 3,277 calories and that of a miner on "very heavy" work, i.e. at the face, just under 4,000 calories. Few miners, of course, receive their full calories, either because deliveries of such foods as fats and potatoes fall short of the programme, or because they share their extra rations with their families. The miners receive priority in the supply of scarce consumer goods, in order to honour the "points" system. Under this scheme, which was introduced in January to provide extra stimulants, the different categories of colliery workers are graded according to their productiveness and receive coupons to buy certain foods and articles in short supply, if they work a full week's shift. Bacon, coffee, sugar, schnaps and tobacco are all included in the list, as are various articles of clothing, shoes and household goods. A miner who works all the required shifts qualifies for a full allocation of points; if he misses one shift he loses a fifth of his points, unless his absence is excused; if he misses a second shift he loses a second fifth of his points; if he misses a third shift he loses all his points for the four-week period.

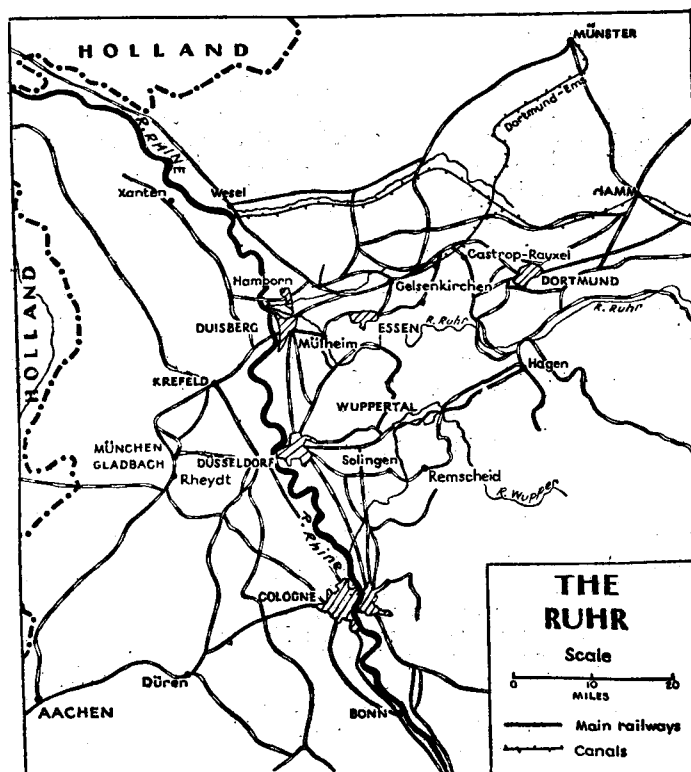
The points scheme has been successful in at least two of its objectives—the reduction of absenteeism and the recruitment of labour. Absenteeism, which was as high as 23.6 per cent—from all causes—in September, 1946, had fallen to 12.9 per cent by March, 1947. The inducements offered to the miners also helped recruitment; so that the powers of compulsory direction of men to the mines have only been exercised on a very small scale. The pre-war labour force of 346,000, which had fallen by two-thirds at the end of the war, has been raised to about 90 per cent of its 1938 strength, although the output of the individual miner is very much reduced. This is due partly to physical and partly to psychological factors. The miners' power of resistance and stamina have been lowered as a result of the bombing and post-war under-nourishment; three times as many shifts were lost through sickness last year as in 1936. The average age of the miners is higher—it rose from 35 in 1939 to 43 in 1946—and the normal labour force has been diluted to the extent of about 40 per cent by men from outside the Ruhrgebiet, with little or no experience of mining.

The recruitment of miners from other areas and the absorption of returning prisoners of war, many of whom have gained mining experience, is limited by lack of housing. In the North-Rhine Westphalia Land, as a whole, 75 per cent of the houses were damaged or destroyed. In some parts of the Ruhr, the proportion of totally destroyed houses is over 80 per cent. Repairs to miners' dwellings have priority over all other needs, and have been allo-

cated 55 per cent of available building materials. The aim is to provide "reasonable accommodation" for all miners by the end of 1948, and there is a plan for manufacturing prefabricated houses, which is held up at the moment by shortage of materials. Apart from miners, the rest of the population has little hope of immediate re-housing.

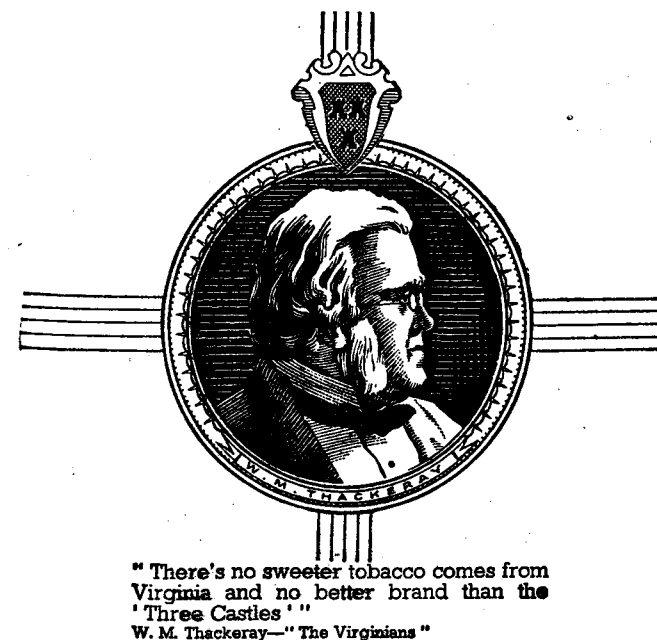
The miner has also been handicapped by material shortages and defects in equipment. Suitable timber for pit props has been in short supply and shortages of parts for machinery replacement and of good-quality rubber for belting have made uncertain the day-to-day administration of the pits. But it has been estimated by the North German Coal Control that the existing equipment is adequate for a production level of 350,000 tons a day, which suggests that the argument of defective machinery can be exaggerated. The overriding needs at the present time are to increase the labour force by another 70,000 workers and to raise productivity.

There are a number of psychological elements which have also to be taken into account. The trade union leaders maintain that until a decision is taken to socialise the coal industry, the miner will not give of his best. The miners are pressing also for much fuller participation in administration of the mines. The idea of "workers' control" still has many adherents, although most of the workers confine their claims to demanding a larger share in



management. The pit production committees now established at every pit have not been in operation long enough to enable any conclusion to be formed about their effectiveness. Denazification is still a burning issue, particularly among the extreme Left elements, who complain that Nazi managements have been reinstated and blame the British for this. Rather less than 10 per cent of mine management officials have been removed or demoted under the denazification procedure. A German panel, including trade union representatives, and under an independent chairman, was set up last autumn to review cases, so that if the process has not gone so far as it might have done, the Germans themselves, rather than the British, should be held responsible.

The whole question of the structure and organisation of the coal industry is in the melting pot. Indeed no decision on an issue of such international importance can be expected until some pronouncement of industrial policy is given from the highest level. The transfer of executive responsibility from the British to the Germans, timed for May 1st, has now been postponed for another month. While this will add to the period of uncertainty, it will at least give the Germans more time to prepare their plans for the future organisation of the industry, which have so far not been made available.



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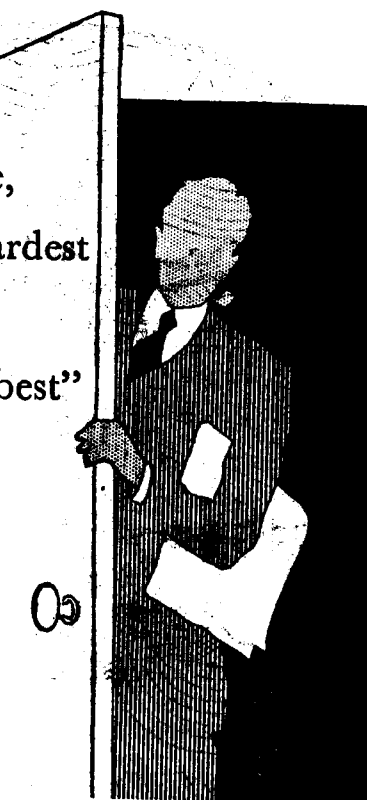
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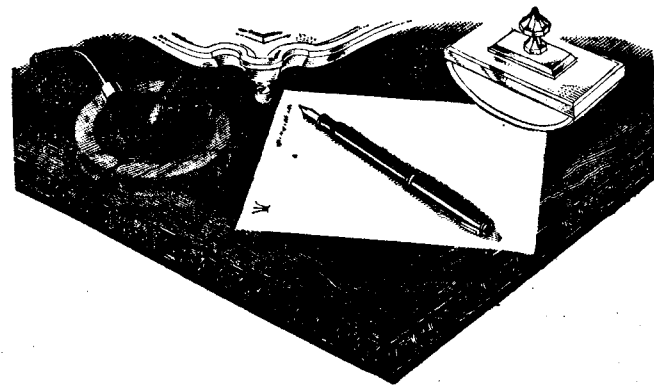
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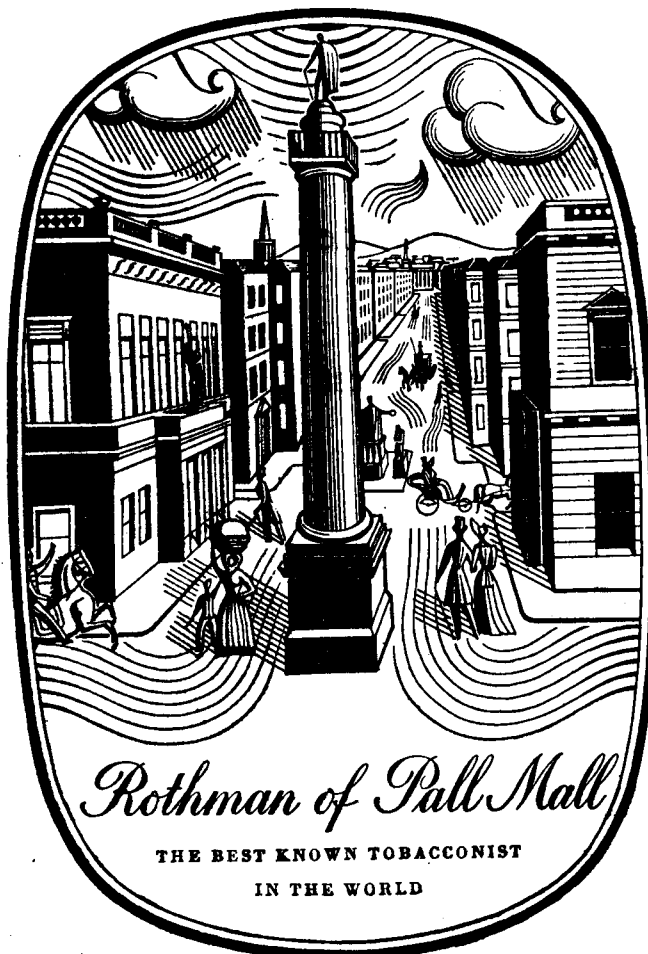
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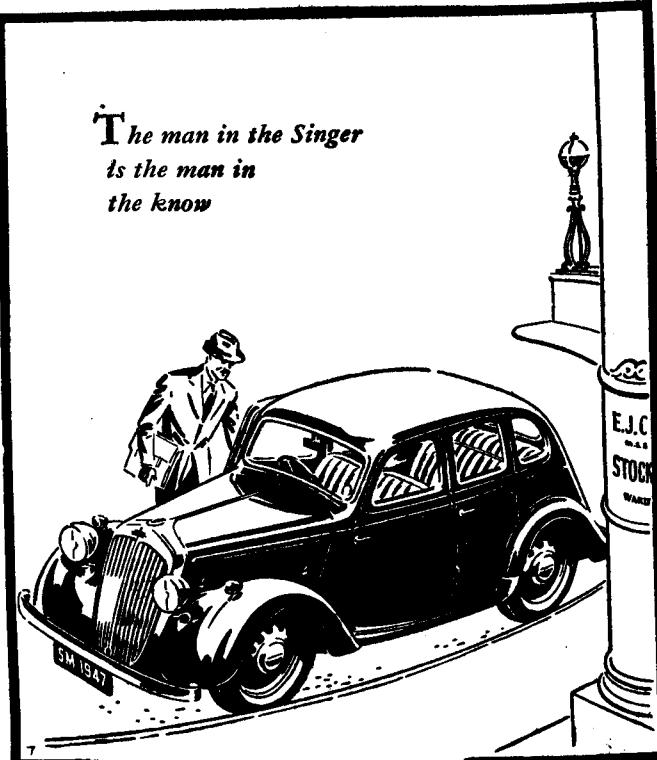
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THE BUSINESS WORLD

Coal and Industry

THIS has been a fateful week for the British economy. The coal industry has embarked upon the experiment of the five-day week—though its launching has been marred, in some areas, by unofficial, and temporarily paralysing, strikes of certain surface workers. All the arguments about the wisdom of postponement have been swept aside, and the nation now looks with anxiety for the first results of the shorter week upon production. No one, indeed, is more anxious than the Government, about the consequences of the five-day week—or more lame on what has to be done if the experiment does not succeed. Here is Mr Shinwell on the subject, in last Thursday's debate:

I will tell the House quite frankly that, if we should find that the five-day week does not work out, even with a better atmosphere, in terms of production, we shall have to come to the House and say so, after, of course, having our conversations with the National Coal Board and with the mineworkers.

Every sensible person will pray that Mr Shinwell, having defined with such care the proper procedural channels for handling a national calamity, will be spared from using them. If the five-day week does not succeed, it will be privation, not procedure, which matters.

Yet the introduction of the five-day week takes place against a more auspicious background than seemed probable four months ago. For the week ending April 26th, there was a spurt in production of deep-mined and opencast coal to 4,107,000 tons—the biggest post-war figure yet touched, and one which would guarantee the 200 million ton target if it could be consistently maintained during the year. For the first seventeen weeks of this year, total production has increased by 5.2 per cent from 60.7 million tons to 63.8 million tons:—

	OUTPUT OF DEEP-MINED AND OPENCAST COAL ('000 Tons)		
	January to April, 1946*	January to April, 1947*	Increase in 1947 over 1946
Total Output:—			
Deep-mined	58,225	61,337	3,112
Opencast	2,461	2,509	48
Total	60,686	63,846	3,160
Average Weekly Output:—			
Deep-mined	3,425	3,608	183
Opencast	145	148	3
Total	3,570	3,756	186
	* 17 weeks.		

There should be no premature rejoicing about this improvement. But for the winter weather and transport difficulties, which cost between them nearly 900,000 tons of output, it would have been better still, and it is sufficiently favourable to have enabled Sir Stafford Cripps to revise his summer coal budget from 89 million to 93 million tons. But even so, the output achieved and in prospect for the first ten months of this year amounts to no more than 156.8 million tons, leaving 43.2 million tons to be won in the last eight weeks of the year if the target is to be hit. They will have to be "Bull Weeks" indeed.

Sir Stafford's revised summer coal budget is a good deal less precise than the earlier estimates which he announced on March 10th. His announcement last Thursday week in Parliament, covering the five summer months from June 1st, recognised the blunt force of the criticism of the earlier estimates, which left industry with two-thirds of its requirements (17.6 million tons) and threatened grave industrial dislocation throughout the summer months. The March estimate was framed in the period of

crisis, and it rightly put great emphasis on the need to build stocks up to a safe level. It would be comforting to be able to devote 10 million tons to this purpose, as was originally intended, raising the total level to 15 million tons by the beginning of the winter. But this is safety which can be insured only by the payment of an extortionate premium in terms of lost output during the summer. There is a clear risk in allowing more coal for industry, because the size of summer output will be so uncertain. But it is obviously wise to have taken the risk, for the alternative would have meant that industry would have little or no chance to recover during the summer from the severe blow which it suffered in February and March.

Industrial coal supplies for the five months June 1st to October 31st are to be "planned" at a level equal to the consumption during the summer of 1946—subject to certain exceptions, such as new factories, oil conversion, and special allocations for the building materials industries, which will give them 85 per cent of their solid fuel requirements. The summer allocation to industry on this basis (for six months) would be 25 million tons, compared with total requirements (including stockbuilding) of 28 million tons. The stock problem has been eased during the past month by the accumulation of a further million tons of coal, raising total stocks to 6 million tons. It will be for industrial concerns themselves to accumulate stocks equivalent to three winter weeks' supplies by the end of October. Roughly speaking, therefore, the amount available for current supplies during the summer will be 21 million tons, compared with 17.6 million tons under the original budget. It is an increase, but it will still leave over one-fifth of industry's requirements uncovered.

Moreover, to describe the increase as having been "planned" seems to force an excess of meaning upon that unfortunate word. The increase has been "decided," but it will have some peculiar differential effects upon various sections of industry. The employment figures given in the latest issue of the *Monthly Digest of Statistics* relate to January. They show an increase in the total number of employees in manufacturing industry from 6,274.9 millions last June to 6,704.3 millions in January. The metal industries have shown a moderate expansion, chemicals have remained roughly stable, textiles and clothing have shown promising increases in much-needed manpower, building materials (which receive a special allocation) show no exceptional expansion of manpower compared with last summer, though leather, wood and paper have considerably increased their labour force. If the best use of available labour was to be made, some of these industries would qualify for a greater share in the increase in solid fuel supplies, but all are apparently to be treated alike. The scheme has the merit of simplicity, but it also means more unemployment than last summer, either open or concealed, and seals the pattern of industrial output according to the summer of 1946 without adjustment for any subsequent changes in manpower, supplies of materials, or even demand.

It is, however, peculiarly difficult to thread one's way through the latest coal budget. There is a potential source of rich confusion in the use of figures for five months and six months—the industrial allocations are for five months, but they are illustrated by figures relating to six months; "industry" is defined as iron and steel, "coke ovens not supplying town gas" (are these the same as the brusquer heading for "coke-ovens" in the Ministry of Fuel and Power's statistics, which are not

rated as industrial consumers?) and "other industries." As for the contribution to stocks from industrial deliveries this summer (say 4 million tons), was allowance made for this in the earlier estimate for stock rebuilding of 10 million tons? Or is it greater or less? Sir Stafford's earlier coal budget was reasonably clear on these points, and it is a pity that his second calculation could not have been made more explicit. The time is indeed overdue for a thorough recasting of the coal figures; it needs the subtle mind of a metaphysician to handle the complexities of basic quotas, Cripps quotas, regional pool allocations and the rest. Is there any good reason why the provision of coal for different industries should not be disclosed in at least the adequacy of detail of the Ministry of Fuel and Power's monthly figures—indeed, the analysis of industrial consumption as "planned," coupled with the accrual of supplies to meet it, is one of the many lacunae in the existing coal figures.

These revised industrial allocations are a relief for industry, but they are no release. Whether they can be met from summer output will depend largely on the counterbalance between the expanding labour force in the mining industry and the consequences of the five-day week. The industry had 711,000 wage-earners on colliery books in the middle of April, compared with 692,000 at the end of 1946. In March the average weekly increase was 1,640, and in the first three weeks of April 1,330. There has been an inevitable fall in the number of ex-miners returning from the forces, but the new attractions of the industry have produced a large recruitment of ex-miners from other industries. This is hardly surprising, in view of the average earnings in the industry, which in the last quarter of 1946 amounted to £6 14s. 8d. per week for all grades, an increase of 116 per cent since 1938, compared with an increase of about 75 per cent in the wages of male industrial workers generally. But the increase in the total labour force has not produced a corresponding increase in the number of face workers; yet new faces have to be opened up on a considerable scale and new face workers trained. The increase in face-workers from 281,000 at the end of last year to 286,000 at a recent date indicates that a large part of the

increase in manpower is still employed on underground haulage or surface work, and that the proportion between face and surface workers has been further diluted. It is hardly surprising, therefore, that the output per manshift has been tending to fall slightly during this year—from 1.06 tons in January to 1.03 tons last month. There is a risk that the increasing labour force of the mines may have to be used to a larger extent on the surface than is desirable, in order to make up for loss of shifts under the five-day week. In recent months, surface workers have been doing six shifts, and face workers five. The output of the surface workers in the sixth shift will now be lost, unless absenteeism (17.76 per cent for all workers in February) improves, or output per manshift increases. Sir Stafford Cripps has also drawn attention to an unexpected difficulty—that the limit of winding capacity has been reached in some collieries, and that transport and siding facilities in others limit the amount of loading that can take place in a five-day week.

It would indeed be rash to make any estimate of the effect of the five-day week on output. But, on the face of the figures, it seems unlikely that the recent level of output can be maintained without a great improvement in productivity and attendance. If the five-day week—which has always been pressed on the ground that it would increase output—fails to do so, or produces only a transient recovery, the outlook will indeed be bleak. Clearly, it is still necessary to press on with recruitment, still necessary to obtain labour from foreign sources, still necessary to reorganise the pits according to the best technical practice, to proceed with mechanisation and mechanical haulage and loading and to introduce underground transport facilities. That these things will eventually be done can hardly be doubted, but they will not be done in a twelvemonth. Indeed it is estimated that it will take some thirty years to reduce the excessive number of pits and to put the industry on the thoroughly modern and efficient basis on the lines of the Reid report's recommendations. And it is the coming twelve months which will combine the weight of several economic crises—in dollars, in transport, in industry, and in coal. Given coal, some of these crises could be surmounted; without it, none of them will be.

Convertibility Ahead

JULY 15th, the date on which sterling currency earned by non-residents becomes "expendable" or "transferable" or, more commonly, "convertible" into any currency in the world, is now coming into focus. The exact timing of this move derives from the Anglo-American financial agreement of December, 1945, with its injunction on both countries to undertake that "not later than one year after the effective date of this agreement (it was ratified by the US on July 15, 1946) . . . they will impose no restrictions on payments and transfers for current transactions." The agreement further provides that "any sterling balances released or otherwise available for current payments will, not later than one year after the effective date of this agreement . . . be freely available for current transactions in any currency area without discrimination."

Those are the relevant clauses which require the British Government to take action on July 15th next; but they are not the compelling reason why such action should be taken at all. The return to currently earned sterling of the virtues and qualities of free transferability or convertibility was in any case inevitable. Paradoxically, it was an essential condition of Britain's continued ability to live for some post war years beyond the means of its balance of current payments. If Britain found it desirable or inevitable to live on external credit during the years of transition, that credit had to be raised either in the currency of the creditors (as is being done with the dollar credits) or in convertible sterling. The British Government would have found it more than difficult to induce Argentina, for

example, to continue to sell to this country. The financial agreement with Argentina and recent experience in payments with Brazil should be sufficient proof that convertibility of current sterling was an essential pre-requisite of the continued readiness of those countries to go on supplying Britain with more goods than they are obtaining in imports from Britain.

There may be certain countries, especially among the Dominions, which would be prepared to see their accumulated sterling balances increase further without any assurance that this additional sterling could be spent in any part of the world. But most of Britain's overseas suppliers are moved by less generous impulses and would, in any case, have had to be given the right of convertibility. As for the more generous, it will remain open to them to accumulate additional sterling and not to exercise the rights of convertibility that will be theirs after July 15th.

All that can be said against the Anglo-American financial agreement on this score is that by committing Britain to convertibility of current sterling by a definite date it removed a very valuable bargaining weapon that would otherwise have been available to the Government in negotiating with the more recalcitrant of its sterling creditors and overseas suppliers. But even this argument has little force to-day. The teeth that were drawn by this clause in the Anglo-American financial agreement would have been of no great worth in the present sellers' market. This is, unfortunately, hardly a time at which sellers can be bitten or bullied.

The transition to complete convertibility of current sterling will have been largely anticipated by July 15th. Convertibility or transferability of current sterling already exists as between the following countries:

<i>American Accounts</i>	United States, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Salvador, Venezuela.
<i>Transferable Accounts</i>	Canada, Newfoundland, Argentina, Belgian monetary area, Netherlands monetary area, Portuguese monetary area.
<i>Special Agreement</i>	Italy.

Financial agreements are still to be negotiated with Brazil and Uruguay. The strictly bilateral agreements operating with France, Switzerland and the Scandinavian countries will have to be adjusted to make current sterling accruing to those countries freely expendable. Finally, and most important of all, there is the whole group of sterling area countries with which no agreements anticipating July 15th have yet been negotiated.

In viewing not only the character of the technical arrangements that are still to be made but the cost of convertibility, when it is completed, it will be well to inquire what class of sterling will, in effect, become available for expenditure in any currency area in the world. According to the strict letter of the American agreement, it will be any sterling arising out of current transactions, i.e., the whole of the proceeds of exports and sales of services to Britain and income from non-residents' investments in Britain. But it should immediately be added that out of these current earnings of sterling there will have to be paid all amounts due to Britain for current transactions. In effect, therefore, it will be the net balance of each country's trade with Britain that will be convertible. It would be fantastic if, for example, countries with adverse balances with the sterling area were able to spend a seasonably accumulated gross surplus without providing for payments known to be falling due later for their imports from Britain. It should be noted, too, that since non-residents holding current sterling will be able to spend it anywhere in the world, their expenditure in Britain will be based not on any element of compulsion but on the usual competitive commercial considerations.

In order to ensure that convertibility does in effect apply only to the net balance it will be necessary to conclude agreements for the funding of balances accumulated prior to July 15th next and defining the conditions in which they can be released. Failing agreed arrangements, the only alternative would be for Britain to block these balances or—which comes to the same thing—the recalcitrants must be excluded from the sterling area.

The exact nature of the arrangements to be made with the sterling area countries will have to vary with the circumstances of each case, among them with the magnitude of accumulated balances and with the manner in which they are held. Where, as in the case of India, the bulk of the balances is held by the central bank, the simple device of transferring the accumulations to a special account may be possible. In other cases, where the assets in question are very widely held, this simple procedure of drawing a line across the account on July 15th will be more difficult and in some cases impossible to apply. The case of Eire is, perhaps, the best illustration of a sterling area country whose accumulated sterling balances are so widely dispersed as to rule out any hard and fast arrangement that would segregate accumulated balances from fresh accruals. The most promising solution in such cases, and it may well be applicable also to others, like those of India and Egypt, would be to introduce into the arrangements with the authorities of those countries the principle of a minimum global balance to be kept in London. This minimum would be scaled down from year to year to allow for the freeing and repayment of the accumulated

balances. The amounts outstanding would be calculated periodically, and if the minimum was not being observed, representations would be made to the country in question. If necessary, the creditor might be asked to make up the balance either by paying in gold or other currencies, or even by purchasing sterling from the International Monetary Fund.

The operation of any such arrangement would call for good will and there are, perhaps, some countries on whose sympathy and co-operation it might be unwise to depend. Certain countries may be tempted to use their rights of convertibility of current sterling to excess. If they do, they will later find themselves short of sterling to meet current obligations. The unpaid creditors in such an event will be the British exporters who have sold their goods to these countries. Since the non-payers will at the same time have substantial amounts of accumulated and unavailable sterling, it may be assumed that considerable pressure will in such cases be brought to bear on the British authorities to accelerate the release of these balances in order to meet outstanding debts in Britain. Such pressure will have to be stoutly resisted, and the country which by excessive exercise of conversion rights has run itself short of current sterling will have to be called to order and would then have to restore its current balance by reducing its imports from Britain, or increasing its exports, or by remitting gold or, finally, by recourse to the IMF.

Viewed in that light, the ordeal of July 15th loses much of its severity. In some respects the new situation will mean positive relief to the British balance of payments. Convertibility already exists with countries whose current payments with Britain show the largest surpluses. Countries such as India and Egypt are now running substantial sterling deficits with Britain, and, under the new situation that will arise next July, they will lose the facilities they now enjoy for running such deficits and for drawing on the sterling area dollar pool. After July 15th, their command over sterling purchasing power will be restricted to the amount of their sterling sales plus whatever portion of their accumulated balances may be freed year by year. Their command over current hard currency resources will, in effect, be defined by the total of their favourable balance of payments with the hard currency countries, plus any surplus of current sterling they may acquire.

The immediate outcome of the arrangements that have to be negotiated with sterling area countries will thus be to make sterling a much scarcer currency than it is at present. The degree of that scarcity will be largely determined by the terms on which accumulated balances are funded and liberated. But since the greater part of Britain's current deficit will be with the Western hemisphere and will be covered by the dollar credits, the balance of payments with the rest of the world will not provide the substantial deficit that would create a large volume of currently earned sterling liable to be converted into other currencies. To make assurance on this point doubly sure, the British Government has already begun to negotiate special agreements with countries like Spain which will, in the next few years, accumulate and will voluntarily hold substantial amounts of sterling.

The new position will make possible a more conscious and selective direction of exports by subtracting from the demand for British goods that appreciable element which is now represented by purchases financed out of accumulated balances. Admittedly certain types of transactions will be lost to British traders under the new conditions. They are the profitable three-cornered entrepôt operations which in fact have been based on the ability of certain countries, such as India, to buy in terms of sterling and pay relatively high prices by allowing their sterling balances to run down. But the loss of this somewhat exotic, though highly profitable business, should, in the long run, be more than made good by the growth of much more solid and enduring trade which a strong and convertible sterling will help to attract to this country.

Business Notes

The Debtor Speaks Out

An unambiguous warning by the British Government to its war creditors that they must accept a substantial scaling down of the sterling debts owing to them was given by Mr Dalton this week in a speech to the Brazilian Chamber of Commerce. The Chancellor's language could hardly have been bettered, or his meaning made clearer:

As a result of the war the people of this country who were fighting longer than any others against the common enemy now find chalked up against them in the ledgers war debts nominally amounting to more than £3,000 million. These are our fruits of victory; these vast debts nominally owed by us to those who fought with us in the great inter-allied effort. This vast accumulation of debt represents an unreal, unjust and unsupportable burden. If Lend-Lease and Mutual Aid had been applied among all the members of the Grand Alliance, as they were applied between the United States and the British Commonwealth, by far the greater part of these debts would never have been charged up against us.

Sooner or later—and it would be better sooner than later—this mass must be very substantially scaled down. Britain is strong, but one sign of her strength must be refusal to take on fantastic commitments which are beyond her strength and beyond all limits of good sense and fair play.

Nor could I, as the British Chancellor of the Exchequer, support financial arrangements which would mean that for years and generations to come this little island, which led the fight for freedom, would, through this peculiar war-time accountancy, carry a crushing load which even the defeated enemies of freedom—Germans, Japanese and the rest—would escape.

This declaration will evoke an unanimous chorus of approval in this country. But why should it come so late? This is the clear talking that should have been addressed to our so-called creditors many months ago, long before Sir Wilfrid Eady and his colleagues began their tour of the main creditor countries. Ever since the publication of the Anglo-American financial agreement in December, 1945, the question of cancelling part of these sterling debts has been approached by spokesmen for the British Government—if approached by them in public at all—only with a curious diffidence. It almost appeared as though the injunction to “adjust” these debts, which was tentatively incorporated in the text of that agreement, had made it an unpleasant and unwanted commitment shouldered by Britain. These doubts and uncertainties have now been cleared by Mr Dalton's forthright remarks. Though uttered on a Brazilian occasion, they were obviously meant to be heard by others as well—and first and foremost by the Indians and Egyptians.

* * *

Light on the Profits Tax—

After the bewilderment caused among investors by Sir Frank Soskice's “explanations” a fortnight ago, the main interest in the Finance Bill, issued on Wednesday, inevitably centres in the provisions for the Profits Tax and the new duty on bonus issues. On these matters some major obscurities are now elucidated, but there are also some unwelcome surprises and a few new puzzles which have not yet been resolved. Among the unwelcome features is the confirmation of recent fears about the manner in which the changes in Profits Tax are to be applied to accounting periods falling wholly or partly before January 1st last, the date on which EPT ended and the increase in Profits Tax on distributed profits becomes effective. Any dividend declared after Budget day which is expressed as payable for such a period will in fact be treated as relating to the current year to the extent to which it raises the total distribution for the earlier period above that of the comparable preceding period. To that extent, it will automatically be subject to the full provisions for the increase in tax.

Apart from this, the rules for apportionment of tax for broken periods look equitable, although, presumably because of the difficulty presented by interim payments made in 1946 for a period extending into 1947, the formula is complex. In such a case tax is computed for the whole period, first on the old flat rate basis and secondly on the new differential basis: the first notional liability for the full year is then apportioned *pro rata* to the months falling in 1946 and the second to the months falling in 1947.

The rules seem effectively to close any possible loopholes. Thus, in form, the tax on all profits is 12½ per cent, and

the 5 per cent rate on undistributed profits is achieved by giving a relief of 7½ per cent on the amount by which the “net relevant distributions” represent under-distribution. Over-distributions, however, will be taxed at 7½ per cent correspondingly, except that the aggregate sums thus taxed, including all past periods, will not exceed the corresponding aggregate of under-distributions which have secured relief. Distributions embrace payments in kind as well as cash, and also, for companies whose directors have a controlling interest, any amount applied “whether by way of remuneration, loans or otherwise, for the benefit of any person,” unless the payment is to redeem a loan or reduce share capital. Individuals and partnerships of individuals, however, become exempt from tax, while the principle is retained of granting abatements where corporate profits are small—exemption for profits under £2,000 and reduction for those between £2,000 and £12,000. Investment income is included in taxable profits, except to the extent to which it has already borne Profits Tax, and, where such “franked” investment income is present, there is a proportionate relief from the tax on distributed profits. Previously, investment income (subject to similar treatment of “franked” income) was included only for banks, assurance, investment and certain other institutional investors.

A contentious clause provides that a business which winds up will pay the full rate of tax on any distribution of resources beyond the nominal value of its paid-up share capital. This is an obvious safeguard against evasion, but may produce cases of genuine hardship and injustice. It looks as though companies thus placed may find it cheaper to make a capital bonus in their final year. Among many other significant points of detail, it should be noted that profits distributed to controlling companies (50 per cent interest or more) not resident either directly or indirectly in the United Kingdom do not rank for distributed Profits Tax.

A welcome feature of the Bill is its adoption of the same definition of profits for the purposes of the Profits Tax as for income-tax under the provisions of the 1945 Act, which gave special plant replacement allowances.

* * *

—And On Bonus Issues

The provisions governing bonus issues are comprehensive, and will inevitably create new variants of old controversy. They apply to all companies—including private companies—incorporated or formed in Great Britain, and liability to the new duty will extend not only to bonus issues in the usual sense (including variations in the nominal value of, or liabilities attaching to, existing securities), but also to any issue or offer made preferentially to members or debenture holders of a company as a class and to new issues made to members of other companies. The value of the bonus element to be taxed is to be taken as the aggregate value of the “rights” to the issue as first quoted on a recognised stock exchange, less the aggregate value of the consideration received by the company. The first day's quotation is also to be the basis where issue and allotment extend beyond that date. The term “rights” is obviously used in an unusual sense, yet, surprisingly, no attempt has been made to define it. Where there is no quotation, the taxable bonus is to be the difference between the aggregate value of the securities at the date of the allotment, less the value of the consideration receivable.

Hence the familiar anomaly in the Treasury's theory on bonuses—that it looks only to the apparent gross value of the bonus element itself, without taking account of the loss in value of the old capital, excluding any “rights”—is now to be firmly crystallised into law. But, in those cases in which there is no quotation of “rights” (however that may be defined), there is liberal scope for metaphysical argument about the meaning of “the aggregate value at the date of allotment.”

* * *

Britain's Shop Window

It was, perhaps, a foregone conclusion that the twenty-sixth British Industries Fair, which opened at Earl's Court, Olympia, and Castle Bromwich this week, would break records. In a world hungry for goods, this first post-war BIF was bound to

be a barometer of buyers' appetites, and this week's queues have duly marked the reading. So impressive a demonstration of the range of British production will serve, too, as a much-needed counterpoise to the impressions made abroad by the reports of Britain's crisis. It gives tangible proof that British goods hold their pre-war reputation for quality and yet have profited from the technical advances which the urgencies of war have accelerated. Such a corrective, if achieved, will amply justify the decision to hold the Fair this year—its successful staging so soon after the fuel crisis is something of a triumph both for the organisers and for the record number of exhibitors.

But it was not a decision which could be taken wholly without misgivings. The problems raised were analogous to those inherent in the controversy about whether the tourist industry should launch its main drive for foreign visitors this year. The BIF is a gigantic shop window, and window displays are invaluable, but there is plainly a danger that foreign customers will feel something of the frustration with which the home consumer is all too familiar, for the embargoes, “for export only,” which torment him are unhappily no guarantee that even the export deliveries will be prompt and abundant. The eventual solution of Britain's balance of payments problem, moreover, depends not upon how much British industry could sell now if the stock-rooms lived up to the shop window, but upon what can be sold in a few years' time after the pangs of world hunger for goods have been appeased and others are again competing for custom. That long-run solution, as Sir Stafford Cripps said on Monday, demands an expanding volume of world trade as a whole. It also demands that British industry shall gear itself more and more closely to the precise needs and preferences of overseas markets. On a longer view, perhaps the greatest benefit from this year's BIF is that it should have helped many manufacturers to understand just what those needs are.

* * *

Fuel Crisis Post-Mortem

It is now two months since the power was switched on again for industry and the acute phase of the fuel crisis came to an end. Since then, industrial activity has jerked and staggered back to normal—normal in the sense of recovery towards pre-crisis levels of output. There have been many and various estimates of the cost of the hold-up. Speaking at Bristol last week-end, Sir Stafford Cripps put the loss to British exports at £200 million—a heavy burden for the balance of payments, though not heavier than many unofficial observers have envisaged. Obviously the wider effects of the three weeks' switch-off cannot be estimated with precision. But from the *Monthly Digest of Statistics* and other sources it is now possible to obtain some idea of which industries were worst hit and which have recovered most quickly. The table below gives the larger groups for which production data is available for the first quarter of the year. Some important industries, such as chemicals and transport, have unfortunately not yet published their March figures. Output in January has been equated to 100, with February and March production expressed as a corresponding percentage:—

	VOLUME OF PRODUCTION (January, 1947=100)		
	January	February	March
Electricity.....	100	79	85
Steel ingots and castings.....	100	86	82
Bricks.....	100	65	73
Cement.....	100	44	83
Rainwater goods.....	100	67	89
Private cars.....	100	40	88
Commercial vehicles.....	100	44	86
Rayon.....	100	70	90
Cotton Spinning.....	100	50	101

Broadly, the industries dependent on a continuous flow of components from other manufacturers and those with a large electric power consumption per unit of output were those most severely hit. Some of the large coal consumers, such as cement, were heavily curtailed, too. Similarly, in the recovery phase, those dependent on external supplies of electricity, such as certain rayon producers, were the first to improve. Others, such as the cotton spinners, made special efforts to recover production by using makeshift substitutes for coal. Cotton has made a remarkable recovery. Production of yarn for March was 12.89 million lbs., compared with 12.71 million in January. But industries heavily dependent on coal supplies, such as iron and steel industry and brick production, recovered only slowly. Iron and steel lost further ground in March.

The official estimate made early in March that about 25 per cent of production had been lost to industry in the crisis seems

to have erred on the optimistic side. Some industries lost over half their output. From evidence available so far it would appear that shortage of fuel and dislocation in March, one week of which fell within the switch-off period, were still holding several key industries at around 20 per cent below January levels of production. But January itself was only a “good” month when compared with the two which followed. It is perhaps too soon to appraise the rate of recovery, for the March figures do not reflect the improved coal allocations to industry. But the fact that coal allocations for all industries shown in the foregoing table, except cotton and iron and steel, were working in April at 50 per cent of the November quota plus an unknown and variable supplementary ration, leaves little scope for any expectation of rapid recovery in the large coal-consuming industries, at least until the higher summer coal allocations to industry begin to take effect.

* * *

Drive for Generating Plant

It took the rigours and dislocations of the fuel crisis to drive home the lesson that shortage of electric power was due to a shortage of generating plant, grown cumulative through the war years, as well as to a shortfall in coal deliveries. Since the crisis, as Sir Stafford Cripps explained last Friday, a special effort has been made to give priority for materials and supplies to manufacturers of generating equipment. A Heavy Electrical Plant Committee has been set up, with the Minister of Supply as chairman, to organise emergency measures. Other interests on the Committee, apart from the Government departments concerned, are the Central Electricity Board, the Scottish Hydro-Electric Board, the plant manufacturers and two trade unionists.

This Committee, as Sir Stafford explained, is encouraging manufacturers to expand capacity by sub-contracting out more work than usual to the engineering and shipbuilding industries. Other measures to speed up delivery include increased standardisation of specifications, high priority for power station plant awaiting repairs, and efforts to obtain heavy electrical plant from Germany. Arrangements made for the manufacture and import of diesel sets for factories should increase capacity by about 200,000 kilowatts by next March and by about 300,000 kilowatts by August, 1948. A proportion of British manufacturing capacity will still be reserved for export orders.

The gap which exists at present between the orders outstanding for steam and hydraulic turbo-alternators and the rate of delivery is brought out in a new table published in the April issue of the *Monthly Digest of Statistics*. An abridged version of the table is set out below:

	ELECTRICAL GENERATING PLANT: STEAM AND HYDRAULIC TURBO-ALTERNATORS			
	Hydraulic Turbines		Steam Turbo-Alternators	
	Th. B.H.P.		10,000 k.w. and over	
	Deliveries	Orders on Hand	Deliveries	Orders on Hand
January, 1946.....	10.6	925.5	Nil	3,725.7
October, 1946.....	Nil	1,375.9	83.5	5,347.0
November „.....	34.2	1,224.6	163.6	5,428.4
December „.....	Nil	1,440.6	55.0	5,428.4
January, 1947.....	42.0	1,299.6	60.0	5,748.4

The month to month rate of delivery scarcely provides an indication of the amount of work under construction in the heavy electrical equipment industry, but it is a measure of the scope of the problem that in December and January, that is before the fuel crisis, average monthly deliveries of large steam turbo-alternators were about 1 per cent of orders outstanding.

If the Central Electricity Board's programme for new generating capacity during the period 1947 to 1950 is to be fulfilled, the rate of installation in the next year or two must be about 1 million kilowatts a year. Taking the capacity of the electrical plant manufacturers at about 1.5 million kilowatts a year, and allowing for the relief which may be expected from the 200,000 to 300,000 kilowatts of capacity from diesel sets which will ease the demand on the public undertakings' industrial load, there is ample capacity available for dealing with the required annual flow of equipment to the electricity supply undertakings. The urgent need is for better supplies of components, fuel and manpower to increase the flow of equipment through the manufacturing process. Standardisation of equipment and sub-contracting will help to increase the rate of output of components, but this is a concomitant, not a substitute, for more labour at the final stages of fabrication. Nor will it be a solution, in a period of general labour scarcity, simply

to hand on the manpower shortage to the hard-pressed engineering and shipbuilding industries. Targets for generating plant in 1947 may not have gripped the public imagination as the coal target has done, but they are no whit less important.

Bigger Bank Advances

Quite the most striking feature of the domestic banking figures recently is the large expansion in advances. The latest synchronised statement of the clearing banks—dated April 16th—shows the unusual increase of £32.8 million, a movement only once exceeded in the past decade, raising the total to a new high level at £1,054.8 million. Moreover, the seasonal pattern since the outbreak of war, even since the recovery in advances' business began some three years ago, has always shown a decline in April. This year's return to pre-war seasonal habits, to the days when rising advances were regarded not only as good for the banks but as indicators of active trade, might easily be construed as a hopeful augury.

It would be unwise, however, to try to read too much into this month's experience—for two reasons. First, the movement is not well spread: two-thirds of the expansion is attributable to two banks only, and three banks actually show fractional declines. Secondly, it is hard to resist the assumption that bank advances now are being strongly influenced by the aftermath of the fuel crisis. Even before February's paralysis, there was widespread evidence that much bank finance was employed in carrying large quantities of industry's work-in-progress precisely because the "progress" was impeded by bottlenecks in components, containers and the like. It would be surprising if industry were not further out of phase now than it was three months ago. Obviously, there is no means of distinguishing, by financial statistics alone, between healthy and necessary replenishment of stocks and mere delays in deliveries; but general observation suggests that there is little room at present for genuine restocking. Sharply rising bank advances at this stage may be simply the financial counterpart of short-time working and concealed unemployment. These, it must be hoped, are ephemeral influences. But the longer-run prospect for advances does not turn upon such adventitious demands for finance: the secular trend is strongly upwards, and the tailing-off of EPT refunds (to mention one of the more important factors) should alone ensure that this year's expansion will exceed that of 1946.

One other noteworthy aspect of the April return is the further expansion of bank deposits. The increase of £32.8 million in "net" deposits (now that this term has received official sanction in the Bank of England Report, it should perhaps be substituted for *The Economist's* version of "true" deposits, despite the confusion which results from the different sense in which "net" is employed in the National Income White Paper and the *Monthly Digest of Statistics*) is admittedly small by contrast with the leap which, in April, 1946, initiated the extravagant credit creation of 1946. But the current Budget position is in much better shape than it was twelve months ago, and, given the speed at which the Treasury is borrowing dollars, it might have been expected that deposits would have fallen, thanks to a reduction in domestic borrowings. Plainly, Mr Dalton's defence of cheaper money, by reference to a hypothetical change in the trend of bank deposits, is even less tenable than it seemed when he first advanced it two months ago.

Obtaining an SE Quotation

The new rules regulating applications for a quotation on the London Stock Exchange were adopted by the Council on Monday and now only await confirmation. Henceforth the distinction between securing permission to deal and obtaining a quotation disappears, and all companies seeking to introduce their securities to the public must comply with the full requirements for obtaining a quotation. The new rules (Rules 159-165 and a redrafted Appendix 34) contain very little which was not already established practice. But the arrangement is more logical, the intention more clearly evident, and some points only implied in the old rules are now explicit. In particular, "placings" are formally recognised and defined; it is made clear that dealings in placed stocks "subject to quotation" are no longer permitted. As is commonly the case, the rules themselves are short and simple compared with the detailed requirements to which they give rise. These are contained in Appendix 34 and its nine schedules. Here there is rather more that is new, although again the changes are mainly in arrangement and in the explicit demand for information which in the past has in practice been asked for.

From the standpoint of those seeking a quotation, the great advantage of the new document—apart from its being made available in a larger print than the old—lies in the fact that the requirements for each separate class of operation are set out in a special section restricted to that class.

Altogether, it is plain that the Council intends to live up to the reputation of the "House," which the Cohen Committee handsomely acknowledged, for keeping ahead of the Law. Whatever may be the dangers inherent in such an arrangement, it is in practice impossible to impose a control as stringent as is desirable unless the rules have a flexibility which would be inappropriate or impracticable in legal enactments. A case in point concerns the question of nominees. The attempt to enforce disclosure by law has been totally abandoned, but the Council lays down that, where the promoter or other interested party in an issue is a limited company or firm, a Statutory Declaration as to the identity of those who control or are interested in its profits or assets may be demanded. On the whole, the rules in their new form appear to have received a good reception from the leading issuing houses, while there is reason to believe that the associated Stock Exchanges and the other members of the profession are taking steps to bring their rules into closer accord with those of London. That is essential to the complete success of the programme in which the Council has been working for years. Meanwhile it is to be congratulated on the creation of what appears to be a very workmanlike instrument.

Cotton Export Allocation

As was to be feared, the fall in cotton yarn and tissues production during the February fuel crisis has dealt a severe blow to the cotton textiles export trade. It had been hoped at the end of January that the former export allocation arrangement, by which cotton goods were directed to special markets, could be scrapped in favour of a more open system. The new arrangement was to have been introduced with the allocation for the first period of 1947. The Board of Trade now announces that the fall in production has been so severe that export allocations for the first two periods of 1947 must be suspended entirely. The ban will not, however, affect export deliveries from production approved before the fuel crisis. By thus wiping out the accumulation of orders outstanding for the first two periods, a notable improvement in delivery dates should be achieved for the third period.

This decision has the merits of facing up to the facts of the situation. Not only has the fuel crisis reduced yarn and tissues output; inevitably, it has also upset the balance of production. But apart from the inconvenience which these inevitable cancellations cause to the trade, they make the export drive look even more difficult than it did at the time of the "Economic Survey," when it was admitted that cotton exports would shrink in 1947. In 1946 £63 million, or 7 per cent of total British goods exported, were cotton tissues and yarns. This proportion was maintained in the first quarter of 1947. Cotton textiles play as large a part in the total value of exports as chemicals and nearly as large a part as do iron and steel manufactures. Cotton exports are obviously going to be reduced to a mere trickle over the next few months; even though yarn output has made a remarkable recovery in March and there is no hope of any of the other large export industries expanding production over that period to fill the gap effectively.

Tea Prices and Supplies

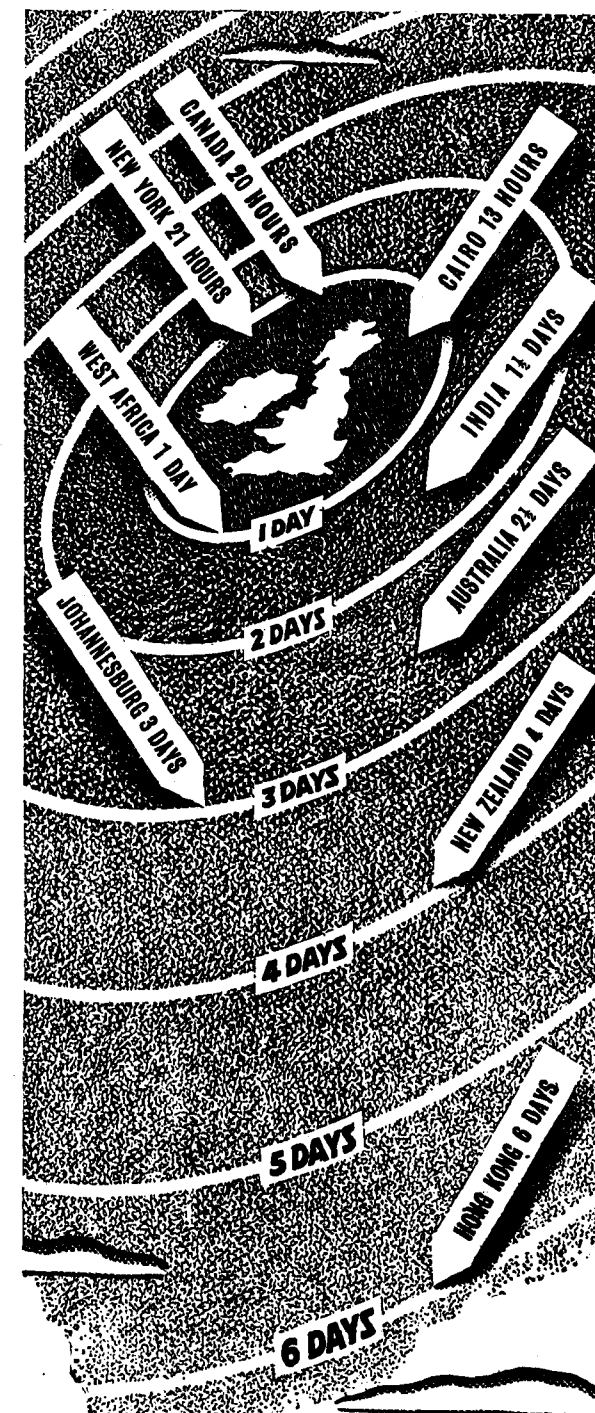
The news that, as from June 22nd, retail prices of tea will be increased by 4d. a lb. has come as a minor shock to consumers, but it is, even so, insufficient to meet the prospective rise in purchase costs. The Ministry's price to the trade will be raised by the same amount, so that wholesalers' and retailers' margins are unaffected. The increase, in fact, simply provides for the extra export duty which the Ministry, in common with other purchasers, has to pay on Ceylon and Indian teas. The Indian duty is approximately 2½d. a lb. while in Ceylon it is 7d. On the basis of a prospective supply of 200 million lb. from India and 100 million lb. from Ceylon during the current season, the average extra cost per lb. of tea amounts to 4d. No allowance, however, has been made for the additional 3d. per lb. offered to Ceylon growers under the new contract. Possibly the Government has decided to incorporate this amount into the subsidy, so that even after the price change, the Treasury will be paying 1s. 2d. per lb. on tea instead of 11d. Alternatively, of course, Mr Strachey may decide to raise the retail price still further in a few months' time, particularly if, as it is thought, the Treasury desires to limit the total amount of subsidies.



May The British Industries Fair opens in London and Birmingham early in May, resuming the practice of pre-war years. This great display reflects the skill and resourcefulness of the people of this country and it brings buyers from all quarters of the world. Many exhibitors enjoying an international reputation can recall their first steps as small undertakings, and not a few the aid and support received from the Midland Bank. Over a century ago this Bank began as a local undertaking in Birmingham, side by side with other examples of early enterprise. To-day the Bank is as ready to meet the needs of those whose requirements are modest as it is of those of the great industrialists, and from stands at the exhibition offers its services to all having need of them. At any of its 1900 branches no account is regarded as too small, nor is any transaction too large.

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British tea supplies, however, are at the moment in danger. The dock strike in Calcutta, which has been holding up shipments, is now over, but its effects will not be fully felt until this month. In the first quarter of 1947 some 93 million lb. were imported into this country compared with 100 million lb. during the corresponding period last year. Consumption during the first three months of the year averaged about 4,000 tons weekly, causing a take-off from stocks during the period of 10,000 tons. Ministry stocks at the end of March are therefore likely to stand at only about 4 months' supply. If these estimates are sound, there must be grave doubts whether the present tea ration of 2½ oz. a week can be maintained; but, in view of the ending of the Calcutta strike, the Ministry may perhaps feel justified in maintaining the ration at its present level. There are obviously many factors to consider in this matter, with the political factor probably predominant. But the long-term prospect also is hardly reassuring. Against the Ministry's invitation to Ceylon tea growers for tenders for 150 million lb., only 95 million lb. was offered, despite the 3d. increase in price. The Indian Government, however, has agreed that the Ministry may raise its tenders for Indian teas from the planned 150 million lb. to 200 million lb. But this is merely formal permission; the crux of the matter is whether the growers will sell this quantity to the United Kingdom. The recent response in Ceylon is hardly a promising augury. With the absence of supplies from the Netherlands East Indies, Britain may have to offer the Indians a substantial advance on last year's contract price if adequate supplies are to be ensured.

Earnings in 1946

Quite the most striking feature of the Ministry of Labour's latest periodical survey of average earnings of workers in manufacturing industries, relating to the last pay-week of October, 1946, is the rise in women's earnings relative to those of men. The general level of earnings in the industries surveyed has, of course, risen further, to a new peak of 101s. a week, which is 90 per cent above October, 1938, and compares with an average of 92s. 7d. in January, 1947. Men's earnings, however, averaged 120s. 9d., which, although 75 per cent above the level of October, 1938, is well below the wartime peak of 124s. 4d. reached in July, 1944. Women's wages, at 65s. 3d. in October last (101 per cent above October, 1938), compared with 59s. 10d. in January, 1946, and 32s. 6d. in October, 1938. The increase in the average earnings of girls bears the same relation to that of boys' earnings as that of women does to the men's. The official survey makes no attempt to explain this tendency towards a narrowing of the gap between men's and women's earnings. Presumably, the scarcity of female labour in some of the most vital and hitherto badly-paid industries, such as textiles and clothing, is having the effect of pushing up their rate of remuneration.

The *Gazette* shows some interesting changes in the composition of the labour force. The proportion of men employed in the industries surveyed rose from 61 per cent in October, 1938, to 69 per cent in October, 1946—it had, of course, dropped during the war—whereas the proportion of women, which had increased during the war, is now back at its pre-war level of about 20 per cent. The proportion of youths and girls fell by 6½ per cent and 3 per cent respectively, and will fall still further when the effects of the raising of the school-leaving age have been felt. Average hours worked in manufacturing industry have declined, not only from their peak war period, but from the pre-war level. The

hours worked in October, 1946, averaged 46.2 per week, compared with 46.5 in October, 1938, the biggest reduction being in the case of young workers.

Some details about the earnings of railway employees, dock-workers and miners are also given, although they do not form part of the survey. Average weekly earnings of railway workers in March, 1946, at 121s. 6d. for men, were above the average for manufacturing industry, although they had increased by only 77 per cent over pre-war. Dock-workers, who averaged, 141s. 3d. a week in October, 1946, were the highest paid industrial group. Miners, who averaged 134s. 8d. in the three months ended December, 1946, were the second highest group, and their increase of 123 per cent over the same period of 1938 represented the largest increase in proportion to pre-war earnings.

Cotton Scheme Begins

The Government's scheme for a £10 million subsidisation of re-equipment, subject to re-grouping and double-shift working, in the cotton spinning industry formally came into operation on May 1st. This formal launching of the plan, by fixing an opening date, was necessary to define the duration of the offer, for, to ensure eligibility for the grant of 25 per cent of the cost of re-equipment, all orders for machinery must be placed within two years and deliveries must be completed within five years.

But, for the moment, the fact that the scheme officially started ten days ago can have little effect on the rate of regrouping. Except among firms which have already started to negotiate terms of amalgamation and are therefore fully conversant with the facts of their own group of mills, the industry must be very much in the dark about the potential scope for amalgamation—until the Evershed report on textile machinery and the Cotton Board's report on redundancy in the spinning mills are available. Tact and patience will have to be exercised in explaining to workers the merits of regrouping and double shifts at a time when the industry is painfully recovering from the dislocation and low production levels of February.

The present scheme extends only to the various types of spinning equipment. Last week, however, Sir Stafford Cripps remarked that a similar arrangement might be considered for the weaving end of the trade, but the scheme as a whole would set no precedent for other industries. Cotton has been put in a privileged position. It is now under an obligation to justify this special treatment.

Wool Stocks and Top Prices

Empire stocks of wool at the end of the current season will be half-a-million bales smaller than had been expected. The Joint Organisation has issued an amended figure for the amount of its holdings of wool at June 30th last—the end of the 1945/46 season. The stocks are now estimated at 5,786,700 bales compared with the original estimate of 6,300,000 bales—a reduction which results from the fact that sales during the 1945-46 season proved to be 500,000 bales more than expected. Just over half of the total stock comprised Australian merino. Stocks by the end of January last had fallen to 5,018,000 bales, reflecting sales amounting to 813,000 bales in the first seven months of the current season. The Joint Organisation bought in 45,000 bales,

consisting of poor quality types which failed to make the reserve price at the auctions. Programmed sales for the remainder of the season are expected to dispose of 630-660,000 bales, leaving an end-of-season stock of about 4,400,000 bales. Full details are given in the tables below:—

JOINT ORGANISATION'S STOCKS AT JUNE 30, 1946
(In Bales)

Location	Australian Wool		New Zealand Wool	South African Wool		Total
	Merino	X-bred	X-bred	Merino	Karakul	
U.K. & U.S.A. stockpile	776,200	205,900	489,300	232,300	...	1,703,700
Australia	2,165,600	651,500	...	...	...	2,807,100
New Zealand	...	...	935,900	...	...	935,900
South Africa	...	...	...	259,400	80,600	340,000
Total	2,931,800	857,400	1,425,200	491,700	80,600	5,786,700

PURCHASES AND DISPOSALS FROM JUNE 30, 1946
TO JANUARY 31, 1947
(In thousands of Bales)

	Australian Wool		New Zealand Wool	South African Wool		Total
	Merino	X-bred	X-bred	Merino	Karakul	
Stocks	2,932	857	1,425	492	81	5,787
Bought in up to 31 Jan., 1947	4	17	10	10	3	45
Sales from stocks to 31 Jan., 1947	282	69	313	123	26	813
Programmed sales Feb.-June, 1947	350	95	70	100/120	15/25	630/660
Estimated end of season stocks*	2,304	710	1,052	259/279	32/42	4,357/4,387

* Excluding quantities bought in Feb.-June, 1947

Higher maximum prices for wool tops and merino noils became effective in the United Kingdom on May 5th to cover the increased prices for merino and fine crossbred wools as well as the recently authorised increase in combing charges. The sustained firmness of the wool auctions, particularly for the better types, made it almost impossible for topmakers to supply merino tops to the home trade at prices consistent with the utility cloth schedules. The high prices for merino wool have forced manufacturers to use the finer crossbreds as substitutes so that their prices have also advanced. Under the new Order the scheduled prices for tops have been raised by 10d. to 58½d. per lb. for 64's warp (merinos) and by 1½d. to 42½d. per lb. for 56's super (fine crossbred). The increase in the merino type will no doubt satisfy Bradford, although they expected a 12d. rise, but the rise in fine crossbreds seems inadequate. The temporary embargo recently placed on the export of tops has now been lifted, and this presumably will afford a much-wanted relief to topmakers. Its purpose was to ensure adequate supplies for the home trade in view of the fuel crisis. It has been found, however, that the additional supplies were not required, and that a considerable weight of tops was in fact being held up.

US Lead Supply Expanding

The position of lead in the United States, although still difficult, shows some signs of improving by the end of the year. The high price has at last evoked some response from producers, while at the same time consumers have been seeking and developing substitutes. Output of refined lead during the first two months of 1947 was at the annual rate of 475,000 tons, or roughly the level of 1945, compared with 370,000 tons in 1946. The labour force has recently expanded more rapidly, and now represents about 85 per cent of peak capacity. Output in other producing areas in the world is also showing a fairly strong upward tendency. In Australia, production totalled some 18,800 tons in January, compared with 12,500 tons in December and 10,400 tons in November. Mexican output in February amounted to 21,100 tons, against 19,000 tons in January and a monthly average for 1946 of roughly 12,500 tons.

In the United States, the consumption of lead has been affected by the substitution of other metals. As in the United Kingdom, copper is replacing lead in the building trade. Before the war copper was normally expected to be about twice as dear as lead, but this price differential no longer obtains. With lead at 15 cents a lb. and copper at nearly 22 cents a lb., there is a spread of

45 per cent in contrast with the pre-war 100 per cent. Aluminium is being used for lead to an increasing extent in the foil, tube and electrical industries, while the use of titanium for paint pigments is a long-term substitution.

US consumers expect to receive some 8,000 tons of lead this month from the Office of Metal Reserves stock-pile. The Government stocks are known to have been seriously reduced, and are expected to be exhausted by the middle of 1947. In recent years America has had to import about one-third of her annual lead requirements, and this proportion may well be maintained even when total quantities decline. The United States at present is therefore not only one of the dominant influences in the world metal market, but in all probability will remain so even when industrial activity in the United Kingdom expands to normal levels.

Steel Company of Wales

It was announced last week that the Steel Company of Wales, which is to provide the focal point of the far-reaching plan for the Welsh implate and sheet-steel industry, formally approved by the Government a fortnight ago, has now been registered—with a capital of £40 million and borrowing powers of the same amount. As expected, the chairman of the new company is Mr E. H. Lever, chairman and managing director of Richard Thomas and Baldwins. The board of directors has been drawn from the directors and staff of those companies whose assets will be taken over by the new company.

Apart from the question of the site for the third cold reduction mill, which is still being considered by the Government, interest in the scheme is now concentrated on the outcome of negotiations in America for delivery of key plant and the arrangements for financing the new company. When the project was announced in February the chairman expressed the view that the American engineering industry could make delivery if the order was received quickly. About \$35 million worth of equipment is involved, most of it for the new hot strip mills. Now that the scheme has received official approval there should be no delays from this end in placing a firm order. On the finance arrangements for the new company little has yet been revealed, but the companies interested in the new venture obviously cannot put up from their existing resources the whole of the £50 million eventually required. The Finance Corporation for Industry is expected to play a part.

Discount Company's Reserves

It falls to a discount company to give one of the first positive indications of the effects of Mr Dalton's anomalous tax on issues of bonus shares. Cater, Brightwen and Company, now fourth of the London discount houses in point of size, early last year raised £110,000 of new capital at a large premium, but, somewhat to the surprise of some observers, brought into its published reserves only a fraction of the additional resources. It now appears that the board intended, after the conversion into a public company and the introduction of the shares to the Stock Exchange, to bring the paid-up capital into line with realities by means of a bonus issue. The new tax, however, would be "so onerous as to make the operation impracticable." Hence the company now is contenting itself by simply bringing the hidden resources into the shop-window.

The transfer to reserve from share premium account is £800,000, which is apparently a good deal more than the amount of the premium on last year's issue, and brings the reserve to parity with the paid-up capital at £1,200,000, making total shareholders' resources of £2,458,000. The fuller use of the new money is reflected in a further increase in the total portfolio of bills and bonds, from £72.6 million to £84.1 million, compared with £63.9 million two years ago. Now, therefore, the relationship of the portfolio to resources is shown by the quite normal multiplier, for this class of business, of 34, in contrast with the abnormally high (but artificial) figure of 45 twelve months ago. In the past a notable feature of the balance-sheet has been its candour in listing the individual holdings of bonds, but this year, its first as a public company, the house most inappropriately takes three steps backwards: not only are investments shown as a single total, but "short-dated securities" are merged with bills, and there is no indication of what "short-dated" means.

This is an imitation of the obscurantist form which became general for the few discount company balance-sheets published in the 'thirties, when bill market bond dealing was still regarded as scarcely respectable. Now the market in general is moving



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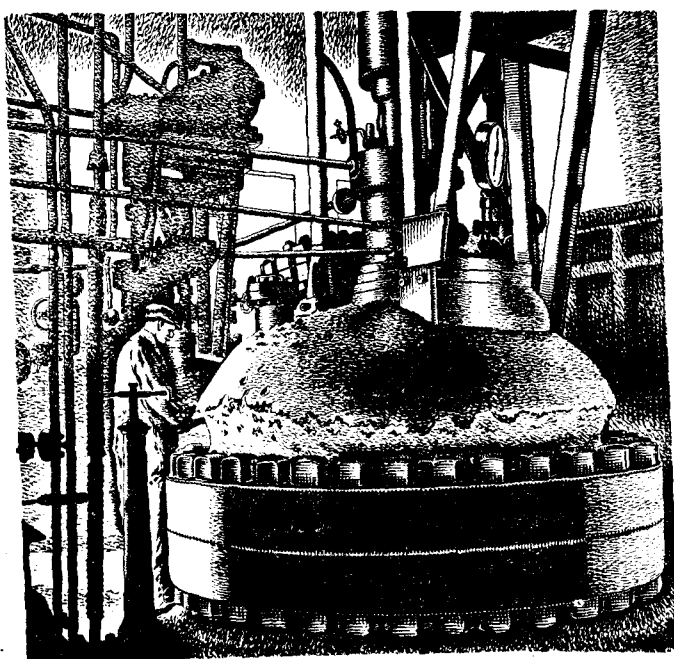
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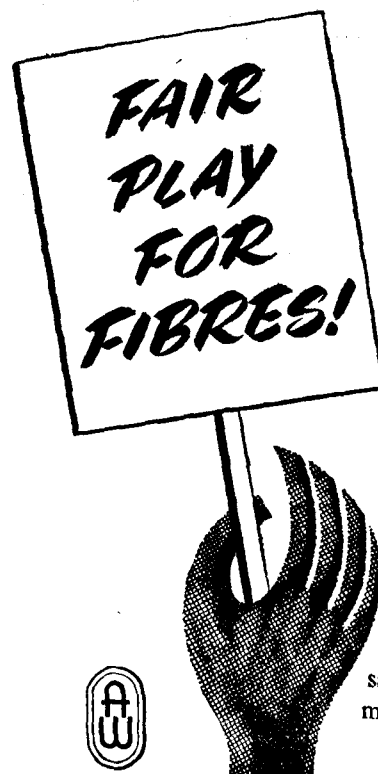
To keep a gas dissolved, or in contact with liquid at a pressure greater than that of the atmosphere, the chemist uses an autoclave. An everyday example is the syphon, which keeps carbon dioxide gas dissolved in water to form soda-water. Another is in the boiler of a steam-engine, where water is heated under pressure above its normal boiling-point. In research and industry autoclaves are employed for similar purposes, from small versions lined with platinum, designed for experimental work, to monsters in stainless steel like that shown here. Since its humble beginning in the dark ages of chemistry, 'the philosopher's egg'—as the autoclave was then called—has hatched into units which work at very high temperatures and at pressures twenty times as great as that in the boiler of the 'Flying Scotsman'. Autoclaves are vital to scientific progress. Without them many substances that are considered essential today could not exist. They help to produce synthetic rubber, to convert unpalatable marine oils into edible fats, and to turn out dyes, drugs and plastics. They form part of the 'armoured corps' of scientific equipment with which the British chemical industry is helping to fight the battle for cheaper and more efficient production in the service of the nation.



FEELING THE PULSE OF THE WORLD'S STEEL INDUSTRY

For the benefit of all those whose interests connect them with the Iron and Steel Industry, the Federation regularly makes its 'Monthly Statistical Bulletin' available on a subscription basis. This concise monthly survey contains basic information in tabulated form from the United Kingdom and abroad, and gives a comprehensive picture of the Industry's current activities. The annual subscription is £1.10.0, post free. Specimen copy on request.

THE BRITISH IRON AND STEEL FEDERATION
Steel House, Tothill Street, Westminster, London, S.W.1



Before fabrics can be dyed they need to be scoured and, even with soft moorland water, this causes formation of lime-soaps which prevent proper penetration by the dye and make the result streaky and blotchy. Research has produced a chemical—Calgon—which removes offending lime-soaps, thus allowing the dye to operate evenly on every single fibre, to the satisfaction of the textile manufacturer and the user. 'Calgon' is a product of Albright & Wilson Ltd.



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Chemicals for Industry

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annual instalments to be made available to the emigrant in his new country of residence; hence the second annual transfers arising from the earliest applications to which this scheme was applied are now being submitted for approval. The main lines of policy were explained in a notice issued by the Bank of England in July of last year, entitled "Guide to Emigrants from the United Kingdom to Countries outside the Sterling Area," which sets out the financial conditions attaching to the emigrant, i.e., for the purposes of the Defence (Finance) Regulations, he is considered as resident in the Sterling Area for the first four years in his new country, after which he may apply to be redesignated.

This "resident" status has the effect of limiting the scope for investment of the emigrant's remaining sterling funds; the income on permissible investments can, however, be remitted. In order to secure these "Concessions," as they are called in the notice, the emigrant must sign an undertaking that, during the four-year period, he will have all his sterling income paid into his bank account in the United Kingdom, and will offer for sale to the Bank of England all specified (i.e., "hard" and "semi-hard") currency received, except that arising from earnings. In addition, the emigrant must declare that he intends to reside permanently in his new country and that he has authorised his bankers in the United Kingdom to furnish the Bank of England, during the four-year period, with any information they may require about the entries on his account. The Bank of England then usually approves such applications, stating that four equal annual instalments of the emigrant's assets up to a total of £5,000 may be transferred; but if the total is below £2,000, then a remittance of £500 per annum is permitted until the emigrant's funds in this country are exhausted.

The treatment accorded to nationals other than those of the United Kingdom, and also to those British nationals who are returning overseas to resume a permanent residence interrupted by the circumstances of war, is somewhat different. In such cases, subject to satisfactory proof of ownership and reasonable explanation of the origin of the assets concerned, the Bank of England treats the account-holder, for the purposes of the Defence (Finance) Regulations, as resident in his new country immediately upon his arrival, and therefore permits the funds on his banking account to be made available to him there. This status, however, gives him the disadvantage, applicable under the regulations to any non-resident of the Sterling Area, that he cannot sell sterling securities except under licence, usually granted only for the purposes of re-investment, while the sterling proceeds of the sale in this country of capital assets are available for investment only in sterling securities with a tenure of 10 years or more. Applications in both categories continue to be made in a fairly steady stream, and it is thought that emigrant cases must number about 150 per week, while re-designation applications must be in the region of 120 per week. Official statistics concerning these two types of remittance would be interesting as throwing light on Britain's invisible imports.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: J. & P. Coats; British Oxygen; Stewarts and Lloyds; Rio Tinto; Cerebos.

Prices, Jan. 1-May 7, 1947		Name of Security	Price, April 30, 1947	Price, May 7, 1947	Net Yield,* May 7, 1947	Gross Yield,* May 7, 1947	Prices, Jan. 1-May 7, 1947		Last Two Dividends	Name of Security	Price, April 30, 1947	Price, May 7, 1947	Yield, May 7, 1947			
High	Low						High	Low						(a)	(b)	(c)
Other Securities																
103 1/2	101 1/2	Conversion 5% March 1, 1948-53...	101 1/2	102 1/2	£ s. d.	£ s. d.	113 1/2	106 1/2	(d)	Australia 3 1/2% 1965-69...	110	110	2 10 10			
103 1/2	101 1/2	War Bonds 2 1/2% August 1, 1949-51...	102 1/2	102 1/2	0 4 1	1 2 2	105 1/2	99 1/2	(d)	Birmingham 2 1/2% 1966-71...	101	100	2 10 0			
102 1/2	100 1/2	Exchequer Bonds 1 1/2% Feb. 15, 1950...	101 1/2	101 1/2	0 9 4	1 6 3	102 1/2	100 1/2	(d)	Argentine 3 1/2% 1972...	101 1/2	101	2 8 8			
105 1/2	102 1/2	War Bonds 2 1/2% March 1, 1951-53...	103 1/2	103 1/2	0 10 3	1 13 6	142/-	104 1/4	40 c	Anglo-American Corp. 10s...	131 1/3	131 1/3	3 16 0			
105 1/2	102 1/2	War Bonds 2 1/2% March 1, 1952-54...	103 1/2	103 1/2	0 13 9	1 16 9	160/-	118 1/4	15 b	Anglo-Iranian Oil Co. 10s...	158 1/4	160/-	2 10 0			
106	103 1/2	War Bonds 2 1/2% June 15, 1955-57...	104 1/2	104 1/2	0 12 3	1 18 4	78 5/8	60 1/2	20 c	Assoc. Port. Cem. Ord. Stk. £1...	76 1/2	78 5/8	3 16 0			
106 1/2	103 1/2	Funding 2 1/2% June 15, 1955-57...	104 1/2	105 1/2	0 15 6	2 10 10	82 1/4	36 1/4	25 c	Austin Motor 'A' Ord. Stk. 5s...	38 1/2	37 1/2	5 8 6			
106 1/2	103 1/2	National Def. 3% July 15, 1954-58...	106 1/2	106 1/2	0 16 12	2 3 3	95 1/4	79 1/8	7 1/4	Barclays Bank Ord. 'B' £1...	87 1/2	88 1/2	3 2 6			
106 1/2	103 1/2	War Loan 3% Oct. 15, 1955-59...	106 1/2	106 1/2	0 15 6	2 10 10	245/-	197 1/8	15 1/2	Bass Ratchiff Ord. £1...	216 1/2	217 1/2	2 6 0			
106 1/2	103 1/2	Savings Bonds 3% Aug. 15, 1955-65...	106 1/2	106 1/2	0 17 7	2 4 6	307 1/2	180 1/2	12 1/2	British Oxygen Ord. £1...	104 1/4	104 1/2	3 16 6			
105 1/2	99 1/2	Funding 2 1/2% April 15, 1956-61...	102 1/2	102 1/2	1 0 4	2 2 4	58 7/8	50 1/8	8 c	Courtaulds Ord. £1...	53 1/2	54 1/2	2 15 3			
102 1/2	102 1/2	Funding 3% April 15, 1959-69...	106 1/2	106 1/2	1 1 4	2 7 7	29 1/4	24 1/2	8 c	Dorman Long Ord. £1...	28 1/2	27 1/2	5 19 0			
122 1/2	114 1/2	Funding 4 1/2% May 1, 1960-90...	117 1/2	118 1/2	0 14 4	2 7 1	68 1/8	64 1/8	8 c	Dunlop Rubber Ord. £1...	76 1/2	78 1/2	3 0 0			
116 1/2	104 1/2	Savings Bonds 3% Sept. 1, 1960-70...	106 1/2	106 1/2	1 2 3	2 8 9	50 1/2	41 1/2	3 c	Imp. Chem. Ind. Ord. Stk. £1...	45 1/2	46 1/2	3 19 0			
104 1/2	98 1/2	Savings Bonds 2 1/2% May 1, 1964-67...	101 1/2	101 1/2	1 4 8	2 6 11	49 1/2	40 1/2	7 1/2	Leas. Cotton Ord. Stk. £1...	54 1/2	56 1/2	4 4 6			
123 1/2	115 1/2	Victory Bonds 4 1/2% Sept. 1, 1920-76 1/2	119 1/2	120 1/2	0 18 6	2 10 7	56 1/2	47 1/2	10 c	Lever & Unilever Ord. £1...	54 1/2	56 1/2	1 15 6			
111 1/2	103 1/2	Savings Bonds 3% Aug. 15, 1965-75...	107 1/2	108 1/2	1 3 8	2 10 0	77 1/2	62 1/2	10 c	London Brick Ord. Stk. £1...	68 1/2	70 1/2	5 1 0			
108 1/2	104 1/2	War Loan 3 1/2% (after Dec. 1, 1952)...	109 1/2	109 1/2	1 13 2	2 5 1	78 1/2	64 1/2	10 c	L.M.S. 4% 1st Pref. Stk. £1...	80 1/2	79 1/2	5 1 3			
117 1/2	110 1/2	Consols 4 1/2% (after Feb. 1, 1957)...	114 1/2	115 1/2	0 13 4	2 7 9	36 1/2	24 1/2	24 1/2	N.-Eastn. Elec. Ord. Stk. £1...	35 1/2	35 1/2	4 0 0			
107 1/2	107 1/2	Conversion 3 1/2% (after Apr. 1, 1961)...	111 1/2	111 1/2	1 0 5	2 10 3	64 1/2	47 1/2	20 c	Pechin Jenson Ord. Stk. 10s...	62 1/2	64 1/2	3 17 9			
103 1/2	103 1/2	Treas. Stk. 2 1/2% (after Apr. 1, 1975)...	96 1/2	97 1/2	1 2 4	2 21 7	39 1/2	35 1/2	35 1/2	Prudential 'A' £1...	37 1/2	37 1/2	1 19 3			
110 1/2	102 1/2	Treas. Stk. 3% (after Apr. 5, 1968)...	106 1/2	106 1/2	1 5 2	2 11 4	53 1/2	52 1/2	22 1/2	Stewarts & Lloyds Del. £1...	60 1/2	59 1/2	4 4 3			
117 1/2	107 1/2	Redemp. Stk. 3% Oct. 1, 1985-90...	111 1/2	111 1/2	1 6 6	2 10 9	108 1/9	91 1/7	13 1/2	Shell's Transp. Ord. Stk. £1...	105 1/2	105 1/2	1 3 0			
99	92 1/2	Consols 2 1/2%...	94 1/2	96	1 8 8	2 12 3	147 1/6	118 1/9	19 1/2	Tube Invest. Ord. Stk. £1...	141 1/2	141 1/2	5 10 3			
							96 1/9	83 1/3	34 1/2	Turner & Newall Ord. Stk. £1...	93 1/2	93 1/2	2 13 9			
							107 1/6	95 1/16	15 1/2	Woolworth (F. W.) Ord. 5s...	102 1/2	102 1/2	3 8 0			

* To earliest redemption, except £ flat yield and 1 assumed average life 17 years 6 months. Net yields after allowing for tax at 9% in 6.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Also a capital bonus of 2 1/2 per cent. free of income tax; yield worked on 15 per cent. basis. (f) Free of Tax.

Shorter Notes

Holders of the 5 1/2 per cent sterling bonds of the Union Company of Oslo are being offered by the company £121 net for each £100 bond. These bonds carry gross arrears of interest amounting to 38 per cent. Less than £100,000 is now outstanding. In 1942 the Norwegian Government purchased, mostly from institutional investors, at 49 per cent, a large proportion of the bonds. This purchase was concluded on the apparent understanding that no better offer would be made. An offer to purchase at 64 per cent of nominal value was made last year and later withdrawn by the Norwegian Government. The company's general meeting takes place on May 14th to consider whether the company should purchase the bonds which the Norwegian Government holds in the company, or whether the Government, which claims to hold a majority of the bond obligations of the company, should now be allowed to exert control over the company and re-arrange its capital.

Consumption of virgin copper in the United Kingdom during March amounted to 28,900 tons, while copper and alloy scrap (copper content) totalled 16,913 tons. These figures show a recovery on February, but are still below the peak of January. Consumption of virgin copper in the first quarter of 1947, which reached 75,400 tons, has been at the rate of 301,500 tons a year.

The Spanish-Italian mercury cartel is reported to be attempting to gather in Mexican quicksilver producers. At present the British price of £17 to £19 per flask delivered to consumer is slightly below the cartel price of £21 per flask. Because it is cheaper than Spanish mercury, Mexican mercury is being imported on private account, although this involves hard currency expenditure. British Government stocks are not at present being sold.

The Southern Rhodesian Legislative Assembly has approved the purchase of the equity of Rhodesian Railways, Ltd., as at March 31, 1947, for £3,150,000. The purchase was discussed in a "Business Note" in a recent issue of *The Economist*.

It has been reported from Washington that the United States Congress has approved the removal of the import tax on copper, other than sulphate, until April, 1949. The measure now awaits President Truman's signature.

The British and Yugoslav Governments are shortly to discuss compensation terms for nationalised properties, including Trepca lead zinc mines.

HOME AND COLONIAL STORES, LIMITED

ANNUAL REVIEW BY SIR LANCELOT ROYLE, K.B.E.

The fifty-second ordinary general meeting of the Home and Colonial Stores, Limited, will be held, on the 30th instant, at Winchester House, Old Broad Street, London, E.C.

The following is the statement by the chairman, Sir Lancelot Royle, K.B.E., circulated with the report and accounts for the 52 weeks to January 4, 1947:

DIRECTORATE AND ORGANISATION

Before reviewing the trading results of the year covered by the accounts, I wish to deal with the changes which have taken place in the constitution of the board, and in the organisation of the group. Shareholders will recollect that a vigorous programme of reorganisation was planned in the beginning of 1936 and that completion of this was interrupted by the war. When the war ended consideration was immediately given to methods for inaugurating a fresh phase of development as and when the relaxation of controls permit.

Sir George Schuster felt that the leadership of the group during this new phase required whole-time service which, owing to his other interests, he was unable to give. He accordingly tendered his resignation as chairman and director with effect from December 31st 1946, but I am pleased to say has agreed to continue to act as adviser to the group on questions of economic and public policy. Mr H. S. Frost also resigned his position as managing director and his seat on the board as from the same date, while Mr A. Greig, who had reached retiring age and whose services for the last few years had been placed at the disposal of the Ministry of Food as Retail Trade Adviser, also retired. The board wish to place on record their appreciation of the services which all three have rendered to the company during the time they have been associated with it.

In his review for 1944, Sir George Schuster referred to certain steps which had been taken to separate the functions of our main operating units. In furtherance of this policy it was decided to form a new company in which to centralise the manufacturing activities of the group. That company was duly formed, and its board is now responsible for all factory matters, although certain of the manufacturing units have not yet been transferred to it because of taxation difficulties. As a further step in the reorganisation of the group, the new company, H. and C. (Retail), Limited, has been formed to take over the retail undertaking of the Home and Colonial Stores, Limited, as from January 4, 1947. As will be seen from the balance-sheet, the Home and Colonial Stores, Limited, is now virtually a holding company, having as its principal assets its investments in its retail and manufacturing subsidiaries and also in its associated company, Maypole Dairy Company, Limited.

In reconstituting the board of the parent company it was considered desirable that each of the principal subsidiary and associated companies should be represented thereon. Various changes had necessarily to

be made in the boards of the subsidiaries, and Mr C. W. Stamford, who had been engaged on the retail side of the business, resigned his seat on the main board to join that of the new company, H. and C. (Retail), Limited. I was invited to accept the chairmanship of the group, and the other members of the main board are now Mr D. Hardwick (chairman of Maypole Dairy Company, Limited), Mr A. Purves (chairman of Meadow Dairy Company, Limited), and Mr Alan Sly (chairman of Allied Suppliers, Limited), who have been directors of the parent company for many years, and Mr Norman Bulow (chairman of H. and C. (Retail), Limited), Mr F. H. Lightbody (chairman of Food Products Investment Company, Limited), and Mr T. B. Scotcher (chairman of Lipton, Limited), who have been actively associated as directors in various sections of the organisation for a considerable time.

The chairmen of the respective boards are whole-time working directors who are individually responsible, with their boards, for their section or sections of the business and who, as directors of the main board, share responsibility for the group as a whole. In this way there is co-ordination of the various interests with a view to securing to the group and to its associated company, the benefits and economies which are made possible by reason of the working arrangements between them.

TRADING RESULTS

A statement showing the profits of the group is included in the directors' report, together with the comparable figures for the previous year, which covered a period of 53 weeks. The aggregate profits after charging debenture interest and dominion and foreign taxation have increased by £248,515 to £1,203,948. The increase, in round figures, has been derived as to £90,000 from retail branch trading in the United Kingdom and Eire, £90,000 from our manufacturing interests, £52,000 from overseas trading, and the balance of £16,000 from miscellaneous revenue. As regards the retail branches, the outstanding features of the past year are, first, a substantial increase in turnover by reason of a greater availability of certain classes of goods and the increased number of points available to consumers; second, a small decline in the rate of gross profit earned; and third, a sharp rise in expenses, particularly wage costs. This rise was inevitable with the rapid demobilisation of our staff from the Forces, along with advances in the Joint Industrial Council wage rates which became operative from July 1, 1946. It will be noted that these increased wage rates operated for only six months in 1946, but they will operate for a full year in 1947.

It is gratifying to state that despite the many difficulties that have confronted industrial concerns in reversion to some measure of peacetime activity, our associated factories, under the new management arrangements, have shown improved results. On the other hand, the success of these factories is bound up with the supply position of raw materials and packing materials, and it seems that difficulties in regard to these will probably continue for some time to come. In the year under review, while increased allocations of meat for sausages manufacture, sugar for table jellies, and additional supplies of coffee have been made available, there have been reductions in raw material

supplies for cakes and biscuits. Shortage of labour in our jam factories in the South continues, but our recent acquisition of a preserves factory in Glasgow has played its part in assisting us to get over this problem.

Our overseas business has shown a welcome expansion, due to a certain extent to less restricted markets for tea in India and Ceylon, and also to the further development of our internal trade in India and elsewhere. The profit margins earned have also improved and are now on a more satisfactory basis. The Indian Budget which has recently been introduced proposes the imposition of a tax on trading profits to operate as from April, 1946. Provision has been made in the accounts to cover our estimated liability. There has been a steady expansion in the volume of trade handled by the wholesale section of our business.

DEVELOPMENT

At home, while quantities and prices are controlled, and we have not direct access to our normal sources of supply, our opportunities for development are limited. Nevertheless, by the changes effected in the organisation and the greater detailed control which can now be given to the various sections of the business, we hope not only to see a continued increase in turnover, but to be able to take immediate advantage of relaxation of controls as they arise. It is only by obtaining extra trade that we can meet the rising trend of expenses.

We are taking steps to improve our factory facilities. In addition to our new preserves factory, we have secured a site in Liverpool for the erection of a cooked meats factory; we are negotiating for a site in Glasgow for the extension of our biscuit factory, and a plan was prepared for the rebuilding and extension on modern lines, of our war damaged London preserves factory, to incorporate in addition to jam, the manufacture and packing of coffee essence, cereals, custard powder, sausages and cooked meats, but permission to proceed with this work was refused by the London County Council. An appeal against this decision was made to the Ministry of Town and Country Planning and although, in the opinion of counsel, we submitted a sound case and there was strong local support for the project, the appeal decision went against us. As a result we have now made application for permission to reinstate a portion of the war damage which, if successful, will improve our factory layout.

Overseas, we have arranged, in conjunction with other food interests, to form a company in Australia to take over and develop the Lipton business there, while in India, notwithstanding the present unsettled political outlook, we are undertaking essential extensions to our factory and packing facilities to cope with the increased trade. Since the date of the accounts notice has been given by Lipton, Limited, to redeem its 4 per cent. and 4½ per cent. debentures and an issue of 3 per cent. debentures, secured by a floating charge on its undertaking, has been created to replace them.

DIVIDEND POLICY

Out of the additional profit of £248,000, taxation absorbs £138,000, and after small adjustments for previous years, the amount available is £105,000 more. Last year, however, we were able to bring in a special credit of £100,000 in respect of taxation over-reserved, which is not available to us on this occasion, so that the net difference is £5,000. Dividends of subsidiaries to holders outside the group require £7,000 more. Allocations to staff funds of subsidiaries are increased by £7,000; £11,000 more has been used to write off goodwill of businesses acquired by them during the year, while their appropriations to reserves and increased amounts carried forward on profit and loss account are £22,000 more. Last year we paid a dividend of 3 per cent. and a special bonus of 6 per

cent. to bring the average distribution during the war years up to 3 per cent., and we increased the carry-forward by £65,000, thus restoring it approximately to the figure at which it stood at the outbreak of war.

On this occasion we recommend payment of a dividend of 9 per cent. which will enable us to increase our carry-forward by £23,533. Our proposed distribution absorbs £99,561, while we have increased the reserves and amounts carried forward in our subsidiaries and in the parent company by £114,031. It is essential to strengthen our resources as, with a much higher price level, a greatly increased capital will be required to finance stocks as our trade develops. The formal resolution embodying the board's recommendations will be submitted to the annual general meeting.

While the trading results for 1946 justify a distribution of 9 per cent., we must emphasise that in the years immediately ahead there are many unknown factors over which your board may have little, if any, control, and these may adversely affect our earning capacity. The rates of future distributions may, therefore, possibly fluctuate as the results will largely depend on these factors and our ability to deal with them.

LOYAL SERVICE OF THE STAFF

I am sure you will be pleased to hear that, during the past year, we have continued to receive the most loyal and valuable help from all grades of staff both at home and abroad. Rationing regulations, which we all appreciate are necessary in some form, occasion difficulties and sometimes irritation to the shopping public, but our staff have to contend with this complicated and unproductive system, involving work which increases each year instead of becoming lighter. Our thanks are due to all our staff, especially to our buyers and the managers of our shops who bear the brunt of these extra duties.

SAN FRANCISCO MINES OF MEXICO, LIMITED

FAVOURABLE RESULTS

The thirty-fourth ordinary general meeting of San Francisco Mines of Mexico, Limited, was held, on the 30th ultimo, in London, Mr C. T. Port, the chairman, presiding.

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

In considering the year's work, stockholders should bear in mind that we operated for only ten months of the year, that we milled but 450,000 tons against 569,000 tons in the previous year and that we had to absorb nearly \$400,000 of loss—being the cash cost of a two months' strike of workmen. Bearing this in mind, I think you will agree that the results compare favourably with the year before.

The gross operating profit is £573,000, against £615,000, and the net surplus is £241,000, against £166,000. Your directors have placed £50,000 to exploration and development reserve and recommend the payment of a dividend of 2s. per unit. The undivided profits will strengthen the company's cash resources, which are increasingly being called upon to finance our stock of unliquidated metals at rising prices.

We labour under the burden of a system of Mexican taxation involving taxes on revenue regardless of profitability. Labour relations continue to be difficult. Throughout the war your company willingly concentrated on maximum production of metals, sacrificing underground development with consequent severe reduction of our broken ore reserves. We have now been able to restore our broken ore to a comfortable tonnage, and for the current year we are undertaking a much increased development programme. Development is giving encouraging results on all our main veins.

The report was adopted.

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

PROGRESS DESPITE DIFFICULTIES

The twentieth ordinary general meeting of Imperial Chemical Industries, Limited, was held in London, on the 8th instant, the Rt. Hon. Lord McGowan, K.B.E., D.C.L., LL.D., the chairman, presiding.

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

Twelve months ago the company was just emerging from the toils of war production, but within the year reconversion to the manufacture of materials for peace-time needs was completed. Increasing time and energy were devoted to the service of our customers and to the adaptation of products and processes developed in war-time to the changed requirements of industry and the community.

The company is continuing to play its part in the drive for higher production. The demand for chemicals of all kinds and in particular for plastics and dyestuffs has been pressing. Important contributions have been made to the housing programme, including aluminium light alloy sheets for the pre-fabricated houses erected by the Aircraft Industries' Research Organisation on Housing, and light alloy sinks, draining boards, cupboards and furniture. The need for an increased output of food has called for greater supplies of fertilisers and pesticides. More explosives and explosives accessories for industrial use were produced in 1946 than in any previous year in the history of the company.

EFFECT OF SHORTAGES

In many cases, unfortunately, our ability to supply fell short of demand owing to shortages of materials and manpower, the latter being accentuated by the difficulties of finding housing accommodation in most areas of the country. The transport situation is also a source of anxiety to the company.

The greatest impediment, however, to bringing output to its maximum is the grave shortage of coal. I deplore the spectacle of the country's very survival being imperilled by lack of a vital commodity in which the country abounds but which is not being made available in sufficient quantities to industry and to the community. In order to limit the uncertainty of our coal supplies in future years we have decided, in consultation with the Government Departments concerned, to carry out a major programme of conversion from coal to oil-burning. It will serve as a modest insurance against loss of our output, in spite of the increase in operating costs which will necessarily follow.

FACTORS RETARDING PROGRESS

Shortage of materials, particularly of stainless and other sheets, is a major limiting factor on the rate of progress of the company's new construction programme, but there has also been difficulty in recruiting the number of engineers and draughtsmen required. The task of overtaking arrears of work in the modernisation and improvement of our manufacturing progress has continued and, in addition, considerable exploratory work has been undertaken which it is expected will lead to new and profitable products.

During the year, demands for existing products were heavy; indeed, in the case of many products, for example "Perspex" and polythene, the very substantial capacities provided during the war proved insufficient to meet peace-time requirements. As a result, the development of new uses for existing products was hampered. The development of new products, too, has been retarded by delays in the design and erection of pioneer plants caused by shortages of manpower and materials. One notable achievement, however—a combination of

research and development—is the addition, during the last two years, of fifty important dyestuffs to the company's manufacturing range.

We considered the importance of automatic plant-controls to be so great that a complete survey of the instrument-making industry was undertaken during 1946, in collaboration with other major users.

OVERSEAS DEMAND

The overseas demand for the company's products remained high throughout the year, but full advantage of this situation could not be taken owing to shortage of supplies and the heavy home demands, especially those of other exporting industries, for the products of the company. Nevertheless, the total of the company's export business during 1946 exceeded both in volume and in value that for the previous year.

The total sales value of exports in 1946 was £32,300,000, which compares with a figure of £11,800,000 in 1938. Throughout the year, however, the difficult coal situation has cast a shadow over the company's export prospects, and early in the autumn it became clear that it would be necessary to ration some exports.

It is particularly unfortunate that at a time when the world is crying out for our goods we are unable to take the fullest possible advantage of the position to establish ourselves firmly in export markets against the time when competition is once again severe.

DIVIDEND AND BONUS

The accounts mark the completion of the first twenty years of the company's existence. You will agree, I feel sure, that the company's present reserve and liquid position and its general financial strength testify to the striking progress that has been made in that period. The net income brought to credit in the company's profit and loss account is £7,171,109, compared with £4,770,062 for 1945. In deciding to recommend on this occasion a bonus of 2 per cent. to the ordinary stockholders in addition to a total ordinary dividend of 8 per cent., the directors have been influenced by several factors.

Provided we can get the coal we need, your company will be able to contribute much towards the rebuilding of Britain's prosperity. It remains the company's policy to keep prices at a fair and reasonable level, but although we have tried to counteract the increasing costs of materials and services by greater efficiency in production, some increases in prices to our customers have been and will be inevitable.

NEED FOR RELAXATION OF CONTROLS

I view with concern the effect of controls upon industry. I suggest that the Government should now review all controls with a view to eliminating those in which the detailed work of administration is out of proportion to the benefits accruing from the control. I am not asking for the wholesale removal of controls, because in the present state of the country many of them must remain, but I think that the reasons for their continuance should be reviewed and only those which are absolutely essential should be retained.

I can assure you that your company is ready to face the competitive conditions, which will prevail as soon as the present sellers' market gives place to more normal conditions. Your company's position is such that, so long as the means of production are available, we need not fear the future.

The report was adopted.

ROYAL EXCHANGE ASSURANCE

227th ANNUAL REPORT

LORD BICESTER'S ADDRESS

The following is a summary of the address given by the Right Honourable Lord Bicester, Governor of the Royal Exchange Assurance, at the annual general court held at the office of the corporation, Royal Exchange, London, E.C.3, on the 2nd instant.

The life department issued 5,200 policies for sums assured amounting to £4,193,319 and the total premium income at £1,558,038 was some £94,000 higher than the previous year. The death claims paid are around £60,000 higher than in 1945, but are still well within the amount expected. The gross average annual rate of interest obtained by the life fund for the year 1946 was £4 6s. 2d. per cent., showing an increase over the two previous years.

During the war years almost the entire new resources of insurance companies were invested in British Government securities. In our own case the proportion of gilt-edged to other types of investment rose during that period from 15 per cent. to around 38 per cent. of our life funds. Although much of this money was invested on a 3 per cent. basis, if 2½ per cent. is to be the rate on which future Government borrowing is based, then, over the years to come, the overall yield on funds such as ours must be adversely affected. Your directors are naturally watching this position very closely, and are planning the corporation's investment policy towards mitigating the effects of the current financial position. We are determined, however, not to depart from the principle that the security of the funds we hold in safe keeping for our policy holders must be the paramount consideration.

FIRE DEPARTMENT

Our fire department has once more produced a good account. The premium income increased during the year to £2,372,063, the first time in the history of the corporation that the figure has exceeded £2,000,000. The progressively high values of buildings and commodities of every description lead me to stress once more the need for adequate protection, and we are continuing to bring to the notice of our policy holders throughout the world the importance of increasing their cover to meet present-day values, in order to avoid disappointment in the event of loss.

We have been able to transfer a sum of £181,339 from the fire account to the profit and loss account, and I know you will agree with me that this is most satisfactory.

MARINE AND ACCIDENT

The marine figures are again favourable. Our fund at the end of the year amounted to £1,183,355, representing a ratio of 323 per cent. to the premium income. Your directors have again decided to transfer the sum of £75,000 to the profit and loss account.

In our accident account the nett premium income of £1,548,639 is the highest in the history of this department. Each section of the business has increased, but the greatest expansion is shown in the motor vehicle department where our experience, in common with other companies, has been very far from favourable owing to the ever increasing cost of all classes of claims. As a result of the year's operations we are able to transfer £81,234 to the profit and loss account.

The interest income, after deduction of tax, amounts to £196,468, which is nearly £37,000 more than the figure of last year, the increase being principally due to the reduction in the rate of income tax. Transfers from the departmental trading accounts to the profit and loss account amounted in all to £348,493, as compared with £443,675 twelve months ago, and there is also the second instalment of life profits for 1941/5 amounting to £46,745. The balance of the year's working, namely, £320,241, has been carried to the profit and loss appropriation account, and with the balance from last year's account of £376,114 gives a total of £696,355.

CONSOLIDATED ACCOUNTS

The consolidated accounts and balance sheet, which summarise the results of the Royal Exchange Group of companies, are made out on the same lines as were first adopted in 1945. Your will see from the consolidated profit and loss account that, after making provision for United Kingdom taxation of £333,000, there was a surplus of £442,444. The nett interest is £307,384. The nett cost of the dividend for the year is £182,296, and after payment of this dividend, the profit and loss appropriation account shows a balance of £1,104,689, which represents an increase of £260,148 as compared with last year.

You will notice that the combined holding of the group in British Government Securities stands at a slightly increased figure on that of the previous year. The figure of £6,688,795 covers, of course, our holdings on general account only. If to this is added the almost identical figure of £6,693,733 held by our life fund, together with approximately £330,000 held on our annuity fund, and around £1,100,000 the holding of the British equitable life fund, you get a combined total approaching £15,000,000. In comparing this with the figure of £45,707,602 representing the combined assets of the group, it will be seen that holdings in British Government Securities constitute nearly one-third of the total. The rate of interest now received on this large part of our investments is a meagre one; nevertheless I doubt very much, in view of the pending diminution in the volume of other securities quoted on the Stock Exchange, whether it would have been possible to reinvest any large portion of this £15,000,000 to produce a more generous yield.

Your court of directors, after having given careful consideration to the figures and the results which I have just given to you, have passed a recommendation to pay a final dividend of 20 per cent., making 35 per cent. for the year.

BENEFIT OF TEAMWORK

There is perhaps little to be gained in stressing the difficulties encountered during the past twelve months; what matters most is the spirit in which they were met. Accordingly I would once again emphasise the great benefit we have reaped from the team work and co-operation that has always been in evidence throughout our world-wide organisation.

I am sure, therefore, it will be your wish that I shall, on your behalf, extend our congratulations and thanks to our general manager, executive, and staff; and to our local boards and agents both in this country and abroad for the valuable services they have rendered during the year under review. I know you would also like similarly to express our appreciation of the excellent work done

by the directors, executive, and staff of our associated companies.

To conclude my remarks I want to say this: The corporation is now in its 227th year and there have been many periods during its long history when the outlook both at home and abroad has been far from bright. At such times those in control of our undertaking perhaps may have pondered whether opportunities for further progress might be denied them. Clearly they surmounted their difficulties, and in spite of all the problems inseparable from the present times I am confident we shall do likewise, and that in the years to come the measure of the corporation and its associated companies will be even greater than it is to-day when its total assets exceed £45,000,000.

The report and accounts were adopted.

SOFINA REPORT

INCOME SUBSTANTIALLY HIGHER

The following data are extracted from the report submitted by the board of directors to the shareholders' meeting of April 24th.

In December last, the capital of the company was raised from 120,000,000 to 335,000,000 francs by means of the special reserve of 200,000,000 francs created on December 31, 1945, and by transferring 15,000,000 francs from reserve fund and tax provision. 420,000 ordinary shares were issued enjoying the same rights as the then existing ordinary shares except that they carry rights to participate in the company's profits only as from the financial year 1947. Delivery of the new share-warrants has been delayed by printing difficulties and other circumstances beyond the company's control.

The balance sheet at December 31, 1946, shows an increase of about 200,000,000 francs under the heading "Holdings." This increase reflects notably the constitution of American subsidiaries with a view to new activities in the Western Hemisphere.

Income was substantially higher than in 1945; however, general expenses also increased. A dividend of 400 francs net per share on the 210,000 ordinary shares entitled to participate in the profits of 1946 became payable in Belgium from April 28th, and will be payable in other countries, on or after the respective dates which will be published in due course. 20,000,000 francs are allocated to reserve fund and tax provision.

General conditions remain uninviting for new ventures despite the pressing call for reconstruction work throughout the world. A company such as Sofina is therefore obliged to maintain an attitude of waiting, while retaining ample reserves so as to be ready to proceed with new investments as soon as the situation is clarified.

IMPORTANCE OF SAVING

Besides giving the usual particulars concerning the principal undertakings in which Sofina has interests, the report comments on the progress of electricity production in various countries and technical developments in this field.

As on previous occasions, an essay on an economic problem is attached to the report. This year the subject is "Saving." The preamble to the report states with reference to this "Supplement": "Savings of durable producers' or consumers' goods were seriously depleted in some countries during the recent war and although they have been enlarged elsewhere there is no compensating balance between gains and losses of this kind in the economy of the world. Similarly, within each nation the distribution of wealth, including enormously expanded monetary assets, is greatly changed, and generally speaking the community benefits less from the enrichment of some of its members than it suffers from the impoverish-

ment of others. Consequently adjustments are required in order to restore the world's pre-war capacity to produce and to develop this capacity with the aid of technical progress achieved while the havoc of war was proceeding.

"In each of its aspects saving has undoubted merits. Yet even in countries where the means of production are not nationalised we find a tendency to regard individual saving as less useful than in times gone by: the state, it is held, will provide for the needs of each and everyone. Moreover, old prejudices against saving have been revived and have again come into fashion: the complaint is, in substance, that saving reduces consumption, which is the essential condition of immediate well-being. Again, in their anxiety to satisfy pressing demands and under-estimating the utility of private savings—except in the form of loans to the state—governments are impeding by their fiscal policies the accumulation of such savings."

Translations of the Report and Supplement are obtainable from Electric and Railway Finance Corporation Limited, Claridge House, 32, Davies Street, London, W.1.

DUBARRY PERFUMERY COMPANY, LIMITED

RELIEF FROM BURDEN OF E.P.T.

POSTWAR PROSPECTS

The annual general meeting of the Dubarry Perfumery Company, Limited, was held on the 22nd ultimo at Brighton.

Mr Kilby Pears (chairman and managing director), presiding, said that 1946 had been beset with innumerable difficulties which had been successfully surmounted.

The company had paid or reserved for Excess Profits Tax £249,714, a notable achievement when the entire capital of the company is only £200,000.

Had all the British joint stock companies contributed on a similar scale, E.P.T. would have defrayed three-tenths the cost of the 5½ years' war.

E.P.T. REFUND

Refund of E.P.T., estimated at £45,861, subject to income tax, will be paid on the condition that it is "ploughed back" into the business, a stipulation which will ultimately redound to the greater benefit to the shareholders than an immediate distribution as increased dividend.

ALL FACTORIES AND BUILDINGS FREEHOLD

The factories appear in the balance sheet at actual cost of erection and are freehold; their market value to-day would be conservatively valued at three times their cost.

Provision exists for extension of the factories as soon as building facilities are available.

NEW PRODUCTS READY

New products for which a very large demand is anticipated are ready to market at the first favourable opportunity, though it has been deemed advisable to postpone their introduction until an adequate supply of the necessary raw materials has been accumulated. The National Health Service should lead to a largely increased demand for the medical products of our wholly owned subsidiary, The Standard Tablet Company, Limited.

The meeting unanimously approved a final 10 per cent. dividend, making 25 per cent., as against 15 per cent. in the previous year.

THE UNION BANK OF SCOTLAND, LIMITED

SIR A. STEVEN BILSLAND'S REVIEW

The annual meeting of shareholders of The Union Bank of Scotland, Limited, was held, on the 7th instant, Sir A. Steven Bilsland, Bt., M.C., D.L., Chairman of the Bank, in the chair.

The Chairman, in the course of his speech, said that it would have been observed from the accounts that the balance sheet total had now reached £78,000,000, an increase of £9,200,000 over last year's figure. This was chiefly accounted for by the continued increase in the amount of deposits, which at £66,500,000 were £7,700,000 higher than last year. The volume of the Bank's note circulation continued to expand, and at £6,600,000 showed an increase of £977,000.

On the assets side cash and money at call amounted to £17,170,000, an increase of £945,000. Bills under discount at £1,614,000, which included £960,000 British Government Treasury Bills, were practically the same as last year, but their holding of Treasury deposit receipts at £6,500,000 showed an increase of £1,500,000. These liquid resources amounted, in all, to £25,284,000, or 35 per cent. of their liability on deposits and notes in circulation. British Government securities stood in the books at £37,370,000, an increase of £3,870,000 during the year under review.

For some years the steady decline in banking advances had been a matter of concern and had presented difficult problems in regard to the remunerative employment of a suitable proportion of their funds. As had been mentioned a year ago, however, there were indications that demands for banking accommodation were growing, and they were very pleased to record that their loans and advances at £10,670,000 showed a satisfactory increase of £2,280,000. There was no doubt that the continuance of the uncertainty in regard to the restrictions to be laid upon private enterprise was certain to place a definite check on borrowing for the purposes of reconstruction and the development of new undertakings.

PROFIT AND ALLOCATIONS

The profit for the year amounted to £339,000, an increase of £7,500, compared with last year, and this was arrived at after making full provision for taxation and for all bad and doubtful debts. A sum of £50,000 had again been placed to reserve fund, making it £2,150,000, and in view of the restrictions which still existed in regard to property outlays, it had been thought advisable to allocate £30,000 for deferred repairs and renewals, as against the sum of £20,000 provided last year. The directors again recommended that a sum of £40,000 be set aside in respect of their liability for pensions and allowances. After giving effect to these allocations and providing for the dividend of 18 per cent. recommended by the board, the carry-forward would amount to £160,000, an increase of £3,000.

SERIOUSNESS OF THE OUTLOOK

The outlook to-day must cause concern to everyone who appreciated the facts. The dislocation in our affairs caused by war had been far greater than the visible signs suggested, and had disrupted both our external and internal position. The most serious aspect of our national position to-day was that the extreme gravity of the situation was not generally understood and a strong feeling of complacency was more apparent than a due appreciation of our present-day problems.

At present we were living on credit; on the proceeds of our loans from the U.S.A. and Canada. A year ago we were awaiting the outcome of the negotiation for the American Loan. To-day grave concern was expressed that this facility was being expended

more quickly than had been originally expected. That situation had been brought about chiefly by the effect of the rise in commodity prices, through the drain of our commitments in Germany and because of our failure to expand our exports this year at the rate attained in 1946. There was no escape from the position that we must rebuild our export trade, not only to the volume of 1938 but to 75 per cent. above that level and do this before our credits were exhausted. Not only so, we must direct our exports in such a way that the "hard currency" so necessary to balance our accounts was provided. In this, so far, we had been less successful than our situation required. The time was short—the task was a heavy one—and if we failed to succeed we would be unable to sustain even our austerity standard of living.

If we were to compete successfully in foreign markets—and that was essential for our existence—it was necessary for costs of production to be held at an economic level. Towards that end it would seem that our resources of man-power and materials must be marshalled to obtain the maximum productivity and that could only be achieved by giving industry as much freedom as possible from controls and on the assumption that the Government was prepared to devote more time to administration rather than to the introduction of legislative measures.

The position was grave but, as already mentioned, it did not appear to be generally understood. The people of this country had never failed to rise to the occasion in perilous times nor to react to a plain statement of fact. There was great need today for real leadership to bring home to everyone the seriousness of our economic position. Given that leadership we could overcome our difficulties.

The facts of our national economic position were clear and inescapable. The demands on the people of this country after six years of war were severe. There never had been more need for concentration on our essential difficulties, for co-ordination and hard work among all classes to overcome them and for national leadership to direct our efforts.

The report was unanimously adopted and a dividend at the rate of 18 per cent. per annum declared.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY LIMITED

111th ANNUAL REPORT

In a statement circulated with the 111th annual report of The Liverpool and London and Globe Insurance Company Limited, the chairman, Mr P. R. England, said that British Insurance had continued to maintain its contribution to the country's economic well-being, without the need to import or use raw materials or make any appreciable demands on manpower.

The company was actively re-establishing operations in liberated territories; in 1946 business was recommenced in Philippine Islands, Hong Kong, Indo-China, Siam, Malaya and Italy.

Total fire, accident and marine premiums, at £14,503,788—a record figure—showed a rise of £3,294,859 over 1945. Underwriting profit was £306,712.

General expenses represented 16.19 per cent. of Premiums.

Life new business at £4,042,000 was over £2,100,000 higher, and provided a new record.

Fire premiums advanced to the company's highest yet—£5,912,757 (against £4,441,287).

Accident premiums at £7,660,017—another record—compared with £5,846,805 in 1945.

Marine premiums were higher at £931,014. The directors recommend a final dividend of 13s. 6d., making 27s. per share, less tax, for 1946.

ROYAL EXCHANGE ASSURANCE

227th ANNUAL REPORT

LORD BICESTER'S ADDRESS

The following is a summary of the address given by the Right Honourable Lord Bicester, Governor of the Royal Exchange Assurance, at the annual general court held at the office of the corporation, Royal Exchange, London, E.C.3, on the 2nd instant.

The life department issued 5,200 policies for sums assured amounting to £4,193,319 and the total premium income at £1,558,038 was some £94,000 higher than the previous year. The death claims paid are around £60,000 higher than in 1945, but are still well within the amount expected. The gross average annual rate of interest obtained by the life fund for the year 1946 was £4 6s. 2d. per cent., showing an increase over the two previous years.

During the war years almost the entire new resources of insurance companies were invested in British Government securities. In our own case the proportion of gilt-edged to other types of investment rose during that period from 15 per cent. to around 38 per cent. of our life funds. Although much of this money was invested on a 3 per cent. basis, if 2½ per cent. is to be the rate on which future Government borrowing is based, then, over the years to come, the overall yield on funds such as ours must be adversely affected. Your directors are naturally watching this position very closely, and are planning the corporation's investment policy towards mitigating the effects of the current financial position. We are determined, however, not to depart from the principle that the security of the funds we hold in safe keeping for our policy holders must be the paramount consideration.

FIRE DEPARTMENT

Our fire department has once more produced a good account. The premium income increased during the year to £2,372,063, the first time in the history of the corporation that the figure has exceeded £2,000,000. The progressively high values of buildings and commodities of every description lead me to stress once more the need for adequate protection, and we are continuing to bring to the notice of our policy holders throughout the world the importance of increasing their cover to meet present-day values, in order to avoid disappointment in the event of loss.

We have been able to transfer a sum of £181,339 from the fire account to the profit and loss account, and I know you will agree with me that this is most satisfactory.

MARINE AND ACCIDENT

The marine figures are again favourable. Our fund at the end of the year amounted to £1,183,355, representing a ratio of 323 per cent. to the premium income. Your directors have again decided to transfer the sum of £75,000 to the profit and loss account.

In our accident account the net premium income of £1,548,639 is the highest in the history of this department. Each section of the business has increased, but the greatest expansion is shown in the motor vehicle department where our experience, in common with other companies, has been very far from favourable owing to the ever increasing cost of all classes of claims. As a result of the year's operations we are able to transfer £81,234 to the profit and loss account.

The interest income, after deduction of tax, amounts to £196,468, which is nearly £37,000 more than the figure of last year, the increase being principally due to the reduction in the rate of income tax. Transfers from the departmental trading accounts to the profit and loss account amounted in all to £348,493, as compared with £443,675 twelve months ago, and there is also the second instalment of life profits for 1941/5 amounting to £46,745. The balance of the year's working, namely, £320,241, has been carried to the profit and loss appropriation account, and with the balance from last year's account of £376,114 gives a total of £696,355.

CONSOLIDATED ACCOUNTS

The consolidated accounts and balance sheet, which summarise the results of the Royal Exchange Group of companies, are made out on the same lines as were first adopted in 1945. Your will see from the consolidated profit and loss account that, after making provision for United Kingdom taxation of £333,000, there was a surplus of £442,444. The net interest is £307,384. The net cost of the dividend for the year is £182,296, and after payment of this dividend, the profit and loss appropriation account shows a balance of £1,104,689, which represents an increase of £260,148 as compared with last year.

You will notice that the combined holding of the group in British Government Securities stands at a slightly increased figure on that of the previous year. The figure of £6,688,795 covers, of course, our holdings on general account only. If to this is added the almost identical figure of £6,693,733 held by our life fund, together with approximately £330,000 held on our annuity fund, and around £1,100,000 the holding of the British equitable life fund, you get a combined total approaching £15,000,000. In comparing this with the figure of £45,707,602 representing the combined assets of the group, it will be seen that holdings in British Government Securities constitute nearly one-third of the total. The rate of interest now received on this large part of our investments is a meagre one; nevertheless I doubt very much, in view of the pending diminution in the volume of other securities quoted on the Stock Exchange, whether it would have been possible to reinvest any large portion of this £15,000,000 to produce a more generous yield.

Your court of directors, after having given careful consideration to the figures and the results which I have just given to you, have passed a recommendation to pay a final dividend of 20 per cent., making 35 per cent. for the year.

BENEFIT OF TEAMWORK

There is perhaps little to be gained in stressing the difficulties encountered during the past twelve months; what matters most is the spirit in which they were met. Accordingly I would once again emphasise the great benefit we have reaped from the team work and co-operation that has always been in evidence throughout our world-wide organisation.

I am sure, therefore, it will be your wish that I shall, on your behalf, extend our congratulations and thanks to our general manager, executive, and staff; and to our local boards and agents both in this country and abroad for the valuable services they have rendered during the year under review. I know you would also like similarly to express our appreciation of the excellent work done

by the directors, executive, and staff of our associated companies.

To conclude my remarks I want to say this: The corporation is now in its 227th year and there have been many periods during its long history when the outlook both at home and abroad has been far from bright. At such times those in control of our undertaking perhaps may have pondered whether opportunities for further progress might be denied them. Clearly they surmounted their difficulties, and in spite of all the problems inseparable from the present times I am confident we shall do likewise, and that in the years to come the measure of the corporation and its associated companies will be even greater than it is to-day when its total assets exceed £45,000,000.

The report and accounts were adopted.

SOFINA REPORT

INCOME SUBSTANTIALLY HIGHER

The following data are extracted from the report submitted by the board of directors to the shareholders' meeting of April 24th.

In December last, the capital of the company was raised from 120,000,000 to 335,000,000 francs by means of the special reserve of 200,000,000 francs created on December 31, 1945, and by transferring 15,000,000 francs from reserve fund and tax provision. 420,000 ordinary shares were issued enjoying the same rights as the then existing ordinary shares except that they carry rights to participate in the company's profits only as from the financial year 1947. Delivery of the new share-warrants has been delayed by printing difficulties and other circumstances beyond the company's control.

The balance sheet at December 31, 1946, shows an increase of about 200,000,000 francs under the heading "Holdings." This increase reflects notably the constitution of American subsidiaries with a view to new activities in the Western Hemisphere.

Income was substantially higher than in 1945; however, general expenses also increased. A dividend of 400 francs net per share on the 210,000 ordinary shares entitled to participate in the profits of 1946 became payable in Belgium from April 28th, and will be payable in other countries, on or after the respective dates which will be published in due course. 20,000,000 francs are allocated to reserve fund and tax provision.

General conditions remain uninviting for new ventures despite the pressing call for reconstruction work throughout the world. A company such as Sofina is therefore obliged to maintain an attitude of waiting, while retaining ample reserves so as to be ready to proceed with new investments as soon as the situation is clarified.

IMPORTANCE OF SAVING

Besides giving the usual particulars concerning the principal undertakings in which Sofina has interests, the report comments on the progress of electricity production in various countries and technical developments in this field.

As on previous occasions, an essay on an economic problem is attached to the report. This year the subject is "Saving." The preamble to the report states with reference to this "Supplement": "Savings of durable producers' or consumers' goods were seriously depleted in some countries during the recent war and although they have been enlarged elsewhere there is no compensating balance between gains and losses of this kind in the economy of the world. Similarly, within each nation the distribution of wealth, including enormously expanded monetary assets, is greatly changed, and generally speaking the community benefits less from the enrichment of some of its members than it suffers from the impoverish-

ment of others. Consequently adjustments are required in order to restore the world's pre-war capacity to produce and to develop this capacity with the aid of technical progress achieved while the havoc of war was proceeding.

"In each of its aspects saving has undoubted merits. Yet even in countries where the means of production are not nationalised we find a tendency to regard individual saving as less useful than in times gone by: the state, it is held, will provide for the needs of each and everyone. Moreover, old prejudices against saving have been revived and have again come into fashion: the complaint is, in substance, that saving reduces consumption, which is the essential condition of immediate well-being. Again, in their anxiety to satisfy pressing demands and under-estimating the utility of private savings—except in the form of loans to the state—governments are impeding by their fiscal policies the accumulation of such savings."

Translations of the Report and Supplement are obtainable from Electric and Railway Finance Corporation Limited, Claridge House, 32, Davies Street, London, W.1.

DUBARRY PERFUMERY COMPANY, LIMITED

RELIEF FROM BURDEN OF E.P.T.

POSTWAR PROSPECTS

The annual general meeting of the Dubarry Perfumery Company, Limited, was held on the 22nd ultimo at Brighton.

Mr Kilby Pears (chairman and managing director), presiding, said that 1946 had been beset with innumerable difficulties which had been successfully surmounted.

The company had paid or reserved for Excess Profits Tax £249,714, a notable achievement when the entire capital of the company is only £200,000.

Had all the British joint stock companies contributed on a similar scale, E.P.T. would have defrayed three-tenths the cost of the 5½ years' war.

E.P.T. REFUND

Refund of E.P.T., estimated at £45,861, subject to income tax, will be paid on the condition that it is "ploughed back" into the business, a stipulation which will ultimately redound to the greater benefit to the shareholders than an immediate distribution as increased dividend.

ALL FACTORIES AND BUILDINGS FREEHOLD

The factories appear in the balance sheet at actual cost of erection and are freehold; their market value to-day would be conservatively valued at three times their cost.

Provision exists for extension of the factories as soon as building facilities are available.

NEW PRODUCTS READY

New products for which a very large demand is anticipated are ready to market at the first favourable opportunity, though it has been deemed advisable to postpone their introduction until an adequate supply of the necessary raw materials has been accumulated. The National Health Service should lead to a largely increased demand for the medical products of our wholly owned subsidiary, The Standard Tablet Company, Limited.

The meeting unanimously approved a final 10 per cent. dividend, making 25 per cent., as against 15 per cent. in the previous year.

THE UNION BANK OF SCOTLAND, LIMITED

SIR A. STEVEN BILSLAND'S REVIEW

The annual meeting of shareholders of The Union Bank of Scotland, Limited, was held, on the 7th instant, Sir A. Steven Bilsland, Bt., M.C., D.L., Chairman of the Bank, in the chair.

The Chairman, in the course of his speech, said that it would have been observed from the accounts that the balance sheet total had now reached £78,000,000, an increase of £9,200,000 over last year's figure. This was chiefly accounted for by the continued increase in the amount of deposits, which at £66,500,000 were £7,700,000 higher than last year. The volume of the Bank's note circulation continued to expand, and at £6,600,000 showed an increase of £977,000.

On the assets side cash and money at call amounted to £17,170,000, an increase of £945,000. Bills under discount at £1,614,000, which included £960,000 British Government Treasury Bills, were practically the same as last year, but their holding of Treasury deposit receipts at £6,500,000 showed an increase of £1,500,000. These liquid resources amounted, in all, to £25,284,000, or 35 per cent. of their liability on deposits and notes in circulation. British Government securities stood in the books at £37,370,000, an increase of £3,870,000 during the year under review.

For some years the steady decline in banking advances had been a matter of concern and had presented difficult problems in regard to the remunerative employment of a suitable proportion of their funds. As had been mentioned a year ago, however, there were indications that demands for banking accommodation were growing, and they were very pleased to record that their loans and advances at £10,670,000 showed a satisfactory increase of £2,280,000. There was no doubt that the continuance of the uncertainty in regard to the restrictions to be laid upon private enterprise was certain to place a definite check on borrowing for the purposes of reconstruction and the development of new undertakings.

PROFIT AND ALLOCATIONS

The profit for the year amounted to £339,000, an increase of £7,500, compared with last year, and this was arrived at after making full provision for taxation and for all bad and doubtful debts. A sum of £50,000 had again been placed to reserve fund, making it £2,150,000, and in view of the restrictions which still existed in regard to property outlays, it had been thought advisable to allocate £30,000 for deferred repairs and renewals, as against the sum of £20,000 provided last year. The directors again recommended that a sum of £40,000 be set aside in respect of their liability for pensions and allowances. After giving effect to these allocations and providing for the dividend of 18 per cent. recommended by the board, the carry-forward would amount to £160,000, an increase of £3,000.

SERIOUSNESS OF THE OUTLOOK

The outlook to-day must cause concern to everyone who appreciated the facts. The dislocation in our affairs caused by war had been far greater than the visible signs suggested, and had disrupted both our external and internal position. The most serious aspect of our national position to-day was that the extreme gravity of the situation was not generally understood and a strong feeling of complacency was more apparent than a due appreciation of our present-day problems.

At present we were living on credit; on the proceeds of our loans from the U.S.A. and Canada. A year ago we were awaiting the outcome of the negotiation for the American Loan. To-day grave concern was expressed that this facility was being expended

more quickly than had been originally expected. That situation had been brought about chiefly by the effect of the rise in commodity prices, through the drain of our commitments in Germany and because of our failure to expand our exports this year at the rate attained in 1946. There was no escape from the position that we must rebuild our export trade, not only to the volume of 1938 but to 75 per cent. above that level and do this before our credits were exhausted. Not only so, we must direct our exports in such a way that the "hard currency" so necessary to balance our accounts was provided. In this, so far, we had been less successful than our situation required. The time was short—the task was a heavy one—and if we failed to succeed we would be unable to sustain even our austere standard of living.

If we were to compete successfully in foreign markets—and that was essential for our existence—it was necessary for costs of production to be held at an economic level. Towards that end it would seem that our resources of man-power and materials must be marshalled to obtain the maximum productivity and that could only be achieved by giving industry as much freedom as possible from controls and on the assumption that the Government was prepared to devote more time to administration rather than to the introduction of legislative measures.

The position was grave but, as already mentioned, it did not appear to be generally understood. The people of this country had never failed to rise to the occasion in perilous times nor to react to a plain statement of fact. There was great need today for real leadership to bring home to everyone the seriousness of our economic position. Given that leadership we could overcome our difficulties.

The facts of our national economic position were clear and inescapable. The demands on the people of this country after six years of war were severe. There never had been more need for concentration on our essential difficulties, for co-ordination and hard work among all classes to overcome them and for national leadership to direct our efforts.

The report was unanimously adopted and a dividend at the rate of 18 per cent. per annum declared.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY LIMITED

111th ANNUAL REPORT

In a statement circulated with the 111th annual report of The Liverpool and London and Globe Insurance Company Limited, the chairman, Mr P. R. England, said that British Insurance had continued to maintain its contribution to the country's economic well-being, without the need to import or use raw materials or make any appreciable demands on manpower.

The company was actively re-operations in liberated territories business was recommenced in Islands, Hong Kong, Indo-China, Malaya and Italy.

Total fire, accident and marine premiums, at £14,503,788—a record figure—showed a rise of £3,294,859 over 1945. Underwriting profit was £306,712.

General expenses represented 16.19 per cent. of Premiums.

Life new business at £4,042,000 was over £2,100,000 higher, and provided a new record.

Fire premiums advanced to the company's highest yet—£5,912,757 (against £4,441,287).

Accident premiums at £7,660,017—another record—compared with £5,846,805 in 1945.

Marine premiums were higher at £931,014.

The directors recommend a final dividend of 13s. 6d., making 27s. per share, less tax, for 1946.

FORD MOTOR COMPANY, LIMITED

STEADY INCREASE IN PRODUCTION

The eighteenth ordinary general meeting was held on the 8th instant in London. In the course of his statement to stockholders the chairman, The Rt. Hon. Lord Perry said:—

It is with the deepest regret that we have to record the death of our Founder, Mr. Henry Ford.

He was a man not only admired and respected, but beloved by everyone who came into contact with him. His was a personality so well-known throughout the world that everyone is acquainted with his life and career. By his genius the world-wide Ford organisation was created and built. This company is only one of the many establishments which demonstrate and record the results of his activities as a world citizen. In most countries on every continent, factories bearing his name stand as permanent monuments not only to his reputation and achievements as a pioneer, but of his service to mankind. We mourn his loss and sympathise deeply with his family.

Our sincere wish is that his grandson—Mr. Henry Ford II, President of Ford Motor Company of U.S.A., and a director of this Company—may enjoy strength to enable him to sustain the heavy responsibilities which are his. Already, at a young age, he is recognised by his countrymen as one of the outstanding figures in American industry, and is esteemed for his ability, courage and human understanding.

AN INCESSANT STRUGGLE

During 1946 we had an incessant struggle to secure steady increase in production. Within limitations imposed by shortages of material and labour we have not been unsuccessful. Towards the end of the year our volume of output compared favourably with pre-war achievements, but, as the allocation of steel and other materials was then restricted by the Government, our programmes have had to be curtailed and the situation has, at times, been extremely serious.

However, in terms of value, after adjusting price levels, the year's turnover was a peacetime record. Whilst this is something which warrants a justifiable pride, yet it is small consolation to the vast number of our potential customers at home and abroad who are chafing at long delays in delivery of vehicles and tractors.

I believe it to be accurate to state that there is genuine unsatisfied demand in our own country today for at least half a million new cars. Unfortunately, there is very little prospect of the industry being capable of satisfying this demand within any reasonable time.

During the twelve months under review, after exporting at Government instigation approximately one half of its passenger car production, the motor industry produced for the home market only 118,794 cars. We are told that because of reduced steel allocation it may not be possible to maintain even that small production during 1947. On the other hand, from certain Ministerial pronouncements, it is to be inferred that H.M. Government will press for the export of a greater proportion of motor vehicles. Whether or not Government mismanagement of the nation's labour and commerce is blameworthy for this state of affairs, I desire to assure everyone concerned that our company has done and is doing everything in its power to increase production and make a maximum contribution to the satisfaction of domestic needs for transport.

NO INCREASE IN PRICES

It is worthy of record that our company is, I believe, the only large producer who has not increased post-war retail prices.

In reporting to you on this matter I do not intend to commit the company to any

guarantee in this regard for the future, but, even should it involve incurring temporary loss, your directors hold the firm opinion that the best policy is to keep consumer prices as low as possible.

In January, 1946, the average delivery of tractors was 85 per day; by the end of the year the daily output was 110, and at the present time, this figure has been largely exceeded.

At the outbreak of war in 1939, the tractor "population" of this country was 55,000, of which approximately 60 per cent. were Fordsons. By last year the numbers had risen to 225,000, of which approximately 80 per cent. were Fordsons. So soon as the present exceptional demand for tractors for the home market is satisfied we look forward to a large expansion of overseas business in this department.

In conjunction with Ransomes, Sims and Jefferies, Limited, of Ipswich, we are producing at our Leamington foundry a range of mounted implements for use with Fordson tractors.

EXPORT TRADE

We shipped during 1946 to 125 ports throughout the world automobile products to the value of £6,558,064. For the same period our tractor and agricultural implement exports were £1,995,441, or a total overseas trade of £8,553,505.

In the field of industrial relations I am happy to say that the revised negotiating machinery set up last year has overcome successfully the inevitable minor strains. There has been no serious stoppage of work because of industrial disputes.

An advance in productive efficiency of our personnel has been achieved, but the improvement was not as thorough as we had hoped. With a greater sense of urgency and personal responsibility brought home to each one of us by the tragic events of the past few months, I sincerely hope and believe we shall achieve and surpass standards of which we showed ourselves capable in pre-war days.

Early this year we purchased the entire share capital of Kelsey-Hayes Wheel Company, Limited, who have supplied us with wheels and other essential components for the past 15 years.

Associated Companies have made good progress in their pre-war markets.

It gives me great pleasure to announce that the Rt. Hon. Lord Airedale, D.S.O., M.C., whose wise counsel on our board has been a source of strength ever since the formation of the company has been appointed deputy chairman. This, I may say, is a formal recognition of a function which he has, in fact, filled for some time past.

There is one other change which I bring to your notice. Sir Stanford Cooper has resigned as managing director in order to take from my shoulders much of the burden of co-ordinating the activities of our Associated Companies in Europe and Africa. Sir Stanford will, of course, remain on the board of directors, and his essential duties of supervising the financial and accountancy aspects of our business will continue as heretofore.

COSTLY EXPENDITURE

Before long considerable sums will have to be expended on buildings, machinery, equipment and tools for producing a new range of models. These expenditures will be costly, and accordingly your directors have allocated out of the profits of the year a sum of £600,000 to augment the provision made last year in this regard.

The report and accounts were adopted, and the payment of a dividend of 7½ per cent. and a bonus of 2½ per cent., both less income tax, was approved.

CALEDONIAN INSURANCE COMPANY

MR A. WALLACE COWAN'S REVIEW

The one hundred and forty-second annual general meeting of this Company, was held, in Edinburgh, on the 8th instant.

The Chairman, Mr. A. Wallace Cowan, J.P., in moving the adoption of the Report said:—

The net new life assurances issued during 1946 amounted to £2,184,110, the premiums thereon being £97,505, of which £21,631 were single premiums. The amount of the new life assurances constitutes a record for the Company.

Death claims for 1946 amounted to £197,090, the lowest total since 1926, as compared with £245,530 for 1945.

The average net rate of interest earned for the year 1946 on the Life Assurance Fund was £3 2s. 11d. per cent.

We are paying an Interim Bonus of £1 per cent. per annum in respect of each year's premium due and paid since 31st December 1944 under ordinary participating policies becoming claims by death or maturity during 1947.

FIRE DEPARTMENT

The premium income for 1946 was £1,429,037, which largely exceeds the record figure of the previous year of £1,206,265. The balance carried to profit and loss account for 1946 was £21,200, compared with £19,009 in 1945.

ACCIDENT DEPARTMENT

The premium income for the year 1946 showed a considerable advance at £1,064,359, compared with £690,310 for the previous year. The 1946 income is a record for the company, and, following the lead of the fire department, now exceeds £1,000,000. The balance carried to profit and loss account for 1946 was £33,336, compared with £12,359 in 1945.

MARINE DEPARTMENT

The account continued satisfactory, and a sum of £70,000 has been transferred to the profit and loss account, leaving the fund at £594,859, which is 254 per cent. of the premium income compared with 250 per cent. for the previous year. Out of the £70,000 transferred approximately £50,000 is required to cover the income tax and N.D.C. liability on the profit of the 1944 underwriting account now closed for taxation purposes.

TOTAL PREMIUM INCOME

The premium income for the above-mentioned departments was £3,411,968. The corresponding figure for 1945 was £2,786,035. The increase for 1946 was, therefore, £625,933, being 22.4 per cent.

PROFIT AND LOSS ACCOUNT

The amount of interest, dividends and rents (less tax) not carried to other accounts was £69,687. It includes certain arrears of interest in respect of the war years, but, excluding these arrears, the net interest more than covers the net cost of the dividend.

At a general meeting of shareholders held on 10th December 1946 a resolution was adopted sub-dividing the share and authorising the payment out of reserves of a portion of the uncalled capital. You will find the relative alterations in the capital of the company given effect to in the accounts which have been placed before you.

I beg to move that the report be adopted, that the allocation of £25,000 to the staff pension fund be approved, and that a dividend of 3s. a share, subject to deduction of income tax, be declared for the year 1946, payable in equal half-yearly instalments on 15th May and 11th November 1947.

The report and accounts were adopted.

ARMY AND NAVY STORES, LIMITED

INSISTENT DEMAND

The seventy-fifth annual general meeting of the Army and Navy Stores, Limited, was held, on the 7th instant, in London.

Major General Guy Dawnay, C.B., C.M.G., D.S.O., M.V.O., the chairman, said that the gross profits from trading and other sources amounted to £1,107,322 and the expenses to £620,017, leaving a balance of £487,305, or £26,803 more than in the previous year. They recommended a 10 per cent. dividend, plus a bonus of 10 per cent., less tax.

Although the gross profit was approximately £100,000 higher than last year, expenses had increased by no less than £73,542, and the tendency was for expenses to rise still further this year. Furthermore, on a large variety of goods the margin of profit permitted to retailers had recently been reduced, and a greatly increased turnover would be needed to counteract those two adverse features. Whether the increased turnover would materialise remained to be seen.

The demand for supplies was as insistent as ever, but the company was far from having a sufficiency of goods to meet it, and the immediate outlook in that respect was not encouraging. Supplies were not as readily available as they were last year. The shortages were attributed by the manufacturers to the recent stoppages through the cuts in power; they might be made good, but he greatly doubted it.

They had, however, sources of revenue other than from the sale of goods. From the figures before them, they would be able to see that last year those other sources amounted to no less than £115,460, an increase of £25,702 over the previous year and he had no doubt those figures of miscellaneous revenue would show a further advance during the current year. That revenue would act as a most useful "buffer" in the event of any setback in their normal retail business. The figure of £115,000 was equivalent to 14 per cent. on their issued capital. The return from their investments alone amounted to 4 per cent. on their issued capital.

FACTORS IN THE OUTLOOK

The position presented by the accounts was: a satisfactory year's operation of their home business, with warning signals ahead in respect of rising expenses, uncertainties about the prospects of replenishing their stocks of goods for sale, shortages of merchandise and curtailment of profit margins, but, over all, a very strong financial position from which to meet whatever the future course of events might bring forth. He would make no prophecies about the future; but he might say that during the first fourteen weeks of the current financial year results had been very satisfactory.

Over the years considerable amounts had been accumulated out of profits and used to increase the company's capital resources instead of being distributed to the stockholders by way of dividends. It was sometimes suggested by their present governors and their friends that the payment of dividends above a certain rate was in some way improper. The honest and logical way would be to capitalise accumulated re-investments in the business and to issue to stockholders additional stock corresponding to those re-investments. However, the Treasury, under the direction of the Chancellor of the Exchequer, would not permit that. He said that the effect of bringing a company's capital into true relation with the capital actually employed might be "misleading." That, however, was the opposite of the truth.

The report was adopted.

THE LONDON ASSURANCE

EXPANDING PREMIUM INCOME

The annual general Court of the London Assurance will be held at 1, King William Street, London, E.C., on the 28th instant.

The following is an extract from the statement by the Governor, Mr. R. Olaf Hambro, circulated with the report and accounts:—

The purpose of the extraordinary general Court following the annual general Court is the passing of a resolution modifying the present regulation dealing with the qualification for the office of director, reducing it from 400 to 100 ordinary shares. With regard to the life department, our new actuary in his first completed year is responsible for a record in two directions—the volume of net new life business, which at £3,717,178 is a record in the history of the corporation, and the fact that for the first time the annual premium income exceeds £1,000,000. The net interest yield has improved from £2 19s. 3d. per cent. to £3 2s. 4d. per cent. Expenses of management amount to 15.87 per cent. of the annual premium income. Claims by death and maturity show an increase. The life fund increased by £289,352 and stood at December 31st at £13,266,878.

In the fire department net premiums increased by £661,273, showing a total of £3,809,463. The amount transferred to profit and loss account is £135,802, or 3.6 per cent. of the income, compared with 5.9 per cent. in the previous year. In the accident department the account shows an increase in premium income of £282,386, the total being £1,829,425. Costs are 49.1 per cent., compared with 46.9 per cent. Commission and expenses at 33.4 per cent. show an increase from 32 per cent. The amount transferred to profit and loss account is £190,358, being 10.4 per cent. of the premium income compared with 15.7.

DIFFICULT CONDITIONS

Both fire and accident departments are going through a difficult transitional phase due to world conditions generally, quite apart from the phase from war to peace, though of course due to the war. Our experience during the year in the United States, Canada and Australia has been very disappointing. In my view there will be a period of some years before underwriting gets on a level keel. Motor business occasions us continuing concern. The position seems to be that rates are going to follow experience rather than the reverse during the next few years. Increasing costs of spare parts seriously affect the accident damage section and equally seriously is the third-party section affected by continuously increasing awards and damages.

The marine insurance account is a bright feature of our operations. Premium income at £1,755,515 shows an increase of £216,262. Losses show a percentage of 54.1 per cent. compared with 54.6 per cent. We have thought it wise to make a transfer to reserve for taxation of £500,000. There is a separate transfer of £250,000 to profit and loss account. This leaves the marine fund at £2,520,623 or 143.6 per cent. of the premium income compared with 172.2 per cent. This fund exhibits a very large measure of strength and its size implies that it contains a substantial proportion of non-transferred profit.

The total premium income from all departments was £3,451,795, an increase of £1,253,310. Taking the whole of the accounts by and large, you will no doubt agree that they represent something of an achievement during a period which obviously has been difficult, not only in the transaction of the business of insurance but generally. The position entitles us to believe that we shall surmount the difficulties.

ARGUS PRESS HOLDINGS, LIMITED

IMPROVED RESULTS

The eighteenth ordinary general meeting of the Argus Press Holdings, Limited, was held in London, on the 7th instant.

The following is an extract from the circulated statement of the chairman, Sir Herbert Brent Grotrian, Bt., K.C.

As in previous years I will deal first with accounts of the Argus Press, Limited. The gross profit, including interest and dividends, after charging working expenses, amounts to £161,876, compared with £145,428 for the previous year.

Ample provision for depreciation of plant and machinery has again been made, the total involved over the whole group amounting to £21,743 for the year under review.

OPERATING COMPANY'S DIVIDEND

The net profit for the twelve months ended December 31, 1946, after providing for directors' fees, depreciation and taxation, amounted to £80,844; the balance brought forward was £84,859, making a total available of £165,703. After allowing for the Preference dividend the balance was £156,967. Out of this balance an interim dividend of 10 per cent., less tax, on the Ordinary shares, amounting to £13,750 net, has already been paid and it is proposed to pay a final dividend of 21 per cent., less tax, amounting to £28,875 net, making a total of 31 per cent., less tax, for the year and leaving a balance of £114,342 to be carried forward, against a corresponding figure of £84,859 for the previous year.

In the consolidated balance-sheet the value at which the goodwill of the company's subsidiaries is included is £65,960. In the opinion of your directors, and as will be seen from the profits derived from them, the value of the goodwill of those subsidiaries is very considerably in excess of that figure.

Since I last addressed you, no relief from the stringent war-time restrictions has been granted to the publishing and printing trades in this country. Minor variations in the regulations governing the use of paper have been made, but the importation of pulp and paper remains at the same level as for 1946. In the meantime, the severe reduction in fuel supplies to the paper mills has brought about a very substantial falling off in output, the consequences of which cannot yet be clearly foreseen.

EXPANSION POLICY JUSTIFIED

In the circumstances, the improvement in the company's trading results shown by the accounts before you is very satisfactory and a clear confirmation of the policy of expansion consistently pursued by your board of directors.

Turning to the accounts of the Argus Press Holdings, Limited, as you know, the whole of the ordinary shares of the Argus Press, Limited, are held by the Holdings Company. The receipt from the Argus Press, Limited, of the interim dividend amounting to £13,750 net, together with the final dividend amounting to £28,875 net, which has already been declared, together with sundry revenue and tax recoverable, produce with the balance brought in of £16,191 a total sum of £59,677. After deducting fees and expenses (£1,747) and preference dividends for the year (£11,086 net), there is available for distribution £46,844. An interim dividend on the ordinary shares of 12½ per cent., less tax, amounting to £13,750 net, was paid on October 31, 1946. There is thus available a balance of £33,094, and it is proposed to pay a final dividend of 15 per cent., less tax, amounting to £16,500 net, when the final dividend from the Argus Press, Limited, has been received, leaving a balance to be carried forward of £16,594, against a corresponding figure of £16,191 for the previous year.

The report and accounts were unanimously adopted.

BRITISH ENKA, LIMITED

SATISFACTORY RESULTS

The twenty-second ordinary general meeting of British Enka, Limited, was held at the hall of the Chartered Insurance Institute, E.C.2, on the 2nd instant. Mr A. D. Carmichael presided, and in the course of his statement said:—

The working profit for the year 1946 is £215,101, to which is added £2,445 interest earned less interest paid. After deducting £35,000 for depreciation of buildings, plant and machinery, £7,416 for directors' fees and emoluments, and providing £101,553 for taxation, the net profit for the year is £73,577. Adding exchange provisions in past years no longer required, £25,359, gives an available balance of £98,936. The directors propose a dividend on the stock of 7½ per cent., less income tax, amounting to £51,563. After charging directors' additional remuneration, a balance is left to be carried forward to next year of £45,498. The directors consider these results to be very satisfactory.

HIGHER OUTPUT

Towards the end of the year, production reached in pounds weight a slightly higher output than in 1939. This reflects very great credit on the management, staff and workers, and has enabled us to meet the serious rises in cost of wages and raw materials.

We cannot now make further increases in production until additional machinery is installed, but our efforts are still directed towards increasing the general efficiency in the factory and overtaking arrears in repairs.

The disposal of our production is still under the direction of the Board of Trade and finds its way into the weaving trade for ultimate use as rayon dresses, fabrics, furnishings, etc.; to the hosiery trade for underwear and stockings; to the motor trade for tyres; and to the lace and elastic web trades, etc. Directly as yarn and indirectly as manufactured goods, between 30 per cent. and 40 per cent. of our output is ultimately exported.

During 1946, we were able to renew technical contacts with our parent firm, A.K.U., in Arnhem, and the whole of our senior staff and departmental heads were able to make most valuable visits to the various mills in Holland. In the autumn, the general manager and I and members of the technical staff visited the U.S.A. to study the latest types of rayon production.

In February, 1947, the stringent curtailment in the supply of electric current caused the closing down of the whole spinning plant for 14 days. Normally, we work continuously day and night throughout the year, and this is the first time in the 21 years' history of the company that spinning has completely ceased for such a period.

NEW POWER PLANT

We regret to report delays in the completion of the new power plant, which we had hoped would be running by this time. This big undertaking may not be in operation until late autumn, and we shall derive little benefit during the course of the present year.

Our other plans for increased production are well advanced. The factory building to house the new plant is now nearly ready, and most of the new machinery is promised for delivery in the second half of this year, and providing we have no further untoward setbacks, we hope to see the new production start in the early days of 1948.

The demand for our product is very strong, both in home and export markets. There is no appearance of overproduction. Subject to the all-important supply of adequate raw materials, including coal and power, I would say our prospects are encouraging.

The report and accounts were unanimously adopted; a dividend of 7½ per cent. declared; the retiring directors were re-elected, and the auditors reappointed.

GUARDIAN ASSURANCE COMPANY, LIMITED

ANNUAL GENERAL MEETING—MAY 5, 1947

Extracts from the Directors' Report.
Chairman: C. D. Medley, Esq.

LIFE DEPARTMENT

Net sums assured amounted to £2,694,000, being an increase over the previous year of £1,111,000. There was a profit from mortality during the year.

The Investment Reserve Fund of £80,000 has been merged in the Life Assurance and Annuity Fund, which has increased during the year by £392,000 to £10,965,000. The net rate of interest earned on the Fund was £3 7s. 3d. per cent. per annum.

FIRE DEPARTMENT

The net premium income showed an increase of £215,000 over the previous year, due largely to the re-establishment and extension of overseas business and to a less extent to increased values and new business at home. The loss ratio was 43.3 per cent. and the amount transferred to profit and loss £132,000.

ACCIDENT AND GENERAL DEPARTMENTS

There was a substantial increase of £345,000 in the premium income for the year, of which a considerable proportion was due to the development of the business of the Guardian Insurance Company of Canada. The loss ratio was 45.8 per cent. of the increased premium income and the amount transferred to profit and loss after providing for unexpired risks, £75,000.

MARINE DEPARTMENT

The increase of £131,000 in the net premiums in 1946 reflected the greater volume of goods in transit and the resumption of business in countries which were occupied by the enemy during the war years.

The first year settlements were equivalent to 19.9 per cent. of the premiums for 1946, and the claims settled during that year in respect of the 1945 account and for 1944 and previous years were less than the estimates provided for in the fund.

After transferring £83,000 to the credit of profit and loss, the amount of the Marine Fund stood at the end of the year at £776,000, equal to 154 per cent. of the premiums for the year.

PROFIT AND LOSS

After providing for all taxation, including that in respect of the profits for the year and transferring £41,500 to the Staff Pension Fund, £25,000 to the Staff Widows' Pension Scheme and £85,000 to General Reserve, and providing for the final dividend recommended by the director of 2s. (less income tax) on each Ordinary and Staff Share, the balance of profit carried forward was £227,000.

BALANCE SHEET

The value of the Stock Exchange Securities at December 31st last showed a substantial surplus over the total figure at which they appeared in the balance sheet.

The General Reserve stood in the consolidated balance sheet at £2,047,000, to which it had been increased by the transfer of £85,000 from the profit and loss account and by the increase in the surplus assets of the Guardian Insurance Company of Canada by reason of the appreciation in the Canadian Dollar.

All the principal classes of insurance transacted: also trustee and executor business.

Head Office: 68, King William Street, London, E.C.4.

CRAVEN BROTHERS (MANCHESTER), LIMITED

FULL ORDER BOOK

MR J. R. GREENWOOD'S REVIEW

The sixty-first annual general meeting of Craven Brothers (Manchester), Limited, was held on the 7th instant, at Vauxhall Works, Reddish, Stockport, Mr J. R. Greenwood (chairman and managing director) presiding.

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

The profit and loss account shows a profit on operations for the year of £64,044 after meeting all manufacturing expenses. Last year, the corresponding profit was £111,335, so that the year under review shows a reduction of £47,291, which is perhaps not surprising, having regard to (1) the continued increase in the cost of labour and materials; (2) the shortage of supplies of all kinds; (3) stoppages of work due to failure of electricity supplies; (4) failure to get back to the pre 1939 tempo of working (although there is recently a marked improvement in this regard); and, (5) a shortage of skilled labour in all departments. The cumulative effect of all these difficulties is that the output of the works has been reduced to about 50 per cent. of the total capacity throughout the year.

A provision of £30,000 for refund of taxation is brought into the accounts for this year, making the gross profit £94,044. £15,000 is again provided for depreciation of fixed assets, and £6,105 for deferred repairs to buildings (nil last year), leaving a net profit for the year of £70,674, as against £73,041 last year, a reduction of £2,367. There is no need for any particular comment on the items shown in the balance sheet.

DIVIDEND AGAIN 20 PER CENT

The directors propose to pay a final dividend of 15 per cent., making 20 per cent. for the year (for the fifth successive year) and after providing the £60,000 required for this dividend, there is a balance remaining of £10,674 (subject to directors' fees) making the carry-forward to next year £186,606.

Again I am able to inform you that the company has a very full order book, and there is no reduction in the tremendous volume of inquiries being received for our products from all over the world. Last year I stressed our inability to deal adequately with the demands, for reasons stated in my report, and this year I can only say there is no change in this position. The company has the business and the capacity to employ at least 1,000 more workers than are engaged at present, and the orders on hand ensure employment to capacity for two and a-half to three years. In my opinion, the demand for the company's products will continue.

THE NEW CAPITAL

Last year I referred to the progressive policy of your directors, and since the completion of the accounts for 1946, the capital of the company has been increased by the creation of 200,000 Cumulative Preference shares of £1 each; these shares have been issued to the ordinary shareholders at 20s. 6d. per share. You have been informed that the new capital is required to finance the cost of additional workshops and plant required to enable the company to produce larger and heavier machine tools than have been previously manufactured in this country. The ordinary and preference shares of the company have now been converted to stock units.

The report and accounts were adopted; the proposed dividend was approved and the auditors, Messrs Edwin Collier and Co., were reappointed.

GOVERNMENT RETURNS

For the week ended May 3, 1947, total ordinary revenue was £87,568,220, against ordinary expenditure of £59,089,486 and issues to sinking funds, £180,000. Thus, including sinking fund allocations of £529,015, the surplus accrued since April 1st is £25,442,649 against a deficit of £108,868,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousands)			
		April 1 to May 4, 1946	April 1 to May 3, 1947	Week ended May 4, 1946	Week ended May 3, 1947
ORDINARY REVENUE					
Income Tax	107,300	108,621	92,677	20,308	22,961
Sur-tax	80,000	6,160	6,070	1,060	1,100
Estate, etc., Duties	155,000	13,999	15,320	3,674	2,700
Stamps	57,000	3,020	4,070	525	550
N.D.C.	202,000	30,525	20,610	5,925	3,100
E.P.T.	1,000	85	55	20	10
Other Inland Rev.	1,000	85	55	20	10
Total Inland Rev.	156,800	165,134	141,267	29,512	31,391
Customs	736,980	45,574	56,681	10,553	11,531
Excise	643,000	63,192	63,657	25,208	35,013
Total Customs & Excise	1,380,000	108,766	120,338	35,761	46,544
Motor Duties	50,000	3,730	3,343	1,055	313
Surplus War Stores	95,000	269	8,503	269	8,000
Receipts from Trading	55,000	...	...	...	...
Post Office (Net Receipts)	11,000	1,500	500	1,500	500
Wireless Licences	1,000	370	800	...	...
Crown Lands	1,000	160	160	...	...
Receipts from Sundry Loans	21,000	65	44	...	...
Miscellaneous	270,000	1,420	4,034	337	20
Total Ord. Rev.	345,000	281,414	278,990	68,434	87,568
SELF-BALANCING					
Post Office	144,230	10,200	10,400	1,800	2,600
Income Tax on E.P.T. Refunds	49,000	14,559	3,109	4,267	785
Total	364,230	306,173	292,499	74,501	90,953

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to May 4, 1946	April 1 to May 3, 1947	Week ended May 4, 1946	Week ended May 3, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	55,333	66,824	13,345	24,481
Payments to N. Ireland	23,000	886	696	443	...
Other Cons. Fund Services	8,000	284	286	16	19
Total	556,000	56,504	67,807	13,805	24,500
Supply Services	262,537	333,090	185,212	62,203	34,589
Total Ord. Exp.	318,137	389,594	253,018	76,008	59,089
SELF-BALANCING					
P.O. & Broadcasting	144,230	10,200	10,400	1,800	2,600
Income Tax on E.P.T. Refunds	49,000	14,559	3,109	4,267	785
Total	337,459	414,353	266,527	82,075	62,474

After increasing Exchequer balances by £46,643 to £3,260,374, the other operations for the week decreased the gross National Debt by £24,681,548 to £25,615 million.

NET RECEIPTS (£ thousand)
War Risks Insurance Act, 1939, Sec. 16 (3) 2,500
Tithe Act, 1936, Sec. 26 378

NET ISSUES (£ thousand)
P.O. and Telegraph 250
E.P.T. refunds 959
Overseas Trade Guarantees Act, 1939, Sec. 4 (1) 27
Local Authorities Loans Act, 1945, Sec. 3 (1) 2,900
War Damage: War Damage Commission 230
Finance Act, 1946, Sec. 26 (7) Post-war Credits 100
Finance Act, 1935, Sec. 30 (1) 5 per cent. Local Loans Stock 6,466

Statistical Summary

CHANGES IN DEBT (£ thousands)	
NET RECEIPTS	NET REPAYMENTS
Nat. Savings Certs. 7,200	Treasury Bills 30,467
3% Defence Bonds 1,519	3% Defence Bonds 2,058
2½% Nat. War Bds. 1946-47 50	2½% Nat. War Bds. 1,234
2½% Res. Certificates 13,227	3% Term Annuities 73
	Other Debt:—
	Internal 731
	External 11,995
	Ways and Means Advances 46,608
	21,946

* Including £1,420,000 paid off in maturity.

FLOATING DEBT (£ millions)	
Date	Treasury Bills
	Tender
	Tap
	Public Depts.
	Bank of England
	Treasury Deposits by Banks
	Total Floating Debt
1946	1830.0
May 4	2578.6
1947	399.3
Jan. 25	1657.5
Feb. 1	1633.5
8	1600.0
15	1540.0
22	1508.0
29	1473.5
Mar. 5	1458.0
12	1435.0
19	1414.0
26	1392.0
Apr. 2	1370.0
9	1348.0
16	1326.0
23	1304.0
30	1282.0
May 7	1260.0

TREASURY BILLS (£ millions)	
Date of Tender	Amount
	Offered
	Applied for
	Allotted
	Average Rate of Allotment %
	Per Cent. Allotted at Min. Rate
1946	150.0
May 3	254.5
1947	150.0
Jan. 31	303.0
Feb. 7	290.0
14	283.6
21	277.9
28	271.9
Mar. 7	265.0
14	258.2
21	251.5
28	244.8
Apr. 4	238.1
11	231.4
18	224.7
25	218.0
May 2	211.3

On May 2nd applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 32 per cent. of the amount applied for at 99 1/8% 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 99 1/8% 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for May 9th. For the week ended May 10th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)	
	Week Ended
	Apr. 19, 1947
	Apr. 26, 1947
	Totals Mar. 31 to Apr. 28, 1947
Savings Certificates:—	
Receipts	3,200
Repayments	13,000
Net Savings	9,600
Defence Bonds:—	
Receipts	2,180
Repayments	708
Net Savings	2,025
P.O. and Trustee Savings Banks:—	
Receipts	12,691
Repayments	11,521
Net Savings	1,170
Total net savings	3,383
Interest on certificates repaid	600
Interest accrued on savings remaining invested	2,271

BANK OF ENGLAND RETURNS

MAY 7, 1947

ISSUE DEPARTMENT

Notes Issued: In Circulation 1391,789,324	Govt. Debt 11,015,100
In Bank, Department 58,458,509	Other Govt. Securities 1438,235,594
	Other Secs. 741,351
	Coin other than Gold 7,955
	Issue of Fid. Issue 1450,000,000
	Gold Coin and Bullion (at 172s. 3d. per oz. fine) 247,833
	1450,247,833

BANKING DEPARTMENT

Capital 14,553,000	Govt. Secs. 321,090,660
Res. 3,284,037	Other Secs. 17,908,029
Public Depts. 13,013,572	Discounts and Securities 26,417,281
Other Depts. 888,391,917	Notes 58,458,509
Bankers 96,650,038	Coin 1,020,145
Other Accts. 384,041,955	
	414,892,564

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

COMPARATIVE ANALYSIS (£ millions)

	1946	1947
	May 8	Apr. 23
	Apr. 30	May 7
Issue Dept.:		
Notes in circulation	1343.1	1387.9
Notes in banking department	57.1	62.3
Government debt and securities	1399.2	1449.4
Other securities	0.8	0.6
Gold	0.2	0.2
Valued at 2. per fine oz.	172.8	172.8
Banking Dept.:		
Deposits:		
Public	14.1	8.4
Bankers	226.0	288.7
Others	51.2	99.6
Total	291.3	396.7
Securities:		
Government	214.7	320.2
Discounts, etc.	17.8	14.4
Other	18.3	16.9
Total	250.8	351.5
Banking dept. res.	58.4	63.1
"Proportion"	20.0	15.9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,400 million to £1,450 million on December 10, 1946.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Market prices* were as follows:—

	SILVER			GOLD
1947	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 1...	448	734	173 0	108 0
" 2...	448	734	171 0	108 0
" 3...	448	734	173 0	109 4
" 4...	448	734	171 4	109 8
" 5...	448	734	185 12	108 12
" 6...	448	734	185 12	108 12
" 7...	448	711	185 12	108 12

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

Established over 80 years

BANK of NEW ZEALAND
Incorporated with limited liability in New Zealand

Represented at over 240 points
in New Zealand and at Melbourne,
Victoria; Sydney, New South Wales;
Suva, Fiji; Apia, Samoa

London Office: Head Office: WELLINGTON, N.Z.
I. Queen Victoria St., E.C.4. P. L. Porter, General Manager
O. M. Samuel, Manager

UNIVERSITY OF LONDON

The Senate invite applications for the Chair of Public Administration tenable at the London School of Economics and Political Science (salary £1,500). Applications must be received not later than July 3, 1947, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY OF LONDON

The Senate invite applications for Examinerships in Economics and French for Intermediate Examinations in the Calendar year beginning 1st January, 1948. Applications should be sent as soon as possible to the External Registrar, University of London, Senate House, W.C.1, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF BIRMINGHAM

DEPARTMENT OF ECONOMICS

Applications are invited for the post of Assistant Lecturer in Economics (Grade III), tenable in the Faculty of Commerce and Social Science. The appointment will date from October 1, 1947. Commencing salary £400 to £500 per annum, according to experience. Special qualifications in economic theory or modern economic history would be an advantage. Further particulars may be obtained from the undersigned, who should receive applications with three references, not later than June 7, 1947. No special application form is issued.

C. G. BURTON, Secretary.
The University, Edmund Street, Birmingham, 3, April, 1947.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for the post of Assistant Lecturer (Grade III) in Economics, at a salary scale of £425-£25-£475 per annum. Applications, stating age, academic qualifications and experience, together with the names of three referees, should be received not later than June 13, 1947, by the undersigned, from whom particulars of the conditions of appointment may be obtained.

STANLEY DUMBELL, Registrar.

UNIVERSITY OF DURHAM—KING'S COLLEGE,
NEWCASTLE-UPON-TYNE

DEPARTMENT OF ECONOMICS

The Council of King's College invite applications for the post of Lecturer in Economics. There are three vacancies, and candidates for the posts should have special qualifications in one or other of the following subjects:
Economic History; Currency and Banking; Social Studies.
The salary rises by annual increments of £25 to a maximum of at least £800, and the commencing salaries of the successful applicants will be fixed at points on that scale in accordance with their qualifications and experience. Duties to commence in October, 1947.
Ten copies of applications, together with the names of three persons to whom reference may be made, should be submitted not later than June 28, 1947, to the undersigned, from whom further particulars may be obtained.

G. R. HANSON, Registrar of King's College.

CAPABLE and conscientious multilingual office staff of 5, at present operating busy semi-official scheme, offer combined services to any new or expanding organisation.—Box 478.

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of Fifty Cents (\$50) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable June 16, 1947, to shareholders of record at the close of business, May 15, 1947.

Toronto, April 25, 1947. By Order of the Board,
J. R. BRADFELD, Secretary.

REFUGEE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

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

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with limited liability)—CANADIAN PACIFIC RAILWAY 4 PER CENT CONSOLIDATED DEBENTURE STOCK.—NEW BRUNSWICK RAILWAY 4 PER CENT DEBENTURE STOCK.—CALGARY AND EDMONTON RAILWAY 4 PER CENT DEBENTURE STOCK.—ATLANTIC AND NORTH-WEST RAILWAY 4 PER CENT FIRST MORTGAGE REDEEMABLE DEBENTURE STOCK. In preparation for the payment of the half-yearly interest payable on July 1st next, on the above Stocks, the transfer books will be closed on May 23rd and will be re-opened on July 2nd.—R. F. TREMAYNE, Deputy Secretary, 8, Waterloo Place, Pall Mall, London, S.W.1. May 2, 1947.

SUEZ CANAL COMPANY

Notice is hereby given that the General Meeting of Shareholders will be held at Salle d'Iéna, 10 Avenue d'Iéna, Paris, on Tuesday, June 24, 1947, at 2.30 p.m.

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Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 111 Broadway, New York, 6.—Saturday, May 10, 1947.

The Economist

Established 1843

One Shilling

May 17, 1947

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VOL. CLII NO. 5412

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3

BY AIR (U.S. and Canada only) \$24

Registered as a Newspaper, entered in Second Class Mail Matter at the New York, N.Y., Post Office.

Russia's Strength

SINCE the diplomatic correspondents returned from Moscow the British daily press has decided that the Soviet Union is weak, poor and in no state to risk conflict with the United States. With one or two notable exceptions the newspapers have proclaimed the belief, in rather naïve and arrogant terms; which probably means that yet another swing has taken place in the public view of the Russians. The exaggerated fears have given way to exaggerated relief; and those who wish to appear really in the know now mutter arrogantly: "No real trouble with the Russians for ten years."

Such an attitude is quite irresponsible, as irresponsible as that which seeks in the House of Commons to get from Ministers assurances that none of their strategic thought is devoted to the possibility of war with the Soviet Union. Those who give the matter their expert attention decided long ago what has just been discovered by the correspondents in Moscow—that the Russians have an immense, exhausting and exasperating task of recovery before them, demanding all their effort and concentration. For the statistics needed to assess roughly the economic strength of the Soviet Union can be read in London; so can the statistics needed to estimate the future military and industrial strength of America and Britain. And the assessment of Russian political strength has also to be made in London; for there are few sources of information open to the British correspondent in Moscow which are not open to him here, where he is likely to have more time for his newspaper researches. So long as the Soviet rulers persist in obstructing the expert traveller and in guiding the amateur investigator, British and American estimates of the vigour and skill of the Russian people, of their unity and confidence in their rulers, can hardly be more reliable than they are already. In other words, most of the articles from Moscow have been superficial and superfluous.

None the less a rough picture of Soviet strength and limitations has been emerging bit by bit. It might be entitled "Waiting for the Slump" and would show in the foreground an ageing Mr Stalin waiting in the Kremlin—just a shade impatiently—for an American slump in his time. For it is quite obvious that only a slump, only a first-class industrial and political crisis, could so undermine the present strength of the United States as to give the Soviet Union a reasonable chance of catching up in the next fifteen years. And only a slump could wrest from Mr Marshall the diplomatic initiative which has been gained by President Truman's boldness and his own grim poker-play.

Should the capitalist crisis come—and official Soviet doctrine declares it inevitable—it will be the first for which the Communist parties of the world have been fully prepared; the first which can be fully exploited for Soviet purposes without overt acts from Moscow. And it will be waited for patiently and calmly by men who fear no elections, whose vision is not bounded by the limits of any five-year plan, who have none of the democratic itch for quick results, and who may even feel grateful that a sense of crisis can be kept alive among their countrymen by official voices prophesying war.

The pure doctrine says that a crisis in western capitalism, a failure by the Americans to maintain their power by production and full employment, must lead to Fascism—or a new version of it. And Fascism, as the simplest Soviet citizen can understand, means war against the Soviet Union. For that he must be prepared. The goal is therefore industrial and technical equality with the Americans and their satellites. That equality, added to the disruptive power of Communist parties abroad, to the political strength of the Soviet way of government, and to the compact vastness of Soviet territory, would ensure military superiority. And with that alone can be achieved the security in which the Soviet Socialist state may advance towards that future condition of “withering away” which is the sole justification of its present tyranny.

Over-simplified though it may be, it is in some such deliberate view of the future that the main strength of the Soviet Union lies. Its planning aims at power for the state, power to reach the final stage where every external and internal human agency is under control; whereas western planning is so far content to aim at social justice, the good life, more money and less work—happiness for the individual, not power for the state. It is this ruthless concentration on power that lures efficient and intelligent men into the Communist party; it is the spell which holds eastern Europe, which fascinates the Germans and which spreads in most parts of the world that vague and irritable fear which is at once the enemy and the ally of Russia.

No one who has this fear is really reassured by recent symptoms of Soviet weakness: the disappointing report on the economic achievement of 1946, the passionate claim of Mr Molotov at the Foreign Ministers' conference that Germany must bear a major part of the burden of Soviet reconstruction, the impression of poverty and shabbiness, weariness and apathy which has lately come out of Moscow. In happier circumstances, of course, such impressions should and would have evoked sympathy, at least as much as is now shown for the Germans of Hamburg and the Ruhr. But Soviet diplomacy, ill-informed as always about public feeling in other countries, failed to appeal to the sympathy awaiting the Russian people; instead it concealed the devastation, the wounds and the exhaustion. Mr Molotov bluffed his way by crude and aggressive tactics through the crucial twelve months which followed victory. It was not until a year ago that Moscow's sudden abandonment of the forward policy in northern Persia—which seemed to be a capitulation before the United Nations—showed that the Colossus might be exhausted.

✱

In fact, the weariness was desperate. The proof lies in the evidence which the Soviet rulers themselves provided less than three months ago, evidence which was fully examined in *The Economist* of March 15. Firstly, the admission of the worst drought "since half a century"; then the revelation by the *Gosplan* that planned targets had not been reached in many branches of industry; then a series of alarmist speeches and statements during the Budget discussions in the Supreme Soviet; and on March 1st the climax in a Cabinet statement gloomy and critical in tone. It revealed a steep decline in productivity over the whole range of civilian effort. In the areas occupied by the Germans, industrial output was not nearly up to half of pre-war production. There were complaints that coal supplies had been insufficient, that only one-twelfth of the housing space scheduled in the Five-Year Plan had been made available in the first year, that grain production would not be back to pre-war levels for another three years. In human terms this meant that hundreds of thousands of demobilised men, who had seen the industrial achievement and household standards of the west, returned to find their relatives in western Russia underfed, poorly clad and living in ruins. And when they looked into the future they found that the objectives for

the next five years—perhaps even for ten or fifteen years—were to be the familiar ones of the thirties when they were preparing to meet Hitler's war: more tractors, power stations, coal, steel, oil, machine tools and railway equipment. Consumer goods—clothes, furniture, footwear, all the smaller luxuries seen in such abundance in the west—would not come till later. Belts would be tightened to the third and fourth generation.

That the Soviet Government should be able, against such a background, to appeal for the same shock-worker spirit and for the same effort to rebuild for power rather than for circuses that it did fifteen years ago shows the strength of its emotional and administrative hold over the people. There is clearly nothing comparable in this country or in the United States—a fact which is important in any weighing of relative strengths. That hold gets part of its strength from the confidence of the ruling group that they can achieve all their aims, provided they are left alone. They know that if security demands it the Soviet Union can be made self-sufficient; not only the Soviet Union but the satellite zones to the west in Europe and to the east in Asia. If trade with the outside world means bringing into their industrial planning an element of uncertainty, something beyond their control, then they can dispense with it. They have done so before. In 1929 their exports represented 3.2 per cent of the gross value of their output. By 1936, under the threat of Hitler's aggression, the proportion was down to 0.8 per cent.

But such autarky is only possible on terms, and the past has shown how onerous for the Soviet civilian these are: lack of balance between consumer and producer goods, chronic underconsumption, low productivity. And for Soviet industry complete isolationism and autarky would mean inefficiency and backwardness, loss of contact with the immense resources of American and British research into new techniques of production. Even if the door to the west were kept open in Poland, Czechoslovakia and Austria, such futile contacts would be no substitute for the technical collaboration of twenty years ago.

★

Those who make their assessments of comparative power by statistical calculations of national production and wealth will not have much difficulty in convincing themselves that it will be a very long time before the Soviet Union is likely to "catch up" the West in any real sense. Slump or no slump, the average annual volume of productive capital formation in North America will for many decades be much higher than in Soviet Russia. And if the countries of Western Europe—including Germany—should find their way to some coordination of production and resources, then the balance of economic power will be irremediably tilted against the Soviets. Indeed, still on the purely material plane, there is a real dilemma facing the Soviet leaders. Their best hope of "catching up" lies in seeking economic collaboration and exchange with the rest of the world and in devoting more effort and resources to raising the standards of living, and therefore in the not-so-long run the productivity, of their workers. But this runs directly counter to the instinct of maximum self-sufficiency, which prevailed in the face of the Nazi menace in the 1930s and apparently still prevails today. To attempt to "catch up" in isolation will impose a terrific strain. And any such policy will have the defect that, inside the Soviet Union, it will have to be represented as imperatively necessary preparation against imminent attack, while from outside it will look like preparation for imminent aggression. Whatever real distinctions there may be between defensive and aggressive preparations, they would, in practice be blurred: by the other Powers because information out of Russia is so scanty and misleading, by the Russians themselves because their diplomacy, which is unlikely to change its methods radically in a generation, will provoke in their neighbours the very behaviour they pretend to fear. An example

of this is the way in which British policy is being driven to consider reluctantly and clumsily the closer economic association of western Europe around the west German nucleus.

It is these economic and statistical arguments which, presumably, lie behind the current belief in the West that, whatever the ultimate menace, Russia will be too weak to constitute a threat for ten years. But when the analysis passes from economic comparisons to the political field, Russian diplomacy has enormous advantages. First and foremost, the Soviet leaders can be absolutely certain that no government which is in the Western sense democratic can suddenly declare aggressive war. It cannot even secretly prepare defensive war. It cannot even face the possibility of hostilities without discussion of the issue and the possible enemy. This means that the Soviet rulers (unless they are the slaves of their own propaganda) need only concern themselves with their own policy; they can move silently and fast towards any military or diplomatic action which they think security demands: it is sufficient to recall the invasion of Finland, the pact of 1939 with Germany or any of the major political moves of the last two years in eastern Europe.

Secondly, they need fear within the USSR itself no organised criticism through recognised constitutional or public channels—no strikes, demonstrations, passive resistance or sabotage. In their use of police methods they are as far ahead of the British and Americans now as they were behind them in industrial methods twenty-five years ago. They have the power to direct movements of industry and population where strategy demands—for instance east of the Urals—whatever the cost in money, efficiency or human life.

Thirdly, they can be certain of denying to the major industrial countries of Europe precisely those advantages; they can count on Communist parties everywhere, or effective sections of them, to play the fifth-column rôle if ordered to.

Lastly, the directors of Soviet foreign policy have an advantage of inestimable value: they can control most of the information on the outside world which reaches the Russian public.

Agreement to Separate?

JUNE 2nd has now been fixed as the date on which the Viceroy is to present to the Indian parties the British Government's new plan for the transfer of power in India. The new plan has been framed in the light of the report on the Indian situation brought back from New Delhi by Lord Ismay and submitted to the Cabinet. It is understood to be concerned with procedure rather than with actual terms of settlement, but for such a problem as now confronts India any scheme of procedure can hardly avoid involving a decision on certain issues of fundamental importance. It has been the British aim from the beginning of the transfer negotiations not to impose any constitution on India, but to help Indians themselves to work out a constitution so that there may be established and recognised authorities to whom delivery can be made when the day arrives. Normally, this would mean that an Indian Constituent Assembly would decide the political form of the new state and that Britain would then hand over to whatever government was thus legally constituted. According to the Congress Party doctrinaires, this is in any event Britain's duty, since they claim that the Moslem League's refusal to participate in the Constituent Assembly has not in any way impaired the latter's legal competence, as representative of the majority of the inhabitants of India, to legislate for India as a whole.

If Congress were to maintain unrelentingly its claim to establish the unity of India without regard to the Moslem League, while the League stood firm on its demand for Pakistan, there could be no other outcome than an appeal to force, for

They can therefore prepare the ground for any move that might be unpopular, or inconsistent, or unfamiliar. Whereas it is inconceivable—for example—that any French statesman should publicly work for or sympathise with a German nationalist point of view, Mr Molotov can and does so. What is more, Soviet statesmen can choose their own pace in policy; they need promise no quick results or neat compromises. The millions they rule will probably be content with an endless vista of hard and patient work, with low standards of life and if necessary personal sacrifice. In the last resort the Kremlin can count on an Asiatic capacity for endurance as astonishing as that of the Chinese or the Japanese.

There is, therefore, a real sense in which time is on Russia's side—though it is not the reason usually given. It is unlikely that time will raise their economic strength relatively to that of the West—it might even have the contrary effect. But time may well bring out some of the inherent weaknesses of the western position, the weaknesses from which any democracy, and still more a collection of democracies, suffers when it comes to the game of power politics. For that game demands patience, resolution, clear sight, a lack of illusions, a refusal to be frightened by tactical moves, a determination not to be taken in by appearances or to yield to emotions. If the Truman-Marshall policy were to be pursued without deviation for twenty years, the United States would be even stronger relatively to the Soviet Union than it is today. But will the policy be so pursued? To ask the question is to realise how right Mr Stalin is to be so interested in the prospect of an American slump, for though it would not undermine the sources of American strength (a slump is, after all, a phenomenon of plenty), it might well sap the bases of American policy. What made Hitler strong was not any great accumulation of economic resources but the flabbiness of the democracies, their lack, as Paul Reynaud told them, of *la lucidité et l'audace*—of clear thinking and courage. The answer to the riddle of Russia's strength is to be found in Washington.

the method of democratic majority decision applicable within a single state has been ruled out in advance by the party which denies the single state. But happily there have recently been signs of a loosening of the deadlock and of a conviction in the Congress leadership that, if the Moslem-majority areas cannot be included within a united India except by force, the price is too high to be paid. A main factor in the growth of this conviction has certainly been the British refusal to do anything to guarantee to Congress an enforcement of the Constituent Assembly's decisions against recalcitrant Moslem areas or a legal transfer of power to a central government not based on Congress-Moslem agreement. It has been made plain to Congress leaders that, if they decide to keep the unity of India by coercion, they will have to do the coercing themselves ; they cannot expect the British Raj to do it for them.

Coercion would not be an easy matter. It was only to be contemplated lightly as long as it was possible to believe that the Moslem League's stand was merely a bluff and that, when it came to the point, there would be little real resistance to central rule. A year ago this belief was still widespread and Congress felt it was safe to be uncompromising. But the series of communal outbreaks, amounting in total to a minor civil war and providing a foretaste of what a major civil war in India would be like, has led to second thoughts. Would it be worth while after all to start on the path of independence with a welter of violence and bloodshed, squandering India's economic resources and inviting foreign intervention? The Moslems,

in any case, are not going to rule in Delhi, Bombay or Madras; might it not be better to let them have some part of India to call their own and agree to separate?

It seems to have been on these lines that Congress opinion has recently been moving, reluctantly but surely. The principle of partition is no longer rejected outright; interest is more and more focused on boundaries and terms of division. The Hindu leaders are not willing to concede the Moslem claim to the separation of whole provinces—specifically, of Bengal and the Punjab—which has always been the basis of Mr Jinnah's Pakistan campaign and which was implicit in the Cabinet Mission's plan of last year. But they are willing to talk about the division of Bengal and the Punjab into Moslem and non-Moslem areas. This is quite a new angle of approach. Instead of the abstract legal dispute about the constitution-making powers of sections and provinces, controversy turns on whether Amritsar or Lahore are to be under Moslem or non-Moslem control. The new pre-occupation does not necessarily make for peace, but it is closer to reality than the old debate and indirectly it gets everyone accustomed to the idea of partition, even though it is not yet formally accepted.

Mr Attlee's policy of shock tactics in telling India that the British are going out next June whether Indians can agree among themselves or not has had its effect in forcing Indian politicians to make up their minds. The result has not been, however, as some observers hoped, to make both parties realise the need for a fair compromise which would preserve the unity of India. It has been rather to make Congress realise that the unity of India cannot be preserved except by force and that peace in India means agreement on division of the country with, perhaps, a residue of common services by arrangement between independent states. It is believed that the Viceroy, from his conversations with Indian leaders, has also arrived at this view. In spite of the Congress contention that the Pakistan agitation has never been anything but a device of wicked British imperialists for keeping control of India, the British Government has, in fact, been very unwilling to give up the idea of a united India, for if there had been enough real cohesion to sustain a Union, it would have been folly to have broken it up on any grounds of abstract ethnic or communal right. It is the actual strength of the Moslem League which alone is the justification for partition; it means that the opposition to a united India is too strong to be overcome without a coercion which Britain will not, and Congress cannot afford to, apply.

That Congress has gone as far as it has towards conceding the principle of Pakistan—and its commitment so far has been a matter of hints rather than of definite statements—shows a flexibility of mind and a will to pacific settlement which does credit to leaders embarrassed by a fervent nationalist faith which they have long preached. For a convinced Indian nationalist it is no small matter to abandon the ideal of an India, one and indivisible from the Khyber Pass to the Burma border, as well as from the Himalayas to Cape Comorin. If, therefore, Congress can be induced to accept the principle of partition, British mediation should be directed towards reducing the Moslem League's territorial demands within reasonable limits. The principle that it is better for a state not to have a high proportion of unwilling citizens can be invoked against the unity of India, but it is applicable also to Pakistan itself. In an Indian Union there would be a case for keeping the present provincial boundaries, but if there is to be partition, then it is clear that the Punjab and Bengal must be divided so as to separate the definitely Moslem parts from the districts which are predominantly non-Moslem. The complexities of this problem were indicated in an article on the Pakistan claims in *The Economist* of March 22nd, which was written before Mr Nehru's announcement that both the Punjab and Bengal would have to be divided. It is now reported that in informal negotiations there has been tentative agreement on a line in the Punjab

which would give Lahore to the Moslems, but keep Amritsar in the Hindu-Sikh portion of the province. In Bengal there does not seem to have been as yet such an approach to agreement, but Congress will have a strong case for excluding the mainly Hindu city of Calcutta, as well as the Burdwan Division of the province, from the Moslem State. In Assam, also, a division would be practicable whereby a southern portion would be joined with Moslem East Bengal, while the more northerly part would remain attached to Hindustan, with a connecting strip of territory north of the Brahmaputra.

The Moslem League will doubtless resist these truncations of the two Moslem succession states, feeling that every square mile lost from the ideal boundaries of Pakistan will weaken their states in relation to the greater bulk of Hindustan. But apart from the gain to their cohesion by the exclusion of uncontrollably large non-Moslem populations, the economic viability of the two Moslem states would be much less affected than appears at first sight, even by the renunciation of Calcutta. In the north-west the exclusion of the eastern Punjab would still leave Pakistan in a very favourable position as regards export surpluses of wheat, rice and cotton, whilst East Bengal without Burdwan or Calcutta would still have nearly all India's jute crop. The Moslem states, indeed, would start off with a better position in self-supply of foodstuffs and in commodities suitable for competition in the world market than would Hindustan, in spite of the latter's present advantage in modern industry.

It is a general belief in Congress circles, and one held strongly it seems, by Mr. Nehru himself, that the North West and East Bengal as separate states of Pakistan would not be viable and would be compelled by economic pressure to reunite with the rest of India. There does not appear to be any good ground for this belief, but the Congress leaders may the more readily consent to a partition if they regard it as only temporary. On the other hand, in so far as the Moslem Leaguers themselves are worried about the viability of their creations, they are likely to struggle obstinately for places to which communal ethnography does not entitle them, in the hope that wealth will come with bigness. Some hard bargaining about boundaries must therefore be expected, but in the end it should not be too difficult to confine the Moslem states within limits which will be ethnically just without taking away the prospects of a successful economic life.

The Indian states must not be forgotten in any plan for India. Some of the princes are indulging in brave talk about creating a third India, a Rajistan to stand alongside Hindustan and Pakistan, and some of the larger states—Travancore and Hyderabad, for example—are said to be contemplating complete sovereign independence. Probably, this is not much more than talk. Even the largest of the states would be too small to live alone, especially as most of them would be entirely surrounded by the territory of either Hindustan or Pakistan. The idea of a princely federation would almost certainly come up against the obstacle of princely jealousy and suspicion. And both Congress and the Moslem League have an obvious interest in coming to terms with the princes whose states lie in their respective spheres. If Congress and the League can reach an agreement, the problem of the princes should not prove to be insuperable.

There remains the question of defence, and here too there are hopeful signs. In what is believed to be a well-informed account, the *Hindustan Times* recently outlined plans of the Interim Government for the defence of India, passed with the concurrence of both Congress and Moslem League Ministers. The policy appears to be one of relatively small total expenditure on defence based on the assumption of co-ordination of external defence, whether Pakistan exists or not, and of a defence agreement with the British Commonwealth. This would certainly be of great benefit to the Indian peoples, as it would mean

that funds otherwise absorbed by the armed forces would be available for economic development and social services. On the British side there is certainly a desire to continue a special connection with India, now on a basis of equal partnership and reciprocity, and also an earnest hope that no division of India will afford an opportunity for foreign aggression or intervention south of the Himalayas. Fortunately, the marked improvement in Indian sentiment (both Hindu and Moslem) towards Britain, which has followed the unconditional promise to hand over power next year, has created favourable conditions for co-operation in external matters after the end of all British responsibility for the domestic concerns of India.

It seems possible, therefore, to entertain rather more optimism about the possibility of a peaceful settlement in India than

seemed likely only a short time ago—and there can be little doubt that the British Government's tactics deserve the credit for this improvement. But the optimism is no more than a rift in the clouds that overhang India's fate. Indian politicians have a unique capacity for disagreeing at the last moment, and there will be plenty of opportunities for the Hindus to draw back from the concessions they have done no more than hint at, and for Mr Jinnah to stand fast on his demand for five whole provinces, from which he has never yet budged. And all the time the sands are running out. Judged by the ground still to be covered by negotiation, the date of June 30, 1948, is painfully near. But judged by the rapid deterioration of the structure of social order in India, it is perilously distant. Lord Mountbatten's job is to make the politicians hurry.

Then and Now

IT is twenty-one months since hostilities ended, and the frustration of the high hopes of the day of victory is so well recognised as to be hardly worth remark. A new world was to emerge from the struggle; Britain was to have more and better houses, more and better schools, work and food for all, a new spirit of comradeship and purpose forged in common danger; and instead the housing programme trails, crippled by shortages, the new crop of school entrants finds neither buildings, teachers nor books ready for it, the housewife's basket is harder to fill than ever, ominous patches are appearing in the employment picture, one coal crisis is past and another looms, and the spirit of comradeship has disintegrated in party strife and sub-merged class war. Prices, held fairly steady during the war, have since got out of hand; there is an acute dollar problem; and the monetary authorities have lately raised the bank rate to the punitive level of 7 per cent. . . . Yes. It is June, 1920, to the punitive level of 7 per cent. . . . Yes. It is June, 1920, and the post-war boom is just past its crest and sinking—though the indices do not as yet speak with one voice—into the sharpest slump hitherto recorded, a slump from which there will be no complete recovery until the guns sound again in 1939.

Perhaps the most striking thing about this description is the difficulty of framing it without immediately disclosing the fact that 1947 is not the year under discussion. Considering how closely, even if history does not repeat itself exactly, similar effects follow similar causes, and that the essential facts of a five years' major war remain the same for 1939-45 as for 1914-18, the dissimilarities between 1947 and 1920 are surprising. They may be traced and evaluated, by anyone willing to construct the parallels, with the aid of a new study by Professor Pigou*, which, written during the war for departmental use

* Some Aspects of British Economic History, 1918-1925. By A. C. Pigou. Macmillan. 248 pages. 15s.

and drawing on some material hitherto unavailable, has now, by leave of the Chancellor of the Exchequer, been published.

Professor Pigou divides his period into four parts; the Breathing Space, from the Armistice to the following April; the Boom, April, 1919, to April, 1920; the Slump, April, 1920, to mid-1923; and the Doldrums, the stagnant state of depression which continued until the renewed slump of 1930. The first dissimilarity observable between his period and that following World War II lies precisely in that it is impossible to draw any such dividing lines to-day. No breathing space interrupts, during 1945, the steady rise in prices; no steep or sudden upturn or boom ensued; no break corresponding to the 1920 slump has occurred in 1947, nor does one appear likely unless as a transatlantic import.

Evidently this dissimilarity is a consequence—not a cause. Comparing the evidence offered by Professor Pigou with that provided by to-day's statistics one finds further dissimilarities in the fields of employment, labour relations, production, the distribution of manpower, Government policy and foreign economic relations, all these being superimposed on the underlying postwar similarities of inflation, industrial dislocation, and real impoverishment internally and externally.

On employment the evidence is particularly hard to compare. With laborious ingenuity, working from the hitherto secret "Z8" departmental reports on the distribution of manpower, from trade union figures, and from whatever other evidence can be found, Professor Pigou pieces together a picture of the employment situation between the Armistice and the first regular publication of the employment figures. He arrives at a shrinkage in employment, during the five months of his "breathing space," of some 1,200,000 men and women, of whom perhaps 100,000 were not so much unemployed as



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ROYAL EXCHANGE
ASSURANCE: INCORPORATED IN 1720

deliberately withdrawing from gainful employment. During the ensuing boom years about a third of this surplus labour was mopped up; the slump more than wiped out this gain, and the unemployment percentage soared in the summer of 1921 to 22.4 per cent—abetted, of course, by the catastrophic coal strike of that spring, which bedevilled the economic situation quite as thoroughly as the coal crisis of 1947. The corresponding figures for the present period show a shrinkage in the total working population, from mid-1945 to the end of 1946, of almost exactly 900,000, but an unemployment total never exceeding 400,000. Even if there be added to this the 300,000-odd demobilised men and women who had not at that date yet applied for civil employment, the picture remains brighter than even at the peak of the last post-war boom.

Partly, the difference reflects the slower speed of demobilisation; from 4½ millions to 658,000 last time, from 5,000,000 to 1,427,000 this time, a lag reflecting in turn a gloomier international outlook and a heavier burden of foreign commitments. For civil demobilisation no figures are available to Professor Pigou, who can only offer employment totals in the "war-swollen industries" and note their decline. And here at once there appears one of the key differences between the two periods; for one of the chief "war-swollen industries" of 1914-18 was coal-mining. The Census figures of mining employment in 1911 and 1921 are, respectively, 1,123,000 and 1,305,000; while the corresponding totals for 1938 and January, 1947, are 722,000 and 694,000.

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The implications of these figures are written into a development of production, after World War II, considerably more uneven than after World War I; and if an index of total production by volume were available it would mark, even more than in 1920, abysses of unsatisfied demand—notably for housing. Some indices can be compared; iron and steel has risen faster this time, so (however unsatisfactorily) has housing, cotton has lagged by comparison, agricultural production—expanded, of course, in both wars—expanded further from 1939 than from 1914. Shipbuilding, already falling off in early 1920 in response to the decline in freights, is still rising to-day. Exports, fractionally above their pre-war volume to-day, were 30 per cent. below it in 1920. On the whole, a comparison of the productivity picture favours to-day rather than 1920; and on the face of it reconstruction, re-stocking and the improvement of living standards ought to be improving apace. In fact, they are, even more than in 1920, hanging fire; and two at least of the chief causes of this comparative deterioration lie outside the field receiving detailed attention from Professor Pigou. The grim facts concerning coal are too well known to need repetition; the other major influence is the change in Great Britain's balance-of-payments situation. In addition to the loss of external assets and the income which they yielded—a loss considerably though not incomparably greater than that suffered in World War I—and the accumulation of external debt on an immensely larger scale, there remains a factor whose movements during the two periods were in precisely opposite directions. That factor is the export-import rate of exchange; the terms of trade. Between 1913 and 1921 the prices of British exports rose in relation to imports by some 40 per cent—a good deal too much, in fact, for comfort; between 1939 and 1947 they fell by 10 per cent, and are still falling. With the coal shortage holding down home production and with the other constituent of consumption—that is, net imports—held down by the loss of foreign income, the worsening of the terms of trade, and more severe overall world shortages, an austerity greater than that following World War I is hardly surprising.

Coupled with that radical change in the political atmosphere which has placed a Socialist Government in the shoes of the

Lloyd George Coalition, these stringencies have maintained an apparatus of controls which dwarfs even the full-blown wartime structure of 1914-18, let alone those few relics of it which survived to 1920. By mid-1919 every wartime control except those over shipping and a few foodstuffs had been swept away; at that rate, Britain would this time have been free of controls by the end of 1945. As it is, hardly any relaxation is discernible, apart, significantly enough, from the lapse of the one outstandingly powerful weapon of positive planning, the direction of labour. Controls in World War I were built up piecemeal, *ad hoc*, with overlapping and gaps; they were never conceived, except by a few Socialist cranks, as possible tools of a deliberate and permanent peacetime policy. Those of to-day, more logically, comprehensively and efficiently constructed, will in default of another radical change of political climate be preserved—no doubt in a strategically pruned or streamlined form—as just such tools. Therein lies one of the main differences, alike in the field of causes and in that of consequences, between 1920 and to-day.

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But probably the most important difference of all lies in the fiscal and monetary sphere. World War I showed no counterpart to the deliberate cheap money policy of World War II and the period following. Under the pressure of intervening events and Keynesian theory, monetary practice has moved far in thirty years. The aggregate rise in money incomes during the 1919-1920 boom was, as well as can be calculated, between 25 per cent and 35 per cent; after the second war, any rise in money incomes that there may have been in the course of 1946 has not been enough to bring back the total to its wartime peak. Inflation has, in fact, been curbed, steamrollered out of existence by price controls and rationing, or—to put it less optimistically—driven underground. In 1919-20 the price system was restored to free action, did its stuff, and produced an honest, above-board, runaway boom; it indicated by the orthodox methods—gold outflow and exchange depreciation when the dollar peg was removed—the need for the orthodox defensive measure, a swingeing increase in the Bank Rate; and, that measure once duly taken, it matched the boom with a slump and depression which is unlikely to be forgiven it unless and until the present-day alternative does worse. That may seem unlikely; but the truth is that that alternative has not yet met its full test. The rule of the Gold Standard is in abeyance; the rule of Bretton Woods has not yet been inaugurated; and the pressures of the interregnum have been cushioned first by Lend-Lease and then by the American and Canadian loans, luxuries which Britain did not enjoy in 1919-20.

When this apparatus of external cushions and domestic controls—of padded walls and strait-jackets—is contemplated, it is hard to be sure that the present economic situation is really more sane and balanced than that of a quarter-century ago. It may merely be that the elements of unbalance are kept beneath the surface, showing themselves on the surface only here and there in some sudden eruption, but all the time having their effect underneath in prolonging the period of scarcity and strain. If the post-war transition were really, this time, going to be more successful at the cost of taking a longer time, few people would begrudge the delay. It would be far better to go slow rather than face years of unemployment and short-time. But it is impossible not to wonder whether we may not get the short-time precisely because of the care that has been taken to prevent unemployment, whether an organisation that is once imprisoned in the padded cell and the strait-jacket will ever seem normal enough to be released. Perhaps the treatment has erred as much on one side this time as on the other side last time. Perhaps we are not so much cleverer than our fathers, just foolish in a different way.

NOTES OF THE WEEK

Tory Reformation?

The Conservative Industrial Policy, published under the title "The Industrial Charter," is a pleasant surprise—that is to say, it is certainly a surprise and will be pleasant to all except the right wing of the Conservative Party itself, who will be shocked to discover some of the things to which Mr Butler and his colleagues propose to commit their party. Like nearly all political manifestos, the document retreats far too often into vagueness and generalisation—it is full of such meaningless declarations as a promise to undertake "a powerful drive to increase the output of British farms and gardens." But when allowance is made for the difficulty that politicians who are seeking votes inevitably feel in expressing themselves very clearly on awkward issues, it is obvious that an honest attempt has been made to face the real issues of economic policy.

What is perhaps particularly gratifying is that the Conservatives have been thinking about the concrete and painful issues of this year and next as well as about the remoter concepts of long-range economic policy; they are facing the present as well as the future. Their prescription for the immediate crisis is threefold. First, productivity should be increased, both by providing greater incentives to labour and capital and by rationalising the overgrown apparatus of control. Secondly, the crucial bottlenecks in power, transport, food and capital equipment should be widened. And thirdly, an end should be put to inflation. The only nationalisation project already consummated which they would wholly reverse is the closing of the Liverpool Cotton Exchange, though they would amend the transport and civil aviation schemes. They would attempt to nationalise the apparatus of controls, but they would not remove the control from any necessity of life so long as it is in short supply. As short-term policies these are both moderate and attractive.

It is the long-term policy, however, that shows the most striking change in Conservative thinking. For the report comes out unequivocally for what may be called the two-storey design of economic policy—a foundation structure deliberately planned by the Government coupled with the maximum freedom for enterprise elsewhere. There must be planning for the maintenance of full employment, for the management of external economic relations and for the guidance of capital development. But outside these fields, there is to be incentive for enterprise and rewards for efficiency; and even with the ambit of conscious policy the aim is stated to be "co-operation in making the plans and competitive enterprise in carrying them out."

All this is very sensible, and if it really were to become the policy of the Conservative Party, and if future Conservative Governments were to fill in the practical details in the spirit of the present report's admirable generalisations, the face of British politics might well change after the next election. But it is here that the doubt creeps in. Can Mr Butler and his colleagues carry their party with them? Can they persuade it not merely to talk this way in opposition, but to act this way in power when all the pressures of the interests will be on it? Perhaps the supreme test of the sincerity of the new policy will be provided by the attitude of the Tories to organised labour and to organised capital. The report includes an ambitious proposal to set up standards of security and status for the wage-earner—and of competence for directors—which many employers will not like. And it also includes some passages on restrictive practices which will be still more unpopular in Tory business circles. These passages are not strong enough—they still leave the onus of proving harmful restriction on the Board of Trade, instead of putting the onus on industry of proving that there is public benefit in restriction—but it is a considerable advance to find the Conservative Party saying "We condemn out of hand any price agreement designed to keep prices above the costs of the most efficient producers, or levies on more efficient firms to keep the least efficient in business." Do they realise just how many of their own supporters they are thus "condemning out of hand"?

Mr Churchill is probably right in holding the opinion (as he is reported to) that no amount of policy-drafting will have much effect on the results of the General Election, which will, as usual, be an inquest on the Government's policy, not a vote on a "mandate" for the Opposition. But a policy will be very necessary for the Conservative Party when it is next in office, and it is by its actions then, not by its words now, that it will be judged.

The Tinker's Curse

The padlock that was evidently applied to Mr Shinwell's lips after the fuel crisis—whether by his own hand or another—has now been broken open. It is one of the less welcome signs of spring that the flow of rancorous oratory is now again in spate. At Edinburgh two weeks ago Mr Shinwell misquoted the dying words of Christ on the Cross to express his dislike of the Housewives' League, a choice of language on which it would be a mild comment to say that it exhibits a lack of taste surprising even in this orator. Then a few days later, at Margate, addressing trade unionists from the electricity industry, he delivered himself of the statement that the Government were supported by the organised workers of the country and that the rest did not matter a tinker's curse. Of this utterance (which the Minister's friends have made a wholly unconvincing attempt to explain away) there are three possible explanations: that he really thinks the "organised workers" are a majority of the nation; that he wants to commit political suicide by telling the majority he cares nothing for them; or that he was so carried away by the inebriation of his own verbosity that he did not know what he was saying. No one thinks he is stupid enough for the first or second explanations to be true, so he must be silly enough for the third.

The Prime Minister must by now be well aware of the great incubus that Mr Shinwell is on the Government, whose campaign for national unity in the face of economic peril he is defeating single-handed. Why, then, is he not removed from office? The explanation may be found in that streak of stubborn obstinacy that runs through Mr Attlee's character, an unwillingness to admit a mistake, especially when the Opposition points it out. Or is there perhaps some truth in the persistent rumour that Mr Arthur Horner, the secretary of the Mineworkers' Union, has imposed a veto on any change at the Ministry of Fuel and Power? Mr Horner has recently been boasting of the ultimatum that he delivered to the Prime Minister on the subject of miners' wages—the miners, he said, "expected action" by December 31st. If an ultimatum, why not a veto?

Another incident of the week that can only deepen suspicions of the reasons for which men are appointed to, or retained in, posts of high importance is the strange translation of Lord Citrine. Lord Citrine was formerly General Secretary of the TUC and thus *ex officio* a grandee of the Labour movement. But he is also a very difficult man to work with, and the persistent reports of dissensions on the Coal Board have invariably been associated with his name. It has been rumoured for weeks that if he did not leave the Coal Board some of its other members would. Now he goes—but only to become chairman-elect of the Board that is to run the electricity industry when its nationalisation is complete. Is this promotion by merit? Or is it job-finding for one who must not be left unemployed? Whether or not "the rest" count for more than a tinker's curse, they clearly count for less than the TUC's power.

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The Planning Bill

The situation under which only 12 of the 108 clauses, and none of the schedules, of the Town and Country Planning Bill were discussed in the Commons on Report stage is the worst example to date of the use of the guillotine. Some 175 Government amendments even then passed without discussion. It is quite true that the large number of Government amendments was due to the sincere efforts of Mr Silkin to improve the Bill and to meet minor points of criticism raised by the Opposition, while one of the three days debating was spent on the series of new clauses which provide a much fairer basis of payment for land acquisition. This is well and good, and a fairly effective answer to those who say that Parliamentary discussion has ceased to get results. But why will the Government turn even its concessions sour by these rush tactics? It is no good complaining that Opposition members talked too much; of course some MPs did, and always will, but occasional verbal exuberance is inseparable from the Parliamentary process. The plain fact is that three days was not nearly enough for a long Bill that has been substantially redrawn and re-drafted.

Mr Silkin laid down an excellent principle when he said that

We are buying land and buildings and we have to pay compensation on the basis of what we are buying, and not on the basis of who happens to own it, or even when he bought.

During the near future, while war damage payments are being settled and before the Bill's new clauses come fully into force, his words will be completely belied. The transitional arrangements for land compensation have been left complex and inequitable. But in a year or less the position should be reached that all property will attract, broadly, its current "existing use" market value, irrespective of who owns it—a great advance in Labour's ethical thought. But will Mr. Silkin apply his principle to the division of the £300 million compensation fund for loss of development value? It is every bit as applicable.

The Government also introduced amendments to strengthen its position in face of recent challenges in the law courts. It means to make it clear that a public enquiry is an administrative and not a judicial proceeding. This is reasonable—but it adds to the case for requiring full publicity for the Minister's conclusions. Another amendment strengthens planning powers to designate a comprehensive area for compulsory acquisition. This will be more readily conceded if the Government will ensure that no more land is designated than is really necessary, and will consider centralising its powers of acquisition in one department. The Government also rejected pleas from both parties that the amalgamation of planning authorities into joint boards should require Parliamentary confirmation. It is rapidly becoming impossible to guarantee any degree of independence to local government.

Truce in the Battle of Minden

There has been much coming and going in Germany in the last week, partly due to the release of Mr. Bevin from the cares of Moscow, partly to the effects of Lord Pakenham fitting on his new harness, partly to the Government's acute sensitiveness to the charge that they can neither feed nor administer their zone of Germany. The prominence Germany has enjoyed in the press has resulted from the general feeling that Mr. Bevin, after the complete failure of Moscow, must do something rather novel and drastic in the west, and from the knowledge that all was not well with Anglo-American relations in the zones.

For the time being the "battle of Minden" seems to have ceased. So far no distinguished casualties have been reported, and there seems to have been a generous and sensible American advance towards the British standpoint on central economic controls. Mr. McNeil has already hinted in the House that the bi-zonal economic agencies—which have so far been ministries without real executive power or responsibility—may have the assistance of a representative advisory council drawn from the *Länder*. That would be a concession to the American—and south German—insistence on democracy and federalism. The American concession to British—and north German—insistence on central controls would probably be the grant of further powers to the agencies, powers to be drawn neither from national nor provincial German law, but which could presumably be delegated by military authority.

These changes in the administrative set-up of the two zones will paper over some of the cracks, and the move of the economic agencies to Frankfurt should simplify their procedure and expedite their work. But it would be a great mistake to imagine that they will improve the food situation. Careful investigation has shown that even the most drastic enforcement of farmers' deliveries and the most successful campaign against the black market would not make any decisive difference in the present deplorable food situation. The main relief must come from overseas; and that means that the British Government have to concentrate immediately on two tasks: quicker buying and delivery of grain from America, and the provision of dollars to pay for it. This might mean a complete overhaul of present arrangements, even the financial ones. But the reports that Mr. Marshall is ready to take over entirely the further financing of German recovery if the British give up their socialisation plans are certainly premature.

Mr. Churchill's Challenge

It would be interesting to know whether any connection is to be traced between the Foreign affairs debate that began on Thursday afternoon in the House of Commons and the Albert Hall meeting of the previous evening, which Mr. Churchill addressed on the subject of a United Europe. The earlier discussion was, of course, non-party; but there was a pleasing irony in the spectacle of Mr. Churchill, with the Archbishop of Canterbury in the chair, and supported by Mr. Victor Gollancz and Mr. George Gibson of the TUC, stealing the thunder of

Mr. Bevin's critics. His oratory turned the shrill imperatives of Mr. Zilliacus into solemn warnings from an ancestral voice. The result was very impressive, although much of it had been said before in Zurich nine months ago.

Briefly he argued that the Charter of the United Nations provides for regional organisations for defence and other purposes; that Europe—"fairest, most temperate, most fertile area of the globe"—naturally formed such a region; that precedents already existed in the British Commonwealth, in the Soviet Union and in eastern Europe. He might have added that the latest of them, the Slav system of security pacts, has never been submitted for the approval of the Security Council, as the Charter provides. But he was in conciliatory mood, and insisted that a "healthy and contented Europe" was the "first and truest interest of the Soviet Union."

Mr. Churchill was quite right to point out that if Europe could not attain some kind of federal government the world certainly could not. Otherwise he made no attempt to deal with the practical difficulties which face such a scheme. It can, of course, be argued that the statesman creates the public mood first and that then all difficulties fall away. But in this case it is dangerous to arouse the mood first because the practical difficulties are immense and beyond public control. Only for western Europe is there at present the barest possibility of a federal arrangement; out of the lands occupied by Hitler a powerful union could be made. And within western Europe there are powerful political elements friendly to Russia which would work against union. Even if they were outvoted or overridden they could, for example in Italy and France, sabotage the economy of the union by strikes and passive resistance. And on the purely financial and economic side—even assuming American support for European union—there are immense technical and policy difficulties. Nevertheless they should be examined and brought to light in London, for quite obviously the lead in this matter lies with the British and not—this time—with the French.

Italian Cabinet Number Nine

It is misleading to suggest that Signor de Gasperi, by resigning with his third ministry on Tuesday, was just trying to drive out the Communists. It is true enough that the crisis arose immediately from the refusal of Signor Morandi, the very competent Minister of Industry, and the pro-Communist Socialists to support the Prime Minister's plan to broaden his ministry into a kind of government of national union. Such a move they regarded as unparliamentary and as unjustified by the election results of last June. A deeper cause of their revolt was the suspicion that recent decisions in favour of a capital levy would be shelved under pressure from the right and centre.

Without the support of the Communists Signor de Gasperi, or for that matter any Italian prime minister, would find the trade unions unmanageable; but it is known that Signor di Vittorio, chief of the Italian TUC, had been spoken of as a possible minister and that the Communist ex-minister Signor Scoccimarro had been included in lists for a possible "brains trust" to help the Cabinet tackle the economic crisis. Even Signor Saragat, the leader of the anti-Communist Socialists, has expressed willingness to join any national government, provided the Communists are in too.

The crisis had been brewing for at least two months. Signor Morandi, the governor of the Banco d'Italia and the Minister of Finance had all warned Italy loudly of the extreme gravity of the economic situation, with the national deficit mounting fast. And when, on April 3rd, a fourteen-point emergency programme was adopted, the Government enforced little of it and were unable to check the fall in the value of the lira. So since May demands have been loud and insistent for two things: a full-dress debate on the economic situation in the Assembly (fixed for the day that Signor de Gasperi chose to resign) and a change in the make-up of the government.

Ever since Signor Saragat flounced out of the Socialist Party Congress in January and went into isolation with his anti-Communist followers, the Cabinet team has been unhappy. The Socialist split weakened the indispensable buffer between the Christian-Democrat and Communist ministers and recent allegations against the Ministers of Finance and of Foreign Trade must have turned the Prime Minister's mind to ways of dropping them. He is, of course, a right-winger of the Christian-Democrats, has always hankered after the presence in his Cabinet of Italy's political veterans, Orlando, Nitti and Bonomi, and also of younger rightish (but non-party) technical experts. Only last week the suggestion was openly made that there should be a government

of national concentration with representatives from all parties, or a "brains trust" alongside the Cabinet. It was then the trouble started. With representatives of the Export-Import Bank just arrived in Italy to consider the allocation of dollars to Italian industry, the need to stop the trouble quickly is obvious. For beyond the political quarrel is the economic crisis, insoluble without strong government.

The Jarrow Result

The result of the by-election at Jarrow—Miss Ellen Wilkinson's seat—has given much more pleasure to the Labour Party than to the Conservatives. Some Conservatives had built high hopes on the combination of a local candidate, of the disappearance of Miss Wilkinson's personal following and of the disillusion produced among the electors by the economic crisis. But in the result, the Labour majority fell only from 11,007 at the General Election to 7,616 last week, which is still more than three times as large as the Labour majority in 1935. There is clearly no sign in these figures of any significant weakening of the Labour hold over the industrial constituencies. The Government can continue to claim that the economic crisis has not affected their remarkable record of not losing a single by-election in 22 months, and the Conservatives are likely to abandon any thought of aggressive tactics during the summer and continue perforce their waiting game.

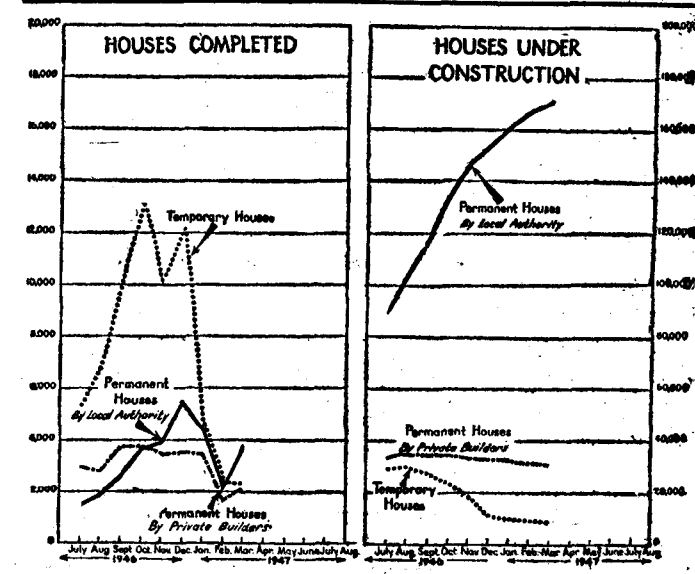
Nevertheless, it is by no means certain that this is the right conclusion to be drawn from the Jarrow result. After all, Jarrow is a natural Labour seat, and to prove that the Government can hold it does not, of itself, prove anything very much. At the General Election two years ago, Labour polled 66.1 per cent of the total poll in Jarrow; this time they polled 59.3 per cent. The Conservative (masquerading as a Liberal National on the first occasion) raised his vote from 33.9 per cent to 37.5 per cent. Or the figures can be put in another way—Labour lost one-twelfth of its 1945 vote and the Conservatives put on one-eighth. Now let these ratios be applied to the total vote for the whole country at the General Election. The Labour vote was then 12,050,000. If Labour lost 6.8 per cent of the total votes cast (as they did last week at Jarrow), their vote would come out at about 10,340,000; if they lost 8.7 per cent of their own vote (again, as they did at Jarrow), the figure would be almost exactly 11,000,000. The two methods of calculation give total votes for the Conservatives of 10,900,000 and 11,200,000. By either method, in other words, the application of the Jarrow ratios to the whole country would give the Conservatives a slight edge. What the Socialists forget who rejoice over Jarrow is that the margin of their victory two years ago, measured in terms of the total popular vote, was a narrow one, and even so small a swing that it cut the majority in one of their safe seats by only one-third, and is therefore dismissed as negligible, might nevertheless be enough to cost them scores of more delicately balanced seats. It would be foolish, of course, to base very much on one constituency. It may be that the loss of Miss Wilkinson's personal following has led to a bigger loss of Labour votes in Jarrow than would be true at this moment in the country at large. Or it can be argued that since Jarrow is a formerly depressed area which is now more prosperous than for a generation past, it could be expected to be kinder to the Government than the typical constituency. But at least the Jarrow figures cannot be ascribed to "apathy," since the total of votes cast at the by-election was actually slightly higher than at the General Election.

Looked at in this way, the Jarrow result does not justify any Labour complacency. Rather, it seems to show that the two major parties are about equal in the popular esteem—with perhaps as much as three years more of this Parliament to run. And if one thing is more certain than another, it is that at least two of the three years will be full of economic trouble.

Housing Target Abandoned

The announcement last week of the abandonment of the 1947 housing target may have caused disappointment: it could not cause surprise. Memories of the crisis in February and March are too recent for its repercussions on house building to have become blurred; it is, therefore, improbable that the Government is being much blamed at this moment, and they were wise to time the announcement now. The repercussions hereafter are more difficult to foresee: nobody can be blamed for the direct effects of frost and flood on the laying of one brick upon another, but the hold-up in the production of materials for which the Government must take considerable responsibility will continue to affect

deliveries for many months. From a political point of view it will be of great importance to the Government to have steered the housing programme into more open waters at least by the summer of 1948, for with other difficulties ahead they will need every favourable factor they can mobilise to get them through.



Wisely the Government have refrained from announcing a new target before the full effects of the coal crisis on production have become apparent. This aspect of the matter is discussed in an article on page 768. Meanwhile the target of 240,000 permanent houses by the end of the year, which was always precarious because it was based on the assumption that materials would be adequate and that manpower was the bottleneck, has given place to the objective "to complete this year as many as possible of the 218,783 houses already under construction." During the first three months of 1947 only some 16,000 new permanent houses were completed. Even allowing for all the advantages of summer weather there is still likely to be a large proportion of the 218,000 unfinished by the end of the year. In the two years March, 1945, to March, 1947, 370,000 families have been rehoused in repaired, converted or new houses. Inadequate though it may be compared with requirements this is not an insignificant number.

World Farmers Meet

This week the first annual general meeting of the World Farmers' Federation has assembled in Holland, attended by delegates from 28 countries. The creation of this body is a minor triumph in constitution making (especially for Mr. James Turner and the British delegation who have done much of the spade work) in view of the variegated character and interests of the farmers' organisations—some of them independent, others government-sponsored or government-assisted, others again with some religious or political bias—that have been brought together. But good diplomacy is not sufficient for the meeting's success. The farmers will want some concrete results for their expenditure and travelling time if the Federation is to become a permanent institution. This they can certainly have, if they settle down to comparing notes and to formulating a programme of technical and economic research. The economic cost of soil erosion, and the best method of combating it, are typical problems that could very profitably be studied by a world-wide farmers' organisation. Unfortunately, indications from the agenda and elsewhere are that the farmers are set on devoting nearly all their time to playing politics.

It is natural that the Federation should wish to establish liaison with the Food and Agriculture Organisation, to get recognition from national governments, and to have its say on the various world food schemes that are being tossed about. But it would be foolishly sanguine to base the Federation on the assumption of its capacity to become an effective international trade association, advancing the income and status of farmers throughout the world. Farmers from different countries may agree together reasonably well in a time of food scarcity; but it will be a different tale when glut returns. The interests of the British farmer, seeking protection, and of the overseas farmer, seeking markets, are inevitably divergent—and so are the interests of producers in different nations competing for exports. It may be possible—it must

certainly be hoped so—to get a measure of world agreement on the distribution of future food surpluses; but the eventual plan will be the result of hard bargaining between governments, and any pressure coming from the Federation, supposing it is able for the moment to speak with a united voice, will make a negligible impact.

This is not meant as a warning to the Federation to keep out of politics. It is bound in any case to have its say, and there can also be no denying that so far food producers, through their lack of organisation, have been in an unfavourable position compared to the representatives of industry. The Federation is a very modest move to even accounts. But this kind of international body has a very high mortality rate; if the Federation wishes to survive, it had best build a modest but solid basis of practical research and not trust overmuch to success in political campaigning.

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Hunger for Books

Because those two categories of persons who feel strongly about books—teachers and discriminating readers—are in a minority, the case for a more favourable treatment of the book-publishing trade is liable to go by default. The debate on the adjournment, initiated by Mr Wyatt on May 9th was, therefore, the more welcome.

The book publishing trade suffers from difficulties common to most industries at the present time: it is short of labour by some 20 per cent; there is an acute shortage of machinery, particularly for book-binding, and replacements by manufacturers in this country take anything from 18 to 30 months to appear, although some relief will be permitted by imports of book-binding machinery from America; printer's ink and glue are insufficient; fuel cuts in March during the coal crisis were heavy; the import of esparto grass is essential for most books, and the stocks, which had been rising steadily last summer, after their complete depletion during the war have now fallen to a third of what they were last October.

All these facts have their counterparts in a thousand other places. The point at issue is to decide whether there is a better case for giving books preferential treatment than other scarce commodities. Is there something which differentiates book production from other kinds of production? There almost certainly is. For the schools books are an essential pre-requisite of a proper education; the shortage is so acute that the education of many children may be said to be seriously suffering—with repercussions which are obvious for the future. The needs of the adult reader are less obvious only to those who either do not read or read entirely haphazardly: during the war the development of adult education caused a great increase in the demand for books, which cannot be met by libraries nor by the bookshops, and those processes of self-education which are of immense value to the nation and earn rich dividends are being curtailed. In the field of exports the special value of books is even greater. The raising of the shutters which enclosed Europe has resulted in an avid and unsatisfied demand for information about the ideas and events outside those barriers, but exports, which amounted to 2,550 tons a month in 1938, were only some 1,000 tons a month in the first quarter of this year. Yet it is well known that books are the forerunners of other more material advantages.

Some recognition has been given to these facts by the Board of Trade, and the allocations of materials have recently been increased to 80 per cent of the pre-war level provided that certain quantities are reserved for educational and export purposes. But this is not enough. Yet further steps should be taken to overcome the bottlenecks particularly of machinery, and then to increase the allocations. The total resources used on book production are so small that the adverse repercussions elsewhere would be insignificant.

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Palestine Parley

It is by no means safe to say that nothing will come of the United Nations proceedings on Palestine. It is noteworthy that the terms of reference of the new Committee have been made wider than the original British proposal. The experience of South Africa at the last session was a warning that Britain, and America, may have cause to remember. The United States delegates, more sensitive than most others to the howling mobs outside, and conscious that the armed infiltration of the disputed territory is being steadily pushed forward, with publicly raised funds, by groups of their own fellow-citizens, will continue to do their best to keep things safe and non-committal.

But even if a "neutral" committee were to bring back a "neutral" report, the Assembly would still have its own decision to make, and there is no certainty that Mr Bevin or Mr Marshall would be very much happier.

If official America is now worried about the protection of an area hitherto left to Britain, is concerned about her growing need for Middle East oil and Arab friendship, her Jewish pressure groups, and the temporarily repressed dislike of her masses for overseas commitments, there is still not much comfort in all this for Britain. America needs Middle East oil, but Britain absolutely depends on it. The base in Egypt became untenable though secured by a freely negotiated treaty. That in Palestine rests on a mandate which the British Government itself has declared unworkable, and which, in any case, never authorised its use for a purely strategic purpose.

None of these points has escaped the notice of the United Nations. And their first plunge into the turmoil of Palestine has left them in no doubt of its violence. The Arab States, appealing to a right of self-determination which the smaller nations will feel it dangerous to ignore, have shown that a stubborn manipulation of procedural niceties or a righteous abstention is no monopoly of the Soviet bloc. Yet they, too, have been reminded, for all their defiance, that their own order would be tried to the utmost by a war with militant Zionism. For behind Shertok, whose Jewish state might so easily become a Levantine ghetto, loomed the Irgun, regarding it more as a base for further conquest.

Mr Asaf Ali's interventions have been judicious, in keeping with Congress India's aspirations to spiritual leadership of an independent Asia. But he was one of those who voted to include independence for Palestine in the terms of reference. Turkey, too, still aloof, but in more friendly relations with Arab succession states than formerly, spoke quietly for independence.

Russia and her satellites have taken their inevitable stand on unconditional withdrawal of British power, and have fought stubbornly for inclusion of other Great Powers, but not Britain, on the Committee. They lost, but there were many abstentions. Despite the embarrassment of agreeing with Russia, many delegates seem to have felt that this time she did succeed, from whatever motives, in putting first things first.

Peace in Palestine is at best unlikely, but delegates have seen force in the argument that British insistence, backed by America, on ruling it as a British base, makes peace impossible.

With most members of this new Committee strategic considerations will not weigh as it is said they did with the Anglo-American body, and it may be that partition will end by appealing as strongly to the United Nations as it did to Mr Crossman. Britain would have made a more dignified showing at the United Nations, and the present discussions been much clearer, if she could have firmly announced a date for the transfer of power as she did in India and for ending an intolerable period of quasi-military rule, which with the best of intentions has become alien. Whatever the strategical consequences, they could hardly have been more difficult than the situation now is.

* * *

Symbol and Knight-Errant

The Emperor of Japan recently paid a call on General MacArthur to thank him for his part in the inauguration of the new Japanese Constitution, and they conversed together for an hour. An Allied Headquarters spokesman subsequently explained to journalists that under the new Constitution the Emperor was no longer a "ruler," but only a "symbol of state"; he was not an "officer of the Government" and had "no independent authority." This being so, it might have been supposed that the conversation of the two men would have run on light and pleasant matters suitable for foreign visitors to Japan, such as the tea ceremony, flower arrangement or views of Mount Fuji. It would hardly have seemed worth while for the Supreme Commander of the Allied Powers to discuss controversial political issues with a mere symbol. But according to "authoritative Japanese sources" quoted by the Associated Press, it was politics that they talked about. The Emperor is said to have told the General that the Japanese people was much concerned about its future security now that the Constitution had permanently abolished all armed forces in Japan, and did not believe that the United Nations was able to guarantee protection. The General is said to have reassured the Emperor by telling him that the United States would guarantee the defence of Japan.

All this is quite logical if one considers the situation in which Japan has been placed by its new laws. If a country is entirely incapable of self-defence, it can be taken over at any time by a foreign Power with a few armed "tourists" or parachutists.

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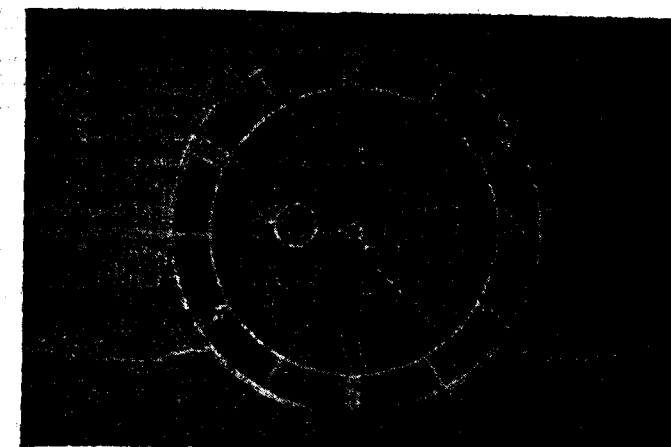
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or by a mere threat of invasion, unless it has effective protection from some other external source. The United Nations cannot as such guarantee protection to anybody, for the veto can always paralyse its action. If, therefore, American occupying troops are withdrawn soon from Japan, as General MacArthur wishes them to be, the United States can only make sure that no other Power will interfere in Japanese affairs by openly guaranteeing Japan against such interference with a pledge not subject to any veto. But has Congress yet given any thought to this matter, and, if not, what authority had General MacArthur to commit the United States to so vast a liability? A cynic might say that, as he was only talking to a symbol, he promised only symbolic aid. But such a suspicion is surely unjust; it probably has not occurred to the General that the United States might "buck" its manifest destiny. Even if it does, the victor of Leyte is quite capable at any time of fighting a private war for the succour of a distressed damsel. Dragon-slaying is his profession.

Slight Thaw in Korea

Just one year ago American-Soviet negotiations for the creation of a Provisional Government in Korea broke down, and since then a heavy political frost has blocked all intercourse between the two liberating Powers in the unhappy peninsula. To-day, however, there are again signs of movement. As a result of an exchange of letters between Mr Marshall and Mr Molotov the Soviet Union has accepted an American compromise proposal as a basis for new discussions, and the Joint Commission is to resume its work in Seoul on May 20th.

The mere renewal of negotiations does not, of course, bring any solution unless the two sides now find it easier to agree than they did before. The previous breakdown occurred because the Soviet Union insisted that participation in the Provisional Government should be confined to political parties which accepted the Moscow agreement of 1945 which provided for a period of Allied tutelage in Korea. As only the Communists and their auxiliaries accepted this agreement so damaging to Korean nationalist pretensions, while the other parties denounced it, American agreement with the Soviet thesis would have meant handing over power in Korea to the local Tito exclusively. So the Americans dug their toes in, no Provisional Government was formed, and each occupying Power continued to do as it pleased in its own zone. The Soviet Union has now agreed that any Korean party now willing to sign an undertaking to co-operate with the American-Soviet Joint Commission shall be admitted to consultation, but persons or groups still considered hostile to the fulfilment of the Moscow decision or to the Joint Commission or to one of the Allied Powers may be excluded by American-Soviet agreement. Much will depend on the interpretation of the new clauses. If the Russians continue to press for the exclusion of anti-Communist leaders on various pretexts, the talks are likely soon to run into a new deadlock, and even if a Provisional Government is at last successfully formed, there will still be the formidable task of holding fair elections under the existing zonal conditions.

In so far as Moscow has made a real concession in Korea, it may be claimed as an achievement for the Marshall "tough" policy. Such fruit is the more refreshing because of its rarity, and it is probably no accident that it has ripened in the Far East—the region of the world outside the Western Hemisphere where American sentiment is traditionally most involved and where excessive tension with the United States would be most risky for the Russians.

DP's into Refugees

The committee that is preparing the way for the International Refugee Organisation has taken a leap of faith. Theoretically, the organisation cannot assume responsibility for the displaced persons when Unrra expires on June 30th, because one further signature and a further 1.5 per cent of the total budget required, must be promised before it can be born. But its preparatory commission has had the sense to ride above theory. Advised by Sir Humphrey Gale, of Unrra, and Sir Herbert Emerson, of the Inter-Government Committee on Refugees, that the decision to maintain some organisation caring for D.P.'s must be taken at least six weeks before Unrra's closing date, it has this week agreed to assume as from July 1st operational responsibility for the necessary assets and staff. For the moment, some important human values have been saved.

But they are not yet saved for good. Stateless persons have always constituted a distressing factor in international relations. They threaten to remain so for so long as organisation works, with Russia and its satellites pointing at its camps as unholy sanctuaries for war criminals and for fugitives who ought to come

"home" and get their deserts. Moreover, the Jewish aspect of the problem may create its own peculiar set of complications if no one is ready to clarify the statement made by Mr. Shertok at Lake Success on Monday that the 100,000 Jewish D.P.'s have "nowhere but Palestine to which to go."

It is claimed that the IRO will only succeed if it is enabled to do its work quickly, to transform the refugees into candidates for naturalisation and to plan its own liquidation when its work is done. Only the member governments can help it to do this. And of these the United States has the biggest role to play. Because it is rich in wealth, great in population and was immune from war damage, "Many experts have concluded," reports its Foreign Policy Association, "that the fair share of D.P.'s for the United States is 4,000,000, to be admitted over the course of the next four or five years." (The proportion would be less in relation to the total number of D.P.'s—say 850,000—than was the United States contribution to the total budget of Unrra, which was 75 per cent.) Propaganda is afoot for action towards this humanitarian end. Population experts are being quoted on the declining American birth-rate, which will be static by 1970. In the light of this fact, runs the argument, was it not foolish to admit only 6,213 refugees in 1946 instead of the 39,000 contemplated under the presidential directive of 1945?

Several methods of making an exception to the quota laws are being publicly discussed. Mr Earl Harrison's idea of using up the unfilled quotas of the war years was outlined in *The Economist* of April 12th. A plan finding wider support is that of passing temporary legislation which would not affect the pattern of the quota laws but would admit as an extraordinary measure 100,000 displaced persons per year in the next four years. Britain's birth-rate is also dropping. The British Trade Unions might well note that both the American Federation of Labour and the CIO have arrayed themselves on the side of groups supporting such legislation.

Anglo-Soviet Trade

Mr Harold Wilson's statement in Parliament on Monday about the Moscow trade talks was cautious. Indeed, after the long and chequered history of Anglo-Soviet trade negotiations, caution is hardly surprising. But the Secretary for Overseas Trade has returned from Russia in an optimistic frame of mind, and convinced that, whatever differences between the two countries may exist on the political plane, the Russians are genuinely anxious to develop commercial relations. The forthcoming negotiations in London may be less smooth, since they concern the more complex and controversial questions of the terms and conditions of trade, while the issue of a credit, it is understood, is again to be raised. But if the Kremlin is, in fact, anxious to do a deal with the British Government, the existing obstacles should not prove insurmountable.

Timber and wheat are the main commodities which Britain hopes to get from the USSR, although a large number of other items (which are discussed in a Note on page 774) are under review. On the British side, it is expected that the main articles Russia will take are electrical equipment and machine tools.

If the London talks are successful, the agreement should be concluded some time this summer, and thus provide some immediate relief for the bottleneck in Britain's housing and industrial programme, although deliveries on any appreciable scale could hardly start before next year. The importation of timber, and more especially of wheat, from Russia would enable Britain to economise in its imports from dollar areas, at a time when the American loan is beginning to run out. But, quite apart from the concrete benefits that should result, a trade agreement at this juncture might have important political effects, and should result in a loosening of the diplomatic tension. Combined with the projected Anglo-Polish trade agreement and the talks which have begun with the south-eastern European countries, it should assist Mr Bevin when he faces his left-wing critics at Margate.

Shorter Note

The attempt by Lord Woolton and Lord Teviot to arrange for joint action in the constituencies by the Conservative and Liberal National parties is on terms superficially generous to the latter, considering the relative standing of the parties. But whether the proposals will work in practice will depend on how far the true liberal ancestry of the Liberal National party has become diluted by mixed marriages: it is unlikely that the grass-root conservatism of the local parties, which is very different from the brand of conservatism voiced in public and in Parliament, will be palatable to those who were bred in other traditions.

Letters to the Editor

Is Britain Finished?

SIR,—In your leading article last week you commented on the solicitous and maddening answer which is being given to this question in the United States. I have recently returned from an extensive tour of universities in the East and Middle West, and the most popular motion for debate was "that the formal dissolution of the British Empire would contribute to the maintenance of world peace." It was our experience that, despite the popularity of this subject, the youth of America did not support this motion, and in fact we won this debate both on audience votes and judges' decisions on all occasions.

The average American undergraduate is extremely interested in, and well informed on, the Empire. The case for its "dissolution," which they all confessed was an extremely difficult one to make, was not based on the old arguments of imperialism, but on the present economic plight of Great Britain which they considered inconsistent with the burden of a colonial Empire. There was universal sympathy for the plight of this country during the last winter, and great admiration for the determination which they believe the people of Great Britain are showing in the present crisis. There was no suggestion anywhere, either in public questioning or private conversation, that Britain was "finished." There was justifiable concern over the methods being employed to hasten recovery, in particular over the use of the American loan, and the news of the tobacco tax which reached the States while we were there had a salutary effect on that section of American opinion with which we came into contact. There was widespread appreciation of the effect of inflation on the value of the loan, and a request for a further loan is expected.

The American Press does not seem to be an accurate mirror of American opinion on this subject. Reference during the course of the debates to the *Time* obituary of the United Kingdom invariably provoked roars of laughter.—Yours faithfully,

I. S. LLOYD, President, Cambridge Union

Kings College, Cambridge

The Battle of Minden

SIR,—What you appear to be saying in the article in your issue of April 26th is that the first objective of British and American policy in Germany should be the economic restitution of that country, and that this is being delayed because of the American insistence upon confederation as opposed to federation and free enterprise as opposed to social planning. Even assuming that your objective is a proper one (and with this I do not for a moment agree), it seems to me that economic prosperity depends on neither social planning nor free enterprise, but upon an understanding by all Germans that they, if they work hard enough at peaceful pursuits, will eventually be able to improve their lot. This being true, surely, of the two alternatives you state, free enterprise holds out more personal and immediate hope. Indeed, it would seem, judging by present conditions and leaving aside the reasons for them in which the Germans are, in any case, uninterested, that American free enterprise today holds out greater hope to the individual than British social planning ever will.

However, if our objectives in Germany look beyond economic self-sufficiency, which is a very mediocre goal and one that I should have thought had been proved in 1919, may easily lead to a new German war, then it occurs to me that it is far better that the British adopt the American plan of loose confederation and state's rights than that the Americans adopt the British plan, which will certainly lead to industrial centralization. All history indicates that a loose confederation of selfish states is incapable of waging war or doing anything else very effectively. Having served in the armed forces for seven years, I consider that this was one of the purposes of my service, as far as Germany was concerned. So, in the long run, I think it would be a good thing if there were an independent Bavaria, an independent Confederation of the Rhine, and if the differences were emphasized between the Catholic South and the Protestant North. Without a militarist Prussia to unite these *Länder*, you would have a permanently weakened Germany, which, after all, is what we want. And suppose this does cost us some money for the moment? Surely any money we spend now will be infinitely less than we should be forced to spend to oppose an aggressive Germany, which is the inevitable result of the type of economic centralization which you advocate.

If the separate states are set up, they will find a means of existence. They did before 1866; they can again.

To sum up:—present economic policies, which do not look beyond the restoration of German self-sufficiency for the sole purpose of saving money for the American and British taxpayer, seem to me to be a repetition of the mistake of 1918 and one which in the end, will cost both taxpayers infinitely more money than they now must expend, to say nothing of sorrow, heartache and lives.—Yours faithfully,

MARTIN PHILLIPSBOHN

Administration Building, Zion, Illinois

Development or Welfare?

SIR,—We should like to support the point of view, put forward by Dr M. Fortes in your issue of April 19th, that the East African Groundnuts Scheme cannot be regarded as the model for future agricultural development in East Africa.

The scheme raises the question: Is colonial development simply a question of capital investment? We suggest that it is not. The scheme, as it stands, will make the economy of these territories even more dependent on one or two raw material exports. It is not accompanied by a plan for rapid industrial development which could do so much to bring about a steady rise in the standard of living. Finally, as Mr Fortes says, the scheme "will not work in a Kikuyu reserve—the sort of area in which an agricultural revolution is most needed."

To say all this is not to imply that it is undesirable to increase the production of groundnuts in East Africa; but to do it in a way that will demonstrably assure the Africans that they will be the chief beneficiaries. The scheme would appear to overlook the vital need for winning African support. A number of things seem calculated to lead to African distrust. (1) There was no preliminary consultation with the Africans, surely a negation of democratic planning. (2) The employment of the United Africa Company even for a short period may arouse suspicion and hostility in view of the Company's unpopularity in West Africa. (3) The processing is to be done in Britain for an unspecified length of time and the nut residue to be used as cattle food in this country while the African's acute cattle fodder problem remains unsolved. (4) There is no mention of the wages to be paid. Will the Government pay wages which would compete with the

From *The Economist* of 1847

May 15, 1847

The event of the season, and indeed of many seasons at HER MAJESTY'S THEATRE, has been the debut of Mademoiselle Jenny Lind. Few who take the slightest interest in musical matters, or in the common topics of the day, are ignorant of the result as chronicled by the morning journals, but still fewer are aware of the real extent of Jenny Lind's success, which, while we conscientiously admit that it was great and deserved we make no hesitation in declaring to be overrated.

The character of *Alice* in *Robert Le Diable* is not one on which the opera depends in any manner for support; the romance in the first act, "va dit elle," and "quand j'ai quitté La Normandie," in act III . . . form the whole of the music in which a vocalist can hope to distinguish herself, though there are opportunities for the display of dramatic talent in the duet with *Bertram* and also to the *trio* of the last act. Lind's impersonation of the character was very admirable. The merits of her singing consist in perfect intonation, exquisite expression, and a most refined perception of all that is beautiful—or that, by her talents, can be rendered beautiful—in the music entrusted to her. The florid embellishments praised in such high terms by some of our contemporaries, were only audible to themselves: her shake appears almost perfect, from the very natural manner in which it is given, but the varied *floriture* with which the imagination of a Persiani can embellish a melody were certainly not observable; they were not altogether required; but it has been asserted that they were given, and we, therefore, repeat that Lind has hitherto not evinced the possession of the faculty attributed to her, and which only one living singer possesses to perfection. Jenny Lind has nearly justified all that has been said of her in her first character; we are anxious to see her in another.

notoriously low (approximately 15 shillings a month in cash) wages paid to African plantation labour at present by European settlers? (5) The Africans have little control over their Governments and therefore can scarcely influence the way in which profits from the scheme are spent. (6) There is nothing which would give the Africans, who have a very deep attachment to their land, a feeling that the scheme is their own. There are no clear proposals nor a time limit mentioned for the transfer of the scheme to African farmers.

We suggest that if the support of the Africans is to be gained certain measures will be necessary. First, whatever direct labour is used for clearing the ground should be paid at rates which would lead the way to a new wages structure throughout East Africa. For the first time in history the African should earn a living wage. Second, when the clearing work has been done, opportunity should be given to African farmers to work the scheme on a co-operative basis without interposing a number of indefinite intermediary stages. This would give Africans the needed feeling of ownership. Third, processing should be carried out in East Africa thus providing the urgently needed cattle fodder. If machinery for ground clearing, etc., can be so speedily transported to Africa because Britain needs fats, could not processing machinery be equally speedily transported to meet African needs?

Finally, we feel that the main criticisms of the scheme can only be met if there is an extension of democracy in East Africa involving increasing control by Africans over the economic as well as the political aspects of their life.—Yours faithfully,

K. and S. AARONOVITCH

64 Lissenden Mansions, N.W.5

Sterling Balances

SIR,—I can understand the Chancellor of the Exchequer wishing to scale down the war debts owed by this country to India, Egypt and other countries. But I do not understand the morality of the process which borrows the debts on a freely negotiated basis and under the hypothesis that they will be repaid, but now discovers the belated argument that they must be "scaled down" because they represent "an unreal, unjust and unsupported burden." Were the lenders ever informed while the borrowing

was going on that the debtor must be free to decide how much of the debts he will repay? Has everybody forgotten the odium incurred in the USA as the result of doing the same sort of thing after the first world war?

The task of repaying these debts would undoubtedly be very onerous, and possibly crushing, and every step within the range of what is honest should be attempted to lighten the burden. But don't let us pretend that the Chancellor's declaration and its accompanying "chorus of approval" (which is not "unanimous") fall within the category of fine gentlemanly things.—Yours faithfully,

A. D. WEBB

47 Northway, Golders Green, N.W.11

Sweet Rationing

SIR,—It is argued with encouraging frequency nowadays that the time is ripe for ending sweet rationing, and recently Mr L. J. Cadbury suggested (see *The Economist* of April 19, page 606) that an increase of one ounce per week on the present ration would be sufficient to meet demand at the present price levels.

While the removal of sweets from the ration would please everyone except possibly the 5,000 officials employed on it in the Ministry of Food an estimated consumption of only 5 oz. per week compared with 7 oz. before the war is surely an extraordinarily low one.

The first effect of raising controls would be to create an enormous run on sweet shops, and the only factor which would end such a state of affairs would be the firm belief on the part of the consumers that all their demands could be met at once, just as the only way for a bank to stop a run on it is to meet all demands for cash without hesitation.

Apart however from the necessity of ensuring that shopkeepers had ample stocks for the abnormal initial demand, the level to which consumption would then fall would rarely be at least double the 5 oz. estimated by Mr Cadbury. With so many avenues of personal spending barred by shortages and rationing there is a vast amount of purchasing power available for absorbing any luxuries that appear on the market, as is shown by the absurd prices paid for uncontrolled fruit, and until sweet production is greatly increased rationing will remain the only way of ensuring a fair distribution of sweets.—Yours faithfully,

42 Dalkeith Road, Edinburgh

A. R. SINCLAIR

Books and Publications

Pattern for World Revolution

"Pattern for World Revolution." By Ypsilon. Jeff-Davis Publishing Company. 479 pp. \$3.50.

THE two authors of this book conceal themselves under a pseudonym; they claim to be ex-Communists and to "present to the American reader the political psychology of those men and women who, since the foundation of the Communist International, have fought for its aims in all corners of the globe." The interest of the book is indeed psychological. As history it is sketchy and often inaccurate, but its reminiscences of personalities and work in the Comintern afford a peculiarly vivid picture of a world which remains incomprehensible to the Western democrat largely because he is always trying to interpret it in terms of his own conception of politics. The Russian "professional revolutionaries" were men whose politics had the force of religious inspiration. As Nechayev wrote in 1877: "The true revolutionary must regard himself as consecrated. . . . Everything in him should be absorbed by one exclusive interest, by one single idea, by one passion—the revolution." From this state of mind comes the blind obedience to the party which is everywhere characteristic of Communism. The Communists of Western countries have acquired it from Russia, but, according to this book, they have never been more than "apprentices" of the Russian professional revolutionaries; they "could never rid themselves of the faults that originated in a democratic labour movement." The influence of Communism in the West, however, is exerted not only through active revolutionaries, but also through "fellow-travellers," and of this type the authors make a very penetrating analysis. The "fellow-traveller" is not a positive revolutionary at all; his attitude is a purely negative and passive one; he is the product of a breakdown in Western civilisation, for whom "only a mystery to which one can submit without having to think . . . offers peace and rest."

The authors hold that Stalin, in contrast to Lenin and Trotsky,

is "not a world reformer and philosopher, but a ruler and a conqueror." They give the name of "the Stalintern" to the informal international which has replaced the Comintern since the latter's dissolution in 1943; the new institution is "not a working-class international, but the international instrument of Russian expansion." It has no "general and universal programme" except in its relation to Russia, which is its only constant. The Comintern from its foundation, being bound to Russia, reflected the changes which took place within Russia, and its successor is an arm of the autocratic empire which has emerged from the Russian Revolution.

In the opinion of "Ypsilon," the decisive zone of conflict for the "Stalintern" is now in Western Europe—in France, Germany and Italy. It is argued that a Communist Party cannot co-exist for long on equal terms with other parties in a parliamentary system once it has attained a certain strength; it must either grasp supreme power or decline. For a Communist Party to win over a quarter of the voting electorate in a democratic country does not mean a proportionate parliamentary strength, but simply "indicates that the political and social conflicts are of such a nature as to exclude a parliamentary compromise." We may hope the authors are wrong in their gloomy forecast of the near future of French democracy, but it has still to be proved by the event.

National Housekeeping

"Public Finance." Ursula K. Hicks. Cambridge Economic Handbooks; Nisbet. 387 pages. 10s. 6d.

THE very high standard of the Cambridge Economic Handbooks series is more than maintained by this, its latest volume; though it is only fair to warn the reader whose ideas of that series are derived from Mr Henderson's *Supply and Demand* or Mr Dobb's *Wages*, that the newcomer is both considerably longer and very

considerably stiffer than the average. This is partly because Mrs Hicks, while certainly not an obscure or confusing writer, lacks that specifically light (and enlightening) touch which enables Mr P. H. Robertson, for instance, to make the forbidding topic of money positively entertaining; and partly because her subject, swollen to bursting-point by a dozen years of Keynesian theory, really includes as much matter as—to choose other examples from the Cambridge series—*The Structure of Competitive Industry*, *the Control of Industry and Monopoly*, all rolled into one. It is really rather a pity that *Public Finance* should not have been twins.

This being said, negative criticism is virtually exhausted. *Public Finance* atones for length by comprehensiveness; it ranges from a most useful account of Parliamentary and departmental procedure in financial matters, through a searching analysis of taxation in general and particular, which includes a study of rates, and an evaluation of the current (i.e., 1945) British tax-and-expenditure structure, to a pioneering synthesis of full-employment theory and administrative practice. The only omissions (for which the author apologises) are a detailed discussion of the price policy of socialised industry, the technique (though not the effects) of public borrowing, and international fiscal relations. The structure of the book is logical and convenient. A nice balance is held, throughout the descriptive and historical chapters, between straight information and critical evaluation; and the two things are kept unmistakably separate, which is a most valuable virtue in a book destined largely for students. To the general reader, the most interesting section is likely to be Part III, entitled *Public Finance in the National Economy*, and covering the relations between public finance and economic activity, the possibilities of planned public investment, the significance of the public debt, and the need for reform in the presentation of the nation's accounts; but there is no part of the book which does not contribute to the highly necessary purpose of clarifying judgment on its vital and difficult subject-matter.

Migration

"Economics of Migration." By Julius Isaacs. Kegan Paul. 285 pages. 18s.

TO the student of international affairs, who is seeking some solution to the conflicting claims of displaced persons for refuge, of under-development countries for skilled labour, and old-countries with falling birth-rates for labour of all kinds, this book will come as something of a disappointment. To the student of the economic theory it provides a gold-mine of evidence about the application of labour theories in the international labour market. The book is one for economists, and is fairly heavy going at that: as such it achieves its purpose in setting out exhaustively all the economic forces which have or can be at work to effect the volume of migration. But it leaves almost untouched the situation as it is to-day, and does not attempt to assess the present capacity of different extra-European states to absorb labour, nor to consider the practical effects of a drain of labour from countries such as Great Britain who are struggling with reconstruction problems. The background of policy, not policy itself in the politician's sense, is therefore the author's theme. Another book remains to be written about the practical solutions to the problems of emigration as the ordinary man sees them.

Given this context Mr. Isaacs is certainly thorough, in spite of the extremely inadequate or incomparable statistics which are available. The historical background, the factors determining the volume and direction of migration, the bearing of natural population changes on migration movements, the measures which states have taken to control migration and the effects which immigration and emigration have had on the states concerned are all carefully gone into. The pros and cons are fully set out, and given their due weight, but the only glimmer of Dr Isaacs' own views one is permitted to have is in those sections dealing with planned migration, which he regards favourably, especially, if planned internationally. Such impersonal impartiality is all very well for a text-book. But the author would have done his own cause greater service if he could have given it a heart and some other human organs.

Swiss Anxiety

"Überbeschäftigung und Frankenparität" Aussenwirtschaftliche Probleme der Nachkriegskonjunktur Mit Beiträgen von Alfred Bosshardt, Max Ikle, W. A. Jöhr, Charles La Roche (Handels-Hochschule St. Gallen). Fehr'sche Buchhandlung. St. Gallen, 1947. Fr. 9.50.

REPORTS from travellers returning from Switzerland describe it as a country in which milk and honey flows. The Swiss themselves, though enjoying the boom, are worried.

Their problem of "over-employment" is not due to reduced hours of work, unaccompanied by higher efficiency, but to internal and external demands for Swiss goods. Dr Ikle (Aussenwirtschaftliche Aspekte der Konjunkturellen Überbeschäftigung) and Dr Charles La Roche (Konjunkturpolitik bei Übersättigung und Überliquidität) discuss the reduction of over-employment by throttling exports, contracting internal investments and the balancing of budgets. Dr Jöhr (Soll der Schweizer Franken aufgewertet werden?) and Professor Bosshardt (Die Kaufkraftparität des Frankens und die internationale Wettbewerbsfähigkeit der Schweiz) deal with the question whether or not the value of the Swiss franc should be raised. Rightly, they say no. For the Swiss price level is above that of its Anglo-Saxon competitors—the United States may have caught up since these chapters were written. An increase in the purchasing power of the franc would hardly secure more imports of raw materials and foodstuffs owing to all round scarcities, nor would it contract exports, which to-day depend on ability to deliver rather than on prices.

The four essays closely connected with one another deserve a careful study, both by planners and anti-planners. They are dealing with international problems from the point of view of a small, efficient country, whose economy is closely interwoven with world affairs. They are written with full knowledge of the facts, national and international, and of the relevant theories, and in the sane, realistic spirit in which the Swiss excel. Their authors suggest courageously, though not very hopefully, that the boom should be held in check by balanced budgets and reduced credits. They realise that timely deflation, which prevents business from going over the top, is different from a deflation which is the result of collapse.

OLD PEOPLE

REPORT OF A SURVEY COMMITTEE ON THE PROBLEMS OF AGEING AND THE CARE OF OLD PEOPLE UNDER THE CHAIRMANSHIP OF B. SEEBOHM ROWNTREE (Published for the Nuffield Foundation)

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The Last Hundred Years

"The Age of Revolution." A Survey of European History since 1815. By J. J. Saunders. Hutchinson. 18s.

MR SAUNDERS has written a book to describe what the last hundred and thirty years were about. He makes no claim to new discoveries or to a new interpretation of the nineteenth and early twentieth centuries, but he has taken care to go to the most interesting authorities and to bring sound judgment to bear upon his reading of the facts. Here and there he is in danger of being too much impressed with the Great Scribes who know how to number civilisations and to explain why each one of them has collapsed. In the main, however, Mr Saunders' good sense keeps him away from far-fetched hypotheses and attempts at oversimplification.

The book is divided into three main sections, dealing respectively with liberal romanticism, nationalist democracy and "Armageddon and After." Within these sections Mr Saunders shows the interconnection of things; the effects of technical change upon literature or the influence of works of imagination upon political movements. It is not easy to cover so much ground in just under 200 pages, and Mr Saunders is to be congratulated upon the skill with which he produces a coherent picture of an age. One word of caution is perhaps necessary. The pattern is right, but the colouring is at times over-violent. Thus Mr Saunders is a little harsh towards French romanticists and even harsher towards French realists (incidentally, he might have spent less space upon Zola and allowed himself to discuss more significant names, such as Rimbaud or Bann). On the other side, the "philistine" ways of the bourgeoisie are over-emphasised; Mr Saunders might have had something to say about the *snobisme* of professional critics, such as Ruskin and Arnold, and their blindness to the new forms of beauty created by the engineers. Even on the political side, it should be remembered, for example, that a "brutalised urban proletariat" existed long before power-driven machinery and factories became

common. The figures in Hogarth's pictures, the Gordon rioters, and the Sansculottes were not the products of *laissez-faire* industrialism. Finally, Mr Saunders sometimes exaggerates a political mood. It is difficult to recover the atmosphere of a period, but certainly on the standards familiar to us in the years immediately before 1939 the term "nervous hysteria" hardly applies to the temper of English opinion before 1914. These are, however, minor corrections, and do not detract either from the general merits or from the interest of Mr Saunders' survey. Anyone who reads this book will certainly get from it a clear presentation of the general background of our time.

Shorter Notices

"The International Who's Who, 1947." 11th Edition. Europa Publications, 960 pages. £4.

This new edition of International Who's Who is like its predecessors, a comprehensive and valuable reference book; its title is self-explanatory and its reputation established.

"Full Employment and Free Enterprise." By John H. G. Pierson. Public Affairs Press. Washington. \$3.00.

THIS is a collection of lectures, articles, etc., written between 1942 and last year, and dealing mostly with the principle of "national income insurance." As described, it is a variant of fiscal trade cycle policy, consisting in the underwriting by the Government of consumer spending, which should be maintained by the payment of a national dividend when the employment figures seem likely to sag, and restricted by additional taxation when inflation threatens. The novelty lies in the setting up of a known and definite total of expenditure and in the emphasis laid on a concurrent campaign against such restrictive practices as might cause the extra spending power to be diverted into monopoly profits instead of extending production and employment. While the latter element is outstandingly valuable, the former calls for a degree of close and sensitive contact between fiscal policy makers and the public which not even the American statistical services, markedly superior as they are to those of Great Britain, seem likely to provide. Dr Pierson does not neglect this problem, but his conclusions look optimistic.

THE WORLD OVERSEAS

Bretton Woods Begins

(From Our US Editorial Staff)

WITH the \$250 million loan to France, announced on May 9th, the International Bank for Reconstruction and Development has started operations. On the same day, M. Camille Gutt, President of the International Monetary Fund, predicted early activities by the Fund. Thus both the Bretton Woods twins are at the starting-point.

The formative period has been long and sometimes agonising. But it has not been by any means all wasted. Both the Bank and the Fund have been able to collect staffs of high quality, especially the Bank. Working relations have been established between the Bank and the Fund and between both of them and the US Government. Their location in Washington—the building they share is one block from the State Department, two from the White House and three from the Treasury—proves to have more advantages than was generally realised when the question of location was still under argument.

Now, with the first loan announced, developments are likely to come much faster. The Bank's statutes provide that 20 per cent of the subscribed capital is to be paid in at the start, the rest remaining uncalled except in the event of losses. The payment of the 20 per cent will be completed this month and will provide about \$725 million in US dollars and gold. The rest is in currencies of the other members, and is not convertible into US dollars, but is available for loans in those currencies. But all loan demands at present—and probably for some time to come—are for US dollars. The French loan alone obviously earmarks a substantial portion of the total stock of dollars. Hence the Bank must soon determine its ability to obtain more dollars,

which of course can only be done by borrowing in the American market. It must do so soon, because a number of other loan applications are now in an advanced stage of negotiation.

Consequently, extensive explorations are under way with the market. The Bank hopes to make its first sale of debentures fairly soon, and the amount of the first borrowing most frequently mentioned is \$250 million. But the Bank approaches a market still filled with inhibitions about past adverse experience with foreign loans and present numerous adversities in international relations; furthermore, the Bank is new, and meets all the proper scepticism that anything new, whatever its merits, encounters from persons risking their own or fiduciary funds.

The Bank has, and is telling, a strong story to the market. First, it contends that the obligation of member countries to pay up the uncalled portion of their subscriptions, in the event of losses by the Bank, is absolute on each member, regardless of the action of any or all others. This means that the additional sum of about 2½ billions of US dollars would be forthcoming to make good losses even if the Bank's assets proved entirely worthless and every other member failed to meet the calls. The Bank further contends that it cannot in any way delay such calls to meet losses on the one hand, and, on the other, that the US Congress has already appropriated the total, so that there can be no delay by the Government in meeting calls. The US Government agrees with this statement of facts. This contention means in effect that dollar obligations of the Bank up to some \$2½ billion are obligations of the United States.

Secondly, the Bank contends that American investors have

complete control of whether its dollar obligations shall ever exceed the liability of the US Government—that is, of whether they are willing to place any reliance whatever upon any of the institution's assets or upon the liability of any members other than the United States. This control will be exercised automatically by willingness or refusal to buy any obligations in excess of that amount.

Thirdly, the Bank contends that the disbursement of funds, and thus the need to raise dollars, will be slower than much earlier discussion indicated. This will necessarily result from the tight supply of available materials to be purchased with the borrowed dollars, and the probable slowness with which specific reconstruction and redevelopment projects can be completed. Considerable time will therefore pass before the Bank's borrowings will reach \$2½ billions. That time will permit an evaluation of its operations and of international developments.

Whether and to what extent American investors will be satisfied of the validity of these contentions the next few months will show. Needless to say, every comma and nuance will get the severest legal scrutiny. The conclusion will determine the willingness of the private market to supply dollars and the rate. (The rate of 3½ per cent on the French loan may infer an expectation of ability to sell obligations at about 3 per cent, with ½ per cent for expenses. The borrower pays an additional 1 per cent into the guarantee fund.)

Severe Scrutiny of Plans

The same nearby period that will test the supply of dollars will subject the borrowing demand to test. What is the volume and nature of reconstruction and development projects in the world which can pass the numerous examinations imposed by the Bank's mechanism: by the borrowing government, by the Bank's lending staff, by the Board of the Bank (which, of course, includes representatives of many other countries than the borrower), and by the American or other market? What volume will stand such scrutiny, but at the same time be unable to be financed elsewhere—the Bank being empowered only to do financing that cannot reasonably be done through other channels? What volume of appropriate materials can be obtained, and how fast can they be put in place?

The relationship to political finance is also yet to be clearly defined. Relief for the needy—funds for Greece, Turkey and Iran, for example—are deemed to be outside the scope of these international financial organisations. But the line is not clear. Conversely, if the Bank's loans are strictly limited to what can be justified by purely economic arguments, will they be so small, in comparison with the need, that accompanying or corollary political loans by governments will be necessary?

Finally, and most important of all, what is to be the environment in which the Bank will operate? To what extent will the world's financial mechanism be willing to finance international transactions? If the entire or preponderant burden is to rest upon the Fund and the Bank, both will shortly be engulfed; for their resources are sufficient at most only to do a marginal job. Undoubtedly, the determination of success or failure of the new adventure, even on the assumption that all else goes well, will be made in Geneva at the International Trade Conference, at Lake Success, by the Council of Foreign Ministers, by the commercial policy enacted by the United States Congress, by the outcome of the present trials of the United Kingdom. Excesses and deficiencies in international balances of magnitudes even approaching present sizes will overwhelm the international organisations in not too long a time. The new adventure may help, but it cannot determine the outcome.

The voices of the hopeful and the pessimistic mingle in foretelling the outcome of these many tests. All that can be said in fact—and it is encouraging that so much can be said—is that the adventure is well launched and that it has the good wishes of men of goodwill, who, despite some appearances to the contrary, are numerous.

The French Socialists

[FROM OUR PARIS CORRESPONDENT]

THE French Socialists entered a new stage in their career last week in consenting to form part of a coalition government in which the Communist Party no longer finds a place. Their reluctance and self-examination are some measure of the way the

position has changed since the great pre-war days of the Popular Front. Then, too, they governed without the Communists, even if with much greater self-confidence than success. Since then they have lost their hold on working-class France, and the great industrial unions of to-day vote Communist. Their economic policies can succeed only if the Communists—while excluded from the Government—nevertheless refrain from active opposition. This curious paradox has led many people to wonder where the present Socialist leadership wishes to take the party. It is, indeed, one of the great questions of the day whether Socialists will interpret the act of governing without the Communists as synonymous with government against them.

No group of French politicians has played a more outstanding part in politics since the end of the war than the Socialists. Few who were present will forget the sense of drama and achievement that invested the election of M. Auriol as President of the Republic in January. The Tricolour unfurled upon the Fourth Republic as a Socialist Prime Minister led a Socialist President through the gates of the Elysée that had been locked for so long. It was almost a family occasion. Never had the party stood so high.

A Party Without Drive

Four Governments have ruled in France since General de Gaulle resigned; and three of them were led by Socialists. The presidency of the Constituent Assembly was held successively by M. Gouin and M. Auriol. A single-party government of 21 Socialist ministers was formed by M. Blum, and might well have outlasted its month of office if M. Blum had been younger or less shaken by German gaolers. M. Ramadier, the present Prime Minister, presides over a cabinet which is predominantly Socialist. The party's leaders have held every sort of office, have gone abroad to negotiate and sign important economic and political agreements, have often represented France. And they have done all this with a flourish and spate of oratory that recall the more gorgeous days of the Third Republic.

Yet the appearance is misleading. Indisputably, the French Socialists are a declining force. The three general elections since the autumn of 1945 have shown a progressive loss of Socialist votes to the gain of both Communists and M.R.P. (Progressive Catholics). The party now is by far behind both its rivals. Declining prestige from the implication, or suspected implication, of Socialists in wine, food, and other "scandals," would indicate that another general election, were one to be held this year, would leave the Socialists once again weaker than before. All too clearly, the party of 1947 lacks those qualities of dynamism and self-confidence which made it great, and which, today, are the driving forces behind the other two big parties.

Inquiry into reasons for this decline would show that the weakness is not new. The *Section Française de l'Internationale Ouvrière*, as the party is officially called, suffered the same split in loyalties and doctrines as the other parties of the Second International. The fateful congress at Tours in 1921 hived off a majority who were to form the French Communist Party. Ever since then the Socialists have been fighting on two fronts a battle that nothing, probably, could have prevented them from losing. For a brief moment the great days of the Popular front and the common fight against the Fascist leagues masked the truth of Socialist weakness; but the moment passed, and with the war the internal divisions which were sapping the party's strength were intensified to the point of disaster. At the first post-war congress in 1944, about 80 Socialist deputies were expelled from the party for having voted for Pétain, only 10 or 15 voting against.

Workers Lost to the Communists

But, far more serious than the split in the leadership, the party also lost a great part of its rank-and-file. The gradual inroads which the Communists had made into the Socialist voting power before the war became a great gap during the heroic days of the Resistance. While Socialist veterans like Paul Faure were preaching pacifism before the German invaders, and trade union leaders like Belin collaboration with Vichy, the Communists stood firmly and as one man for armed retaliation. This they linked to a broad programme of social reform with which France might face the future hopefully and solvently. By the end of the war the *clientèle* of the left-wing parties had significantly changed. The Socialists, incomparably weaker in numbers than in 1939, recouped their strength from the Radical petty-bourgeoisie; the masses of the working-class they lost to the Communists.

This telling shift in the electorate has played havoc with the doctrine, tactics, and organisational coherence of the party. They hold the balance between the Communists and the MRP, true

enough, and have thus been able to secure leadership even in spite of their inferiority. But they no longer know what they are after.

A Socialist party is founded necessarily, and in the narrow sense of the word, on a class basis. The idea of class, of the struggle between classes, is both its *raison d'être* and its method of operation. Once this basis is lost the party's energies run into the sand and lose themselves in a confusion of words and meanings. The 3½ million French electors who still vote for Socialist candidates may want social change, may feel opposed to what they understand by capitalism, may take pride in being "left wing republicans": manifestly, they do not want socialism. They are people who used to vote Socialist-Radical: small shop-keepers, white-collar workers (the only unions in which the Socialists retain a majority are the clerical organisations of bank and postal clerks, and some others) together with a large number of school-teachers and professional workers.

In these circumstances it is scarcely surprising that the party leadership has come to resemble something like a private *Interessengemeinschaft*, while the driving force behind the party's doctrines is now the negative hostility of anti-communism. It is the Communists who have campaigned for national policies of wages and production, led the miners to remarkable efforts, withheld from nation-wide strikes, bargained for higher wages and better living conditions, taken the initiative in demanding structural reforms such as the nationalisation of key industries; it is the Socialists who, more than once, have frustrated and hampered these efforts in a vain attempt to recover their former supremacy.

Contrast with British Labour

With many of the Socialist leaders the hostility to Communism has driven them far to the right, so far indeed that more than a few would probably be willing to throw in their lot with General de Gaulle—as, indeed, they did in 1945. The left wing of the party pull hard on the coat tails of the party's leaders, but with uncertain effect. While M. Moutet, the Socialist Minister for Overseas Territories, proclaims his loyalty to the principles of the French Union, of a union of states freely associated with each other, his actions are acclaimed by the colonialists of the Right. Internal contradictions have become chronic.

It will be clear from this that the comparison of the French Socialists with the British Labour Party is open to a number of important reservations. Ideologically, perhaps, the two parties still stand for much the same thing. Both are anti-capitalist, both anti-communist. But the composition of the two parties, clearly, is radically different. The Labour party stands firmly on its trade union backing, is still a party of the working-class. The French Socialists have weak trade union backing (the last Congress of the *Confédération Générale du Travail*, held in Paris last April, showed that the Socialist minority commanded about three-elevenths of the block votes cast); they can no longer be said to be a party of the working-class.

It is conceivable that this balance of forces may change. If so, this will not be by a shift of the working-class electorate in France back to the Socialists, but by the formation of a new Popular Front in which Socialists and Communists would join forces and grow strong together. For years now the French Communists have campaigned for a single left-wing party, the *Parti Ouvrier Français*, in which Socialists and Communists would sink their identity on a footing of equality. If that were to happen, the comparison with the British Labour Party would bear examination and might well bear the strain of a close alliance between the two countries.

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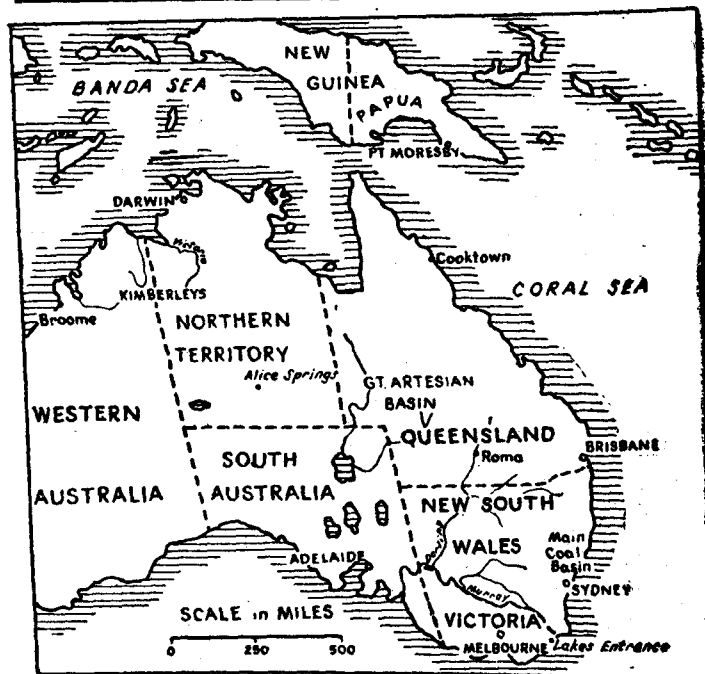
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Australia's Search for Oil

[FROM OUR CANBERRA CORRESPONDENT]

THE Australian Federal Government are convinced that oil in commercial quantities lies beneath the unsettled areas of the continent. In May, 1946, the Minister for Supply (Senator Ashley) announced that under Labour Party administration a new approach to the search for oil would be made immediately. Instead of subsidies to private companies the Federal Government would equip and staff the mineral resources survey section of the Supply Department more thoroughly, use the RAAF wartime aerial surveys with a new national mapping council and give private companies the greatest possible assistance technically.

In the year that has elapsed considerable progress has been made. Among private petroleum entrepreneurs there is such a degree of confidence that on the Sydney Stock Exchange this month shares in Oil Search, Ltd., a holding company in Australasian Petroleum Company Pty., Ltd. (comprising the Vacuum Oil Company Pty., Ltd., D'Arcy Exploration Company, Ltd.—a subsidiary of Anglo-Iranian—and Oil Search, Ltd.), rose from 7s. 10d. to 9s. 7d. and Papuan Apinaipi jumped from 6s. to 10s. 5d. For the first time, a systematic attempt has begun to produce detailed maps of Australia. This has developed from the wartime work of Australian airmen. Groups of RAAF air-



craft are being retained for this purpose, so that the geological and geographical charting may have as a base defence policy as well as the Chifley Government's anxiety to secure up-to-date data on the continent's resources.

Two senior officers of the Supply Department, with Dr. H. G. Raggatt, the Australian geologist, have recently returned from studies of oil resources in the United States of America and Canada. They found that there were in certain parts of the American continent, notably in Wyoming and Montana, sedimentary basins for which counterparts exist in Australia—apart from areas about which geological data is incomplete. Acting on the report of these officers; upon information submitted by the Shell Company and the Vacuum Oil Company derived from private investigations before the war; upon the opinions of visiting American Army men associated with oil as civilians, who helped to build aerodromes and other defences deep in the Australian interior, the Chifley Cabinet decided unanimously that previous disappointments and the loss of £5,000,000 in earlier searches should not deter them.

"It is true to say that most of these past investigations were superficial, that drilling was undertaken on too little evidence and that the technical oversight of the drilling was inadequate; . . . Nevertheless, the work of the past has not been altogether a waste, since a great deal of information has been gathered together, much of which could only have been obtained by drill-

ing. The history of oil exploration throughout the world provides a satisfactory answer to objections that absence of surface indications of oil on the Australian mainland makes further search futile." This was the statement made by Senator Ashley when he announced the Government's new policy.

The chief inspiration for the Government's new policy, which will cost the taxpayer more in technicians and technical equipment than the method of subsidies, lies in the fact that kerosene-bearing shale has been tapped in New South Wales since 1865. Production has steadily increased, making Australian production of shale and spirit, including benzine, benzoline, gasoline, pentane petrol and naphtha, a major item during the war. Oil was found at Lakes Entrance, Victoria, in 1945. In 1922, Mr J. L. Stevens, from London University, reported that the discovery of true mineral oil in "the striking geological area of Kimberleys, of Western Australia," might eventually make the district "one of the world's great oil fields."

The Strike at Roma

The Government is also impressed by the enthusiasm of scientists, who show that there are many areas with a considerable thickness of marine sediments worth testing for oil and gas possibilities. Conditions similar to rich oil areas on the American continent are found not only in the Tertiary rocks of Papua and New Guinea, but in several sedimentary basins on the mainland. The most important of these basins are: the Great Artesian Basin with its marine formations underlying its eastern border, the Main Coal Basin of eastern New South Wales, the small Tertiary basins in Victoria and South Australia, and the very large basins in the Kimberley and North-West districts of Western Australia.

In particular, the most encouraging signs of oil have come from Roma, in Queensland, where artesian bores, sunk in 1900 for water, struck natural gas (always associated with petroleum) sufficient to light part of the town. One well, drilled since, discharged millions of cubic feet of wet petroliferous gas, which yielded thousands of gallons of petrol sold to local residents. Experts now contend that Roma has not been satisfactorily explored, that only 10 wells have been sunk to bedrock, whereas in a similar field in America there would have been hundreds. Four Australian oil companies announced in March that they

would prospect 10,000 square miles in the Roma District. These companies are the Roma North Oil Co., the Australian Oil Development Co., the Roma Blocks Oil Co. and the Kalimna Oil Co. A joint report from these companies claimed that in the past drilling had not been deep enough.

The Government's own surveys in the area have convinced the Cabinet that success will follow geological and geophysical surveys with magnetic equipment and the reflection seismograph.

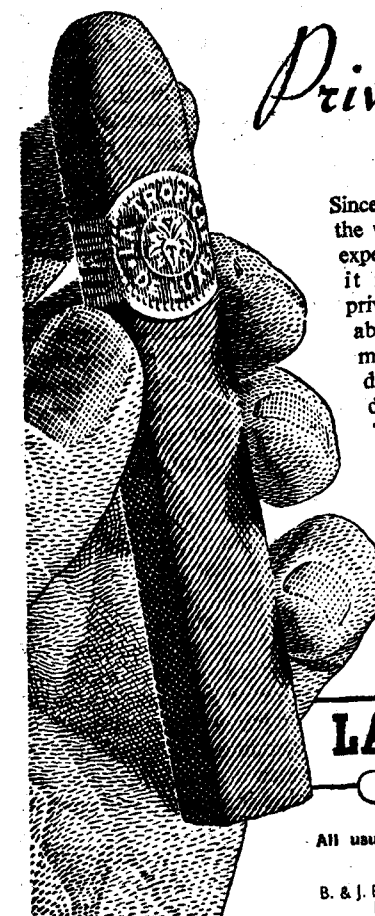
The Vacuum Oil Co. has set aside £1,250,000 for oil search throughout Australia, following the Government's new assurances of technical assistance. The Shell Oil Co. through its subsidiary, the Shell (Queensland) Development Co., Ltd., has spent £250,000 in the Roma area, including some work before the war. The company now plans to spend at least £750,000 there in the next four years.

The Prime Minister (Mr J. B. Chifley) has announced recently that all hindrances, including the dollar problem, will be set aside to expedite the import of essential equipment for the oil search. All recent maps of the area will be re-drawn. Commonwealth geologists will be made available on the spot and the Federal authorities will work in the closest co-operation with the Queensland State Government.

Although the oil search is now concentrated on Queensland, the RAAF will carry out a photographic survey of north-western Australia from Broome, beginning in June. Permits have been issued to the Australian Mining and Smelting Co. to search for oil in the Victoria River district of the Northern Territory, and the Minister for External Territories (Mr. E. J. Ward) has announced "the closest support for efforts to tap the undoubted oil resources of Australian external territories, especially Papua and New Guinea."

This search for oil is linked with the general policy of re-assessing Australia's natural resources. The Minister for Post-War Reconstruction and Minister for Defence (Mr J. J. Dedman) is directing all his Scotch caniness into the search for uranium "so that atomic energy may be used for industrial purposes and the Australian coal problem reduced."

Australia's present rulers have set their minds on developing the secondary industry, which alone can support a large population. They believe the fuel and energy needs can be guaranteed. They have high hopes of oil as abundant as the gold discovered in 1851.



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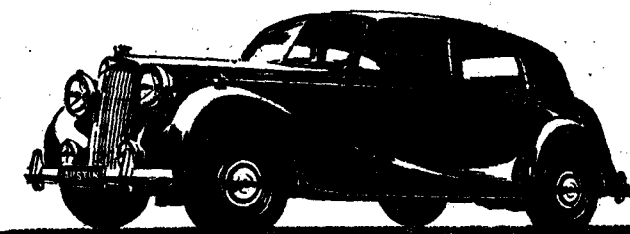
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AMERICAN SURVEY

Recent Developments in PMH

(From an American Correspondent)

EVERYBODY, as is well known, talks about the weather, but nobody does anything about it. In the two years since the war began to end, much the same remark could be made about production per man-hour in American manufacturing industry. Everyone favours its rapid rise, hopes for it and predicts it, but the figures on PMH for all US manufacturing have stubbornly refused to budge appreciably from their 1941 level. This result closely parallels the experience of 1914-19, when PMH after the war's end turned out to be slightly lower than when the war began. But in 1920-22, the sequel to the wartime levelling of productivity gains was a series of three successive ten per cent yearly gains; PMH in 1922 was one-third higher than in 1919. After a slight interruption in 1923, another one-third gain was recorded by 1929, and still another from 1929 to 1939. Back in 1945 the reason for Mr William H. Davis's sudden removal from the chairmanship of the War Labour Board was said to be a statement he made to the press that PMH could be expected to increase by 50 per cent in the first five post-war years, and that consequently wage rates could be increased by 50 per cent in the five-year period without increasing prices. Mr Davis may have looked up the record of the years following World War I; at any rate, he was far from alone in expecting rapid post-war gains in PMH, which have been predicted almost as universally as a 1947 recession.

Whether the 1920-22 experience of a rapid rise in productivity is about to be repeated depends primarily on two sets of factors: the long-range development of technology and mechanisation which has accompanied the steady advance in PMH since before the turn of the century, and the temporary factors leading to deviations above and below the trend. The reasons and cures for these shorter-term variations must be sought in the attitudes of workers toward their jobs and in the occasional shortcomings of plant operation.

The state of workers' morale, of course, directly affects the efficiency of their operations. A feeling that the employer's (or the immediate supervisor's) attitude is one of fairness to and personal interest in the workers is indispensable to an enthusiastic attitude on the part of employees toward their work. The atmosphere of bitterness and distrust which has characterised employer-employee relations in recent years demonstrates widespread lack of such a feeling, and can scarcely have been conducive to enthusiastic effort.

High labour turnover is another factor contributing to reduced PMH. Dilution of the average level of ability and experience of a working force by inclusion of an abnormal proportion of "green" help means lower efficiency until the training and experience of the new workers is brought up to a normal standard. As greater selectivity in selection of new employees becomes possible, and as the average experience of employees increases with reduced turnover, such wartime losses in PMH as have occurred because of high labour turnover are likely to be regained quickly.

On the side of plant operations, the most frequent cause of erratic productivity records in recent years has been the erratic

flow of materials in many plants. The time lost in waiting for materials and parts is not only seriously detrimental to worker morale and costly in terms of payroll and idle facilities, but can seriously distort the record of PMH. Improvement has already been noted in the availability of many materials and parts that were previously hard to get, and substitutes have been developed for others; further progress in solving this problem is probable in the coming year, and a decline in demand, even a fairly modest one, would remove it in most cases.

The dilution of plant management which was forced by the rapid rise of war production, by the inroads of wartime conscription and by increased switching of supervisors from one employer to another also served to reduce plant efficiency, and hence PMH, during the war years. Lack of experience and training in supervisory work meant at least a temporary period of inept leadership and direction by many rank and file workers who found themselves suddenly transformed into supervisors. Here again, however, added experience and training, coupled with the weeding out of misfits and the return of experienced supervisors from the armed forces, indicate that whatever wartime loss of efficiency resulted from the dilution of plant management, either has already been, or soon will be, regained.

Several of these short-range factors point to the probability of improvement in PMH in American manufacturing over the next year or so. But despite the importance of the human element in the day-to-day and month-to-month operations of industry, there is little reason to suppose that the average inherent aptitude and effort brought to the job by millions of workers has been multiplied to any extent from one decade to the next. Yet in the forty years preceding World War II, PMH in American manufacturing more than tripled. Clearly this longer-range upturn requires some other explanation.

It is not necessary to look far among the nations of the world to see that more than willing hands and raw materials are required to achieve a high level of *per capita* output, and hence of *per capita* consumption. The missing link is machinery, and the whole complex of transportation, communications, technical skill, ingenuity and human drives required to bring machinery into being and to harness it effectively to production requirements. It may be of interest to recall that over the same period in which PMH in American manufacturing slightly more than tripled, installed horsepower per wage earner very nearly tripled, and that productive capacity can be approximated much more closely by the number of horsepower-hours available than by the number of man-hours available (granting, of course, the need for enough of both).

The outlook for progress on this longer-range sector of PMH is brightened by the fact that production of producers' equipment in the United States is now proceeding at nearly three times the average level of 1935-39, accompanied by the expansion of electrical generating capacity also at about three times the pre-war rate. While this high rate of capital formation may also be considered a factor of unbalance in the American economy, it appears likely to continue for at least some months to come, and will lay the groundwork for a later advance in PMH as the equipment now being produced is brought into operation. Similarly, improved processes developed during the war to reduce production time will come into more widespread use.

The greatest single step which could be taken toward a quick increase in PMH appears to be solidly blocked. This is elimination of the conscious restrictions on output per worker known in America as "featherbedding." These restrictions,

developed in part to maintain employment against the inroads of technological development and in part as protests against "speed-up" pressure by managements, are practised openly by some unions and informally (but very effectively) by others. These rules include such examples as extra trainmen going along for a ride (on full pay) in railroad operations, the required employment of standby musicians where recordings are played, the limitations on the width of brushes painters may use or the number of bricks a hod-carrier may carry, the prohibition of spray guns for painting, the establishment of low quotas as the agreed definition of a day's work, and the whispered "slow down, buddy," in the manufacturing plant. It has been variously estimated that PMH in American industry could be increased overnight by one-fourth to one-half or more by eliminating such practices and bringing workers generally up to standards demonstrated as practical and humane. There is, however, no early prospect of their elimination; in fact, they serve frequently to prevent technical innovations known to be practicable and economic in themselves.

A Southern Liberal

(From a Correspondent in Alabama)

THE failure of liberalism, for want of competent leadership, is being demonstrated in the southern state of Alabama. Mr. James E. Folsom took office as Governor of Alabama on January 20, 1947, under circumstances of extraordinary promise. Only 37 years old, a handsome giant towering six feet eight, he had been chosen last June by the greatest majority in the history of the state. He had campaigned on the most liberal platform ever offered in Alabama: minimum annual pay of \$1,800 for teachers; \$50 old-age pensions; a gigantic rural road programme; abolition of the poll tax; a new, modern state constitution; and reapportionment of representatives in the Legislature among the counties for the first time since 1901. Soon after his election people were acclaiming him as the most popular public figure in generations; his followers were calculating the exact year when he would sweep aside all opposition for the US Senate; and talk even went around that this sensational Southern liberal might make a fine running mate for President Harry Truman in 1948. But in the few months since the inauguration, things have gone badly. As the Legislature comes into regular session this month, the Folsom programme looks hopeless and the Folsom promise has faded.

"Big Jim" was reared in rural Coffee County, the son of a county politician. He spent one year at the University of Alabama, and one year at Baptist Howard College, in Birmingham, distinguishing himself at neither institution. After two years as a merchant seaman, and three more in small government jobs during Roosevelt's first administration, Mr Folsom in 1936 campaigned for Congress. He was soundly defeated. In 1938 he ran for Governor on a liberal philosophy, he ran again in 1938, but suffered a worse defeat. Having established a small insurance agency as a means of livelihood, the irrepressible country giant in 1942 was a candidate for Governor. This time, offering a clear-cut progressive platform and appealing shrewdly to labour and the small farmers, he astonished everybody by running second. Most of all he surprised the third candidate, whose followers actually gave Mr Folsom financial support in the belief he could do no better than fourth or fifth and might take votes away from the leader.

After brief wartime service in the army and then in the Merchant Marine, Mr Folsom offered himself as delegate-at-large (i.e., elected by the whole State and not by any one subdivision of it) from Alabama to the 1944 Democratic National Convention and captured one of the four places. In the convention he was one of only two Alabama delegates out of 22 who voted for Henry Wallace as vice-presidential candidate. For this he was denounced at home, critics charging that this was an open bid for support by the Congress of Industrial Organizations in his next campaign.

While PMH in 1946 for all US manufacturing industry averaged almost exactly the same as in 1941, the makings of future gains exist in both the short-range and longer-term factors mentioned. None of the shorter-range factors tends further downward, while some show prospects of early improvement, and will probably account for the first gains. Progress as rapid as the ten per cent a year pace of 1920-22 seems too high to expect; at the other extreme, the one-third advance from 1929 to 1939 is likely to be exceeded over the coming ten years. Within these limits of 3 per cent and 10 per cent per year, any of the middle figures seems an equally reasonable guess for the average gain over the next several years in manufacturing industry. These ratios, of course, are not applicable to the whole output of the country, in which manufacture—precisely because of its rapid progress—tends over the years to play a proportionately smaller role, and the various form of service occupations, where PMH cannot rise so quickly, a larger. And for the same reason, ratios of this nature can hardly be applied to the general level of wages throughout all occupations.

When the campaign for the Governorship started early in 1946, one candidate, Handy Ellis, lieutenant-governor and a middle-of-the-road veteran politician, seemed to hold an insurmountable lead. He had the support of many of the strongest organised groups, such as the teachers and the municipal and county office-holders. The only real obstacle for Ellis seemed to be Joe Poole, extreme right-wing voice of the big farmers and industrialists.

But Folsom was undaunted. Brandishing a corn-shuck mop and suds bucket, "Big Jim" delighted the voters with promises to scour out the State capitol in Montgomery. Stopping often on his campaign tours to let his "Strawberry Pickers" string band play hillbilly tunes, he capitalised on the prevailing post-war dissatisfaction with those in office. He promised to throw out "the old ring" and run the government for the people—"for you and you and you," he would say, pointing around the audience. He talked very little about his platform, preferring to generalize on the virtues of his mother's cooking. He cannily avoided attacks on any individual or candidate; Ellis and Poole hammered away, each seeing the other as his major adversary. But when the votes were counted, Folsom held a strong lead in the field of five, Ellis was second and Poole out of the race, a poor third. In the run-off (the second election between the two leaders), Ellis pictured Folsom as the candidate of the CIO, who would be controlled "by Sidney Hillman in New York." "Big Jim" denied nothing, lumbered right ahead with his mop and bucket, his string band, and his recital of joys on the farm. The people gave him 205,000 votes with a record-breaking victory margin of 60,000.

It was a stunning defeat for machine politicians and conservative business. Mr Folsom won with few, if any, political obligations to selfish interests. He won without a word against labour, without a sneer at the Negro, and with a liberal programme previously regarded as unpopular in the conservative-voting South. Here was a political miracle, a chance to prove that with forthright liberal leadership the South could advance rapidly. But did "Big Jim" mean what he promised, and did he possess the capacity to get the promises carried out?

While Mr Folsom's good intentions are now accepted, the failure of his administration began long before he ever took office. He spent time in night clubs and on Gulf of Mexico beaches that should have been spent meeting members of his legislature and whipping together a coherent administration programme. Continuing his campaign practice of kissing every pretty woman in sight, he found that what had seemed to the public jolly showmanship in a candidate on the hustings was vulgar exhibitionism in the governor-to-be. A Justice of the US Supreme Court advised him: "If you are a conservative in politics, you can live as gaily as you please and get by with it."

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but if you choose to be the people's man, you must walk the straight and narrow path." Folsom laughed it off at the time, but he gets the point now. Matters were not helped by a speech in which he referred to "the lying newspapers" of Alabama. His lack of love for the press was understandable—only three papers out of more than 150 dailies and weeklies had supported his candidacy. But after the election most editors were ready for peace; Folsom's "lying newspapers" speech sounded like war.

Following a tumultuous inaugural parade, which the 67 counties made impressive with floats emphasising education, Governor Folsom proceeded rapidly with the engineering of his downfall. He expressed dissatisfaction with the quality of the Executive Mansion, and with the size of the Governor's yacht at Mobile. He placed many new names on the payroll at fancy salaries, not a few of whom were members of his own family. He permitted his top executives to circumvent the State Civil Service in making appointments to pay off political debts. He himself named obscure inexperienced young men to posts that required reasonable experience and maturity. He demanded of the Legislature an increase of more than \$57 million annually in State appropriations for various good causes—principally education, welfare, and roads. To provide funds on this scale, he suggested taxes of many kinds, affecting virtually every organised group in Alabama. Conservatives for the most part received all this in silence, but prepared for the showdown. It came unexpectedly.

Alabama has long suffered politically and economically from an undercover alliance between the big industrialists (popularly known as the Big Mules) of Birmingham, many of them representing Eastern capital, and the Farm Extension Service at Alabama Polytechnic Institute, Auburn. The Birmingham financial interests, politically helpless without some farm support, found it in the agricultural and mechanical college, whose executives have been able to control the leading farmers' organisation, the Farm Bureau, turning its influence away from co-operatives, cheap farm credit, and liberal politics. Of course, this group had fought Governor Folsom. He moved to clean house.

With his first objective the control of Auburn's Board of Trustees, the Governor made appointments to fill three vacancies. These, together with members already friendly to him, were enough. The new board met, heard charges against the offending Extension Director and his Assistant, but decided to give the defendants a few weeks to prepare their case. Then the storm struck. The Farm Bureau president initiated court action restraining the three Folsom appointees from service on the Board until the Senate confirmed them. Senate approval had always been perfunctory in such cases. Whereupon Governor Folsom, on just two days' notice, called the Legislature into special session to confirm his appointments and consider a new State Constitution. He had not polled sentiment. He thought the Legislature would bow to the people's Governor.

When the Legislature gathered in Montgomery, the House and Senate refused even to consider a new constitution. In Senate manoeuvres related to the Auburn trustees the Governor never had more than six of the 35 votes. He had to withdraw his nominations and send up others satisfactory to the opposition. After only two days the Legislature adjourned without even notifying the Governor.

This abortive special session ended the prospect of a militant liberal Folsom administration. The "Big Mules" took heart. Some of them, overly exuberant, began talking of impeachment, but wiser heads said, why risk public indignation when the situation is in hand? To-day the *status quo* at Auburn seems assured, the legislature is under reactionary control, and the Folsom rebellion is dormant if not dead.

To liberal Alabamians, many of whom did not vote for Folsom because they feared his inexperience and untried personal

qualities, the débâcle is disheartening. Accustomed to conservative if not reactionary state administrations, by a strange political upheaval they were handed a liberal Governor; now they wish they did not have him. His failures may discredit the progressive cause in Alabama for years. The State's two liberal US Senators, Lister Hill and John Sparkman, openly supported Folsom. Unless "Big Jim" makes an unexpected come-back, his weight may be a heavy drag when Senator Sparkman runs for re-election in 1948, and Senator Hill in 1950.

American Notes

Mr Acheson's Swan Song

Mr Dean Acheson was entrusted last week with the task of acquainting the American public with the magnitude and the duration of the world's economic needs, and of driving home the unpalatable conclusion that only the United States can, by meeting those needs, avert an economic and political crisis of the first order. In Mr Acheson's analysis, the prime facts of international economic life are the staggering predominance of American production which has followed the destruction of the war, particularly as it affected the workshops of Germany and Japan; the slow rate of world recovery, delayed as it has been by "Acts of God" like last winter's ordeal; and the world's desperate need for American goods, for which it cannot pay for several years. This demand is reflected in expected American exports of \$16 billions in 1947, while imports are expected only to reach \$8 billions. Taking all other means of payment into account, there will still be an international dollar deficit of \$5 billions in 1947, which is being covered by emergency financing by the United States. But these appropriations will run out toward the middle of 1948, and there is no prospect that the need will have diminished. To a sympathetic audience of cotton exporters, Mr Acheson submitted a five-point programme. Every effort must be made to encourage imports into the United States; the United States must be prepared to continue financing foreign purchases of American goods, through the Export-Import Bank, the World Bank, and, in cases which cannot be met by these institutions, by direct loans from the American government. Every measure must be taken to rebuild the German and Japanese productive machines. Meanwhile, because even American resources are not limitless, the United States should direct its aid to countries where it will promote economic and political stability and free institutions. In order to carry out this programme, it will be necessary to renew this June those domestic and export controls which are needed to assure the movement of goods out of the United States and into the right hands abroad.

This in substance, is the new foreign policy which Mr Marshall brought back from Moscow in lieu of a Russian settlement; though there is no reason to believe a political reconciliation would have solved the growing dollar shortage. For the first time, it puts the facts of international life in their proper perspective. Mr Acheson's speech is a synthesis of the President's speech at Waco, and the Truman Doctrine, with the further fundamental recognition that the contributions America has already made to European recovery can only be cut short at the cost of an economic and political crisis of incalculable proportions. The Administration has thrown down the gauntlet to the whole economy drive in Congress (in passing, it might be noted that Mr Acheson is leaving government service precisely because it does not pay enough to keep its best men). It is trying to stem the tide that is running against tariff reduction. It points a stern finger toward heavier burdens abroad at precisely the moment when Congress is most irritated and frustrated by the delays in tax reduction at home. If the much advertised recession arrives this year, the opposition to both these proposals will harden to concrete. That it was Mr Acheson, and not Mr Truman or Mr Marshall, who made the speech, suggests that no very hospitable reception is expected.

The first responses show that commentators, still bemused by the Truman Doctrine, have with few exceptions seized upon the "selectivity" of foreign aid, rather than the magnitude of the gigantic underwriting proposal, which if the policy were wholly accepted, would probably run to an annual figure of \$5 billion. To convince Congress of the need for these vast new commitments, nothing less than a fully bi-partisan policy will be needed, in the sense of a policy agreed upon by the leaders of both parties, rather than an agreement not to make party profit out

of foreign issues. Yet many observers report a deterioration, in recent months, in consultation and co-operation between the Administration and the Republican leaders on foreign affairs, and there is every certainty of a tightening of the party lines over domestic affairs. The solution to the biggest issue which Mr Truman has ever laid before the American people lies across a steadily widening political divide. If the world's need were not so pressing that some alleviation must be found, it would be hard not to regard Mr Acheson's swan-song as a noble might-have-been, a trial balloon punctured almost before it has been launched.

Bank Loan Expansion

The biggest peacetime boom on record has brought a vigorous expansion of bank loans which, during 1946, recorded the largest yearly gain (\$5 billion) since the inflationary period of 1919-20, and to the highest level attained since 1930 at nearly \$32 billion. Over the first quarter of 1947, moreover, the pace of expansion was equally rapid, on the basis of partial figures supplied weekly by reporting member banks. At this rate, the 1947 record would surpass the all-time loan peak of \$36 billion recorded in 1929. But the latest business reports throw considerable doubt on the life of the upward tendency.

The 1946 figures, which were discussed in the March *Bulletin* of the Federal Reserve Board, mark an important, though far from decisive, reversal of wartime banking trends. The *Bulletin* notes that the importance of bank loans, both in relation to gross national product, and to the balance-sheet totals of the banks, is today far below that of 1919-20, or 1925-30. The severe process of liquidation which began in 1929 had four years later eliminated two-thirds of the earlier volume. Not until 1941 did loans again develop vigorously, and wartime activity reflected in a very large measure the role of the banks as underwriters to the Government deficit. "Bank investments consisting primarily of Government securities are now the major form of bank assets and account for about three-quarters of total commercial bank credits outstanding, compared with one-quarter in 1940." Preliminary 1946 figures, with those of earlier years, are compared below:—

Dec. 31 :—	ALL COMMERCIAL BANKS (in million dollars)			Deposits
	Loans	Investments		
		US Govt.	Others	
1939	17,243	16,300	7,124	57,702
1941	21,711	21,788	7,223	71,248
1943	19,117	59,842	6,136	105,923
1945	26,076	90,613	7,331	150,227
1946	31,250	74,900	8,050	138,300

Expansion in 1946 covered all the main groups of loans, apart from farm loans, which, with the prosperity of the agricultural community, showed no significant change, and loans against security operations, which totalled about \$7 billion at the close of 1945, and which were almost halved in the course of 1946. The ban on margin trading in Wall Street through most of 1946 was partly responsible for the decline, but the main contraction followed from the reversal of the wartime pattern of credit expansion in the shape of Government securities. The resultant uncertainty concerning short-term money rates was sufficient to bring about a heavy fall in loans on Federal securities which had accounted for no less than \$5 billion of the end-1945 total.

Funds for Industry

The feature of 1946, however, was "the widespread revival in demand for credit by commercial and industrial concerns," particularly from June to December. The rise in the loan total for this group was almost 50 per cent and carried it to a new peak level of \$14 billion, accompanied by a substantial advance in real estate and consumer credit advances. This business loan in volume deserves emphasis in the light of the vast growth in business assets from 1940 onwards, and of the extremely conservative financial policy adopted by industry—no less than \$33 billion was put to reserve in the years 1939-46 out of net corporate profits totalling \$68 billion.

It has now become strikingly apparent that the growth in liquid assets (far from evenly distributed) has been by no means sufficient to cope with the problems of expansion within a period of strong inflationary pressure. The physical volume of production is 75 per cent higher than that of 1939, and the wholesale commodity price-level has more than matched this pace. Heavy costs for re-equipment, inventory growth, trade credits, even strikes and

transport delays, have contributed their quota to the demand for working capital. These are normal features of any inflationary period. So also are those activities less directly concerned with productive effort, and concerning which the *Bulletin* notes:—

Some funds were used to bid for scarce material and labour resources or to swell demand for goods in short supply without resulting in any substantial addition to the national product. Some were encouraged by inflationary price advances to seek loans for inventory speculation, and these loans not only added nothing to production, but tended to reduce total output.

In any event, the banking system in 1946 met a major part of the business demand for fresh working capital, although security issues, for new capital, soared above any recent year:—

DOMESTIC CORPORATE ISSUES* (in million dollars)

	Notes and Bonds	Stocks	Total
1937	817	408	1,225
1939	287	97	383
1941	889	173	1,062
1943	282	92	374
1945	607	657	1,264
1946	2,038	1,468	3,506

* Excludes refunding operations.

Low money rates have put a sharp premium on bond financing. But the stock market collapse of last autumn put a heavy brake on security issues. Through the summer of last year, when corporate issues for new capital were running at an annual rate of fully \$4 billion, preferred and common stock offers exceeded the dollar volume of notes and bonds offered. More recently, there has been evidence of a greater demand for more permanent finance, but the scales still seem to be weighted against any marked revival in equity financing.

The Labour Bill

The Senate, by a vote of 68 to 24, has now passed its own version of the reforms necessary to redress the "bias toward labour" of the Wagner Act of 1935. It begins to look as though Mr Taft may yet persuade the Senate to join the House in passing a labour Bill over the President's veto. The final vote in the Senate was larger than was suggested by votes taken on the "stiffening" amendments proposed by Mr Taft from the floor. One of these, which would have allowed private employers to secure injunctions against unions, was withdrawn entirely in the interests of Republican solidarity. Another, which would have curbed industry-wide bargaining, was defeated by 44 to 43. On this vote, 16 Republicans joined the Democrats, while 12 Democrats supported Senator Taft. Two other amendments adopted restrict and supervise corporate contributions to union welfare funds (the United Mine Workers' Fund is said to have reached \$10 million since last year) and prohibit union coercion of members.

Despite more victories than defeats for Mr Taft, the Senate Bill remains very much less punitive than that adopted by the House, which seeks to outlaw industry-wide bargaining, jurisdictional and secondary strikes, the collection of union dues by employers, mass picketing, and the election of Communists as union officers. The two Bills are alike in banning the closed shop, in giving the government the use of the injunction to delay serious strikes, in establishing a new mediation board, in listing unfair union practices, and in requiring financial reports by unions.

Even such friends of labour as Senator Pepper have agreed to the provision requiring a 60-day cooling off period and giving the government the power to secure injunctions to deal with nation-wide strikes like that which may break out in coal after June 30. The central question is whether the Bill which emerges from the conference between the Senate and the House will retain so many odious features that the President will feel compelled to veto it, and leave the government without powers to halt large-scale stoppages, which, as in the case of coal, might undermine the foreign policy of the Administration. This would be throwing the baby out with the bath-water. Mr Truman will have to balance considerations like this against the damage the Bill may do to labour relations, and to his own political future. Should the President decide to veto, and the veto be sustained, the Administration would then press for a mild measure already sponsored by Senator Murray. The vote in the Senate does, indeed, suggest that a veto is unlikely to be upheld. But it is never possible to assume that every Senator who may have voted for a Bill "for the record"—that is, for the edification of his constituents—will necessarily persist in voting it on to the statute-book in the face of a Presidential veto.

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THE BUSINESS WORLD

Housing and Industry

THE housing target for 1947, announced, after repeated delays, on the very eve of the fuel crisis, has been abandoned. The target then, or at least the hope, was to complete 240,000 permanent houses this year and to make a start on a further 200,000 for completion in 1948. This target is now demonstrably unattainable, but no new one takes its place. The programme now, is much less ambitious; it is also very vague. "The object," so runs the unobtrusive statement which accompanies the March housing returns for England and Wales, "must be to complete this year as many as possible of the 218,783 houses already under construction." Generals January and February have secured a clear tactical advantage over the builders, as over other sections of industry, but it will be some time before the full effects of their winter offensive can be measured.

Their victory is not, indeed, unexpected. Even in January it was clear that the programme erred on the side of optimism. The target, or the "reasonable estimate," to quote the official phrase, was a rather uneasy compromise between wishful thinking on the one hand and cautious planning on the basis of known trends, on the other. It was an invitation to the building industry to show what it could do; but it was evident even then that success would turn less upon the efforts of the building workers themselves than upon the output of components and materials, already depressed by shortage of fuel. Labour had ceased to be the limiting factor, as the "Economic Survey," issued in February, frankly admitted when it discussed the possibility, should materials run short, of preventing dispersal of the labour force by relaxing restrictions upon maintenance work.

These second thoughts were more realistic than the first, but even they did not envisage February's extreme dislocation. Before the builders could give any earnest of their response to the Government's appeal, January's optimistic assumptions about the flow of building materials to sites had been hopelessly upset by the severe weather, the fuel crisis and the disappointing level of timber imports. Table I compares the actual output of certain representative building materials in the first three months of 1947 with the estimated production for the whole of 1947, on which the original housing programme for the year was based.

TABLE I.
ESTIMATED TARGET OUTPUT FOR 1947 AND FIRST QUARTER'S PRODUCTION

	Bricks	Cement	Rainwater Goods	Plasterboard
	(mn.)	('000 tons)	('000 tons)	('000 sq. yds.)
1. Year's estimate*.....	5,300	7,000	80.0	48,000
2. 1st qtr's output.....	901	1,108	15.9	7,802
3. 1st qtr. as per cent of year's target.....	17%	14%	20%	16%

* Housing programme for 1947.

In no case, it will be seen, is the quarter's output better than one-fifth of the year's target, and these instances are typical of other materials. Even with a recovery in output and some increase in capacity, it is clearly impossible to expect the key building materials, such as bricks and cement, to make up their arrears of production before the building season slackens off in the autumn. The trend of output and the drawings on stocks

are set out in tables II and III. A selection of the most important materials has been made from the *Monthly Digest of Statistics*, comparing production in the critical first quarter of this year with that in the corresponding period of 1946. Table II shows that manufacture was severely interrupted in February, but had made a partial recovery by the end of March. On the other hand, the stoppage of building construction, caused both directly by the weather and by the dislocation of transport, prevented any large depletion of stocks. Indeed, at the end of March they were in many cases higher than in January, but it needs to be emphasised that supplies of key materials such as bricks had reached famine levels by the eve of the February hold-up. Obviously, the building industry this year will be even more dependent on current production than it was in 1946.

Building activity, then, will be geared to the flow of materials direct from the kilns, foundries and timber seasoning ovens. The substantial expansion which is still needed to restore production of materials to around the January levels, when coal supplies were already irregular, is perhaps attainable. But whether a steady improvement can be expected beyond that level will depend upon the extent of secondary dislocation from the fuel crisis, and especially upon the chances of maintaining a smooth and balanced flow of materials and parts to the manufacturers of building components, and on the supply of coal.

The extent of secondary dislocation cannot yet be assessed. But a major consideration is that the flow of materials to the sites comes from a large variety of industries, it would obviously be unwise to expect a smooth balance to be rapidly restored. The effects of the summer coal allocation are hardly less imponderable. In his announcement of the general scheme for industry, Sir Stafford Cripps made it plain that the building materials industries will get an extra allowance to match the large expansion of production they have achieved since last summer, after their long and difficult climb through the post-war transition period. A global tonnage will be available, but the effect upon production will depend upon its detailed allocation to individual firms. As there cannot be any rule-of-thumb formula related to a basic period, there may perhaps be scope for some discriminating system which would concentrate part of this allocation upon those firms and industries which might be expected to make the best use of it. While these uncertainties remain, it will be impossible to guess either the extent of the probable shortfall of output below the original 1947 estimate, or the materials which are likely to be most affected. The facts, however, so far as they are known, clearly require a severe scaling-down of the original estimates of new housing accommodation to be completed and made available by the end of the year.

The target, then, had become demonstrably unattainable. But to admit that is not simply a confession of failure. It is an important administrative act, indispensable as a first step towards ensuring that the new accommodation effectively made available this year will be as great as the limited resources permit. The original target of 240,000 houses to be completed in 1947 was only 37,000 more than were actually under construction at the beginning of the year, and there was from the outset a clear risk that the programme would suffer, though in less degree, from the major weakness of last year's effort—that

of spreading the available resources over too large a range of building in progress, with the result that the optimum of completed work was not achieved. Now—or, rather, at the end of March—the number of houses under construction is 218,783, but it is already clear that not all of these are likely to be completed this year. To provide the maximum of actual accommodation rapidly, it was obviously necessary to face the facts frankly, to soft-pedal work which stands little chance of completion, and to restrict the starting of new work to projects of the highest priority. The policy, now, therefore—and it is a sensible policy—is to concentrate, without any specific target, upon completing as many as possible of the 218,783 houses already begun. Local authorities will be discouraged from entering into new contracts for houses, in an effort to restore the balance, at present lacking, between the rate at which houses

TABLE II: STOCKS OF BUILDING MATERIALS

	Bricks	Cement	Asbestos Cement Sheet	Rainwater Goods†	Stoneware Pipes
	(mn.)	('000 Tons)	('000 Tons)	('000 Tons)	('000 Tons)
1946 Jan.	140	414	28.1	3.2	23.8
Feb.	142	374	22.8	3.3	23.5
Mar.	179	438	24.2	3.2	27.0
1947 Jan.	379	550	34.5	5.8	39.5
Feb.	247	192	11.9	3.7	27.8
Mar.	275	366	25.9	4.9	31.9

† Excluding aluminium goods.

are being licensed or on which construction has begun and the rate at which houses are being completed. The tap is being turned off—or, at least, severely turned down—at the beginning of the housing pipeline.

This very necessary effort to prevent uneconomic diffusion of resources available for housing has coincided, moreover, with rising priorities for industry and industrial building. Bricks, cement and other materials are urgently needed now for new power stations. The railways need more timber for sleepers. More factory space and accelerated industrial re-equipment are wanted to speed the export drive, and to relieve the balance of payments in other ways. But there are fewer materials to go round. Who is to go short? The housing decision has no doubt been taken on its merits; but the crucial issue which it poses is whether more than a moderate housing effort can for the present hold its own in the scale of national priorities. The sand in the dollar hour-glass is running out fast.

*

The admission that the original housing target is, in any case, unattainable clearly affords an opportunity for second thoughts. Now is the time to review the relative urgencies of social and industrial investment, to weigh again the crying need for dwelling houses against the crying need for power houses, and industrial equipment more generally. The inescapable slowing-down of the housing effort may, in any case, bring some easement for the industrial programme, but, apart from that, it would be remarkable if the balance between the two which seemed right last summer, before the extremities of the balance-of-payments problem became apparent, were right now. There was, indeed, a hint in last week's housing statement of a recognition that industrial priorities are becoming increasingly important.

But to say that the time is ripe for review is not to offer any dogmatic suggestion of the order of priorities. The diversion, especially temporary diversion, of resources from one urgent task to a more urgent is in any case very difficult to achieve. Even if building materials specifically for housing are so scarce in some areas that industrial buildings ought obviously to take precedence, and even if building labour in other areas becomes unemployed through a temporary cessation

of work on preparation of sites for houses, there is no assurance that the temporarily redundant labour in house building will promptly join contractors engaged on industrial work. In industrial areas, many of which have suffered heavily from bomb damage both to properties suitable for residential purposes as well as to industrial premises, diversion of resources would in any case present particular difficulty. But these are precisely the areas in which, *prima facie*, there would be least justification for switching labour to industrial work, even granted a more stringent approach to housing priorities. Indeed, one lesson from this bottle-neck situation in building materials is surely that every effort should be made to ensure that optimum results in terms of new accommodation are being achieved from work on renovation and conversion of existing properties suitable for popular housing. The pull which conversion work is already exerting on the distribution of the labour force is evident from the latest figures. In January there were 952,000 male workers in the building industry. Of these 256,000 (27 per cent) were building new houses, 227,000 (24 per cent) were at work on converting and repairing existing houses, 26,000 (3 per cent) were on other damaged buildings and 443,000 (46 per cent) on industrial, agricultural and public buildings.

In all the circumstances, it may be that measures to divert existing resources, whether of materials or manpower, from housing to industrial expansion would require so selective and comprehensive a system of licensing and rationing—even if this could be practicable without direction of labour, which is ruled out on political grounds—as to be scarcely worth while, when account is taken of administrative frictions and administrative manpower. Even so, the labour force available for the industrial building effort should be larger than the original investment targets indicated. According to the housing White Paper, the target employment figure for December 31st next was one million men, of which 320,000 would have been on permanent house construction. In January last, the actual figures corresponding to these were 952,000 and 256,000 respectively. It is quite clear that the building industry as a

TABLE III: STOCKS OF BUILDING MATERIALS BY VOLUME.

	Bricks	Cement	Plasterboard	Softwood Timber
	(mn.)	('000 tons)	('000 sq. yds.)	(Th. Standards)
1946 January	913	289	357	567.2
February	825	261	449	533.6
March	712	257	429	498.7
1947 January	361	263	399	171.8
February	347	244	215	144.1
March	375	253	430	144.1

whole will not require all the 50,000 recruits which were scheduled in the original programme for this year; yet some 34,000 of them are already in the training pipeline. Obviously there should now be an easing off in the building training programme. The aim should be to get the best results from the existing (or even a reduced) housing labour force, first by better incentives designed to increase output per worker, and secondly, by ensuring that labour is concentrated upon work that will produce new accommodation this year.

The housing prospect, as it emerges from last week's decision, will inevitably involve much hardship for many families. But the question now is not simply whether there should be more accommodation for the people in 1947 than in 1946 but whether a sacrifice of extra accommodation in 1947 and 1948 is necessary to ensure minimum reasonable supplies of food, clothing and raw materials in 1949 and 1950. Only the fainthearted would suggest now any longer-term pruning of the housing programme. But it may become apparent very soon that there is a stark choice between food and shelter—or, rather, between maintenance of present standards of essential consumables and better standards of accommodation.

Britain's Larder

OBVIOUSLY, the primary concern of any Government must be the assurance of adequate food supplies for its people, and adequacy implies not merely an appropriate calorific value, but bulk to allay the pangs of hunger and variety to ward off listlessness and apathy. In these wider terms there is no doubt that the British food position has deteriorated seriously in the past two years—for reasons which, admittedly, have been largely beyond the control of the Government—although the calorific value of the ration has been maintained. But, in last week's debate in the House of Lord's on the food situation, Lord Woolton went so far as to claim that the country is in danger of a food crisis "that will be as serious as was the coal crisis"; and the public has not, apparently, been altogether reassured by the bland, almost complacent, denials from the

ESTIMATED STOCKS OF FOODSTUFFS AS AT END OF MARCH, 1947.

	Average Weekly Consumption Jan.-Mar., 1947	Estimated Stocks at End of March, 1947	Number of Weeks' Supply
	Tons	Tons	
Butter	4,890	10,000	2
Margarine	6,350	22,000	3½
Cooking fat	3,280	20,000	6
Cheese	3,980	20,000	5
Meat (carcase)	32,100	110,000	3½
Tinned meat	9,020	160,000	17½
Bacon and hams	4,080	10,000	2½
Flour	92,500	300,000	3
Sugar	30,100	530,000	17½
Tea	3,980	50,000	12½

Government spokesmen. The fact that the Minister of Food continues to withhold the detailed statistics of the British food position from the public is hardly calculated to alleviate the uneasiness. There are still all too vivid recollections of the assurances given by the Minister of Fuel and Power on the very eve of the fuel crisis.

Reticence about food stocks was, of course, imperative during the war, but the habits justified by security considerations still persist. Mr Strachey now defends his attitude on the ground that the countries with which Britain bargains for food supplies would be in a more favourable trading position were they to know the state of the British larder. But what country—other than the Dominions, which are doubtless informed of the true stock position—has not raised its prices against the United Kingdom? It is, of course, coincidental that by not publishing this information—not to mention the lack of financial information—the Ministry of Food, like the Ministry of Supply and the Board of Trade, effectively precludes any informed and constructive criticism of the Government's trading operations. At a time when food subsidies cost around £400 million per annum, the lack of opportunity for such discussion, both within and without Parliament, is surely indefensible.

The Government's reply to Lord Woolton was that the danger period has passed, or is passing, and that it does not "anticipate any disastrous increase in food shortages" in the ensuing months. There may, however, be temporary cuts in the rations of certain commodities, which will be compensated by increases in others. To show the position in perspective, an attempt has been made, in the table above, to estimate the level of Government stocks of food as at the end of the first quarter of 1947.

It must be emphasised that these figures are not official; they are merely estimates framed on the basis of data published in the *Monthly Digest of Statistics*. Where no initial pre-war stock figures were available, estimates have been obtained from the trade, or made independently, based on information given

in answers to Parliamentary questions. Although the figures are subject to an incalculable margin of error, they are nevertheless thought to be reasonably reliable.

It will be seen that the position at the end of March was far from satisfactory. There was less than a month's supply of butter, bacon and hams, flour, carcase meat and margarine; less than two months' stock of cheese and cooking fat, and three or more months' supply of tea, sugar and tinned meat. The Government claims—at first glance, reasonably—that, as overseas shipments no longer have to run the hazards of hostile attacks, stocks in this country need not be maintained at such high levels as were necessary during the war. Experience of the post-war transition period has shown, unfortunately, that the possible dislocations of supplies through strikes and other disturbances may be equally embarrassing. It would seem that, if current ration quantities are to be assured, stocks for at least 2-3 months need to be maintained in this country.

The figures given in the table relate to Government stocks only. In the case of flour, the inclusion of wholesalers' stocks would probably add a further 100,000 tons to the figure given, making 400,000 tons in all. Similar figures for sugar and tea are estimated at 600,000 tons and 70,000 tons respectively. Some of the stock figures are rather surprising. It was generally thought that the butter and bacon stocks were higher than 2-3 weeks' supplies, while tea stocks were considered to be at a rather low level, particularly as consumption exceeded imports during the first three months of 1947 by some 10,000 tons. Moreover, it was reported that the Minister of Food was anxious about the tea ration in view of the strike at Calcutta. There has been a heavy off-take of meat from stocks in recent months. It has been officially announced that for the six months period October-March, consumption exceeded supplies by 151,000 tons. Although the three-week stock of flour may seem abnormally low—Lord Woolton gave it as five weeks' supply—the figure is thought to be correct, as it represents an increase of some 100,000 tons on the end-of-year stock level; it will be remembered that, in January last, Mr Strachey thought it might be necessary to reduce the bread ration. Assuming that the published data are accurate and comprehensive, the figures in the table can vary from the true position only by the amount of any error in the initial stocks or by unaccounted losses and gains.

To assess the future position it is necessary to consider prospective supplies. But here, too, the Ministry of Food has been very reticent—it has preferred not to give any exact details of quantities of food purchased under contract. According to Lord Henderson, the chief Government spokesman in last week's debate, the future supply position of wheat is considered to be satisfactory, with major shipments already arriving from Canada, 500,000 tons from Argentina and 300,000 tons promised by the United States during the months of July-September. These quantities should bridge the gap until the new crop arrives. The butter and bacon rations also seem safe, in spite of the low level of stocks at the end of March. Shipments of dairy produce from the southern dominions will presumably be tailing off, but supplies should be arriving from Denmark and Holland, with additional shipments of bacon from Canada. Although the world position of oils and fats remains difficult, it is understood that adequate supplies have been contracted for to maintain the present level of production of margarine and cooking fat. The sugar position also seems satisfactory. Indeed, provided that supplies from hard currency areas do not have to be curtailed, there is at least a prospect

that civilian rationing of sugar might be discontinued. The present stock position, considered in relation to prewar consumption, certainly suggests this.

The tea stocks at the end of March appear to be adequate, but they have no doubt been reduced during April and possibly during May, too, owing to the hold-up of shipments from India. Moreover, future supplies are by no means secured. There was a poor response from Ceylon to the Ministry of Food's contract offer, and present indications show no better prospects from India, unless the United Kingdom agrees to a substantially higher price. The position is made all the more difficult because of the lack of supplies from the Netherlands East Indies; no large-scale shipments are expected from there until 1948.

Meat has the darkest future. Nearly all the imported supplies come from the southern hemisphere and the normal shipping season is drawing to a close. Moreover, there is a small chance of alternative supplies from either Europe or America, although the Ministry of Food has made purchases in both continents in an attempt to bridge the gap. Home production, which in any case will not be available until the late summer, is expected to be reduced by 130-140,000 tons owing to increased killings last autumn and the loss of sheep and lambs this winter: the total production is estimated at about 580,000 tons. In 1946, home produced meat formed 45 per cent of total supplies. A reduction, at least in the carcase ration, seems inevitable in a few months' time, with possibly a compensating increase in tinned meat.

It would seem, therefore, that the food crisis is passing and that the prospective position of most foodstuffs except meat is

satisfactory. If the estimated stock figures are correct, the Government certainly took a gamble at Easter—and won. But the position will require constant vigilance. The current ration quantities should be at least maintained, but the stock position in general is such that temporary shortages may occur if supplies do not arrive according to schedule. The policy of taking a risk by maintaining rations can be justified so long as it is not adopted so often so as to become the rule rather than the exception. The Ministry of Food undoubtedly have accurate details of stocks with wholesalers and retailers, as well as food in transit or in ships docked but not unloaded. Such supplies form an emergency reserve. With large quantities in dock and in transit and small quantities in store, the risk may not be so great as it seems.

But the most depressing feature is the fact that there is little chance of any increase in rations—except, perhaps, in sugar. The Government, indeed, appears to concern itself only with obtaining sufficient supplies to maintain them; additional quantities will be purchased only if the price is favourable. This policy presumably reflects the preoccupations with the balance of payments problem, besides being a necessary corollary to the policy of subsidising food prices and stabilising an out of date index number, which the Government still seems to be pursuing. To enable the low-income groups to purchase adequate quantities of food is socially admirable, but it does not necessarily follow that the method of subsidies is the best one to adopt. Again, the system of bulk purchasing has many advantages. But it is unsatisfactory, to put the issue at its lowest, if such a system involves the withholding of the only information by which its efficiency can be judged.

Business Notes

The Creditors' Chorus

Mr Dalton's outspoken declaration that Britain's war debts must sooner or later—and sooner rather than later—be scaled down, has produced the expected response from the leading creditors. Their reaction has embraced all the emotions from anger to apprehension, with just a touch of sympathetic understanding in one solitary case. India, to judge from unofficial but obviously inspired comment, is determined not to be "brow-beaten" by Britain, and will "resist to the utmost" any reduction of Indians, and "no fair-minded person" would "what is justly due." These claims may indeed be based on blood, tears and sweat, but India's counterpart is a credit, whereas the counterpart of Britain's blood, tears and sweat (and, it might be added, of the human and physical losses through air attack) is a sterling debit. If India appeals, not to the letter of the rights emerging from contracts entered into in the stress of war, but to justice, there is no doubt about the direction in which the scales are tilted.

Egypt, it seems, is prepared to go even further. It has the effrontery to treat Britain as a potential bankrupt upon whose assets the creditor is fully entitled to foreclose. The Finance Minister has not specifically repeated the threat to descend upon British share holdings in the Suez Canal and the Anglo-Egyptian Oil Company, and has indeed declared that this idea originated with the Under Secretary of State; but his remark that the Government has "other plans," if Britain does not acknowledge the whole debt, leaves little doubt about what is at present in the wind. Even Norway joined the chorus with the declaration that any scaling down was "out of the question"—though, admittedly, the origin of the Norwegian sterling balances provides a moral basis of a kind that can hardly be urged for the much larger claims of the Middle East territories.

The one refreshing exception to these indications of a stiffening attitude comes from Australia, where responsible press commentators have argued that on a moral basis even the recent gift of £A.25 million does not represent a sufficient scaling-down, or as large a contribution as Australia could afford. It is suggested that the debts should be re-examined to ascertain how large a sum would have been outstanding if lend-lease and mutual aid had

run through the whole of Australia's relationships with Britain; and that this portion should be cancelled.

The truculence of the principal creditors no doubt represents a natural manoeuvring for position in readiness for the negotiations which are to be resumed shortly. But it does seem that the chances of any early agreement on scaling down are rather slender, which underlines the shortsightedness of the Government in not making its position daylight clear at a much earlier date. Mr Attlee stated this week that there was "nothing new" in this policy, yet India still persists in claiming that it results simply from a press campaign, which is "goading" Mr Dalton into "a shady deal." If, however, it were necessary to rule out an immediate agreement with the principal creditors upon scaling down, two conclusions would emerge. First, it is clear that the year-by-year burden upon Britain must be kept within reasonable proportions; if that cannot be done by reduction in the capital sum it must be achieved by limitation of the rate of release from the old balances and of the interest rate payable on those which remain. On a short view it is from a practical point of view almost a matter of indifference for Britain which method of limitation is adopted. Secondly, it is clear that any agreement reached now, if it cannot be really comprehensive, must be for a short term only—as, for example, has been arranged in the case of Argentina.

Preparing for July 15

Meanwhile, the negotiations with foreign countries, in anticipation of convertibility on July 15th next, are now reaching a frenzied tempo which is taxing the expert man-power available to the Treasury and the Bank of England. The necessary arrangements have already been completed and made public with the Netherlands, Belgium, Argentina, Portugal and Italy. In the case of the United States, Canada and Newfoundland, and the numerous Central and Latin American countries which are authorised to operate American accounts, the rights of effective convertibility have long been conceded, and nothing more remains to be done. This week Mr Ellis Rees of the Treasury completed arrangements with Norway and Sweden and is, at the time of writing, engaged in discussions with Denmark. The problem to be solved with the Scandinavian countries was to arrange for the full expendability of their current sterling earnings, and, in the case of Norway, to settle the status of accumulated

balances. Discussions are also now proceeding with France and Brazil, and in each case appear to be within sight of agreement. In the case of Brazil the main point at issue is the rate of release of accumulated sterling. The question of sales of British assets to the Brazilian Government does not appear to have been broached.

The reverse position obtains in the case of France, and the question that has to be decided in these discussions is the manner in which the continuing French deficit in the current balance of payments between the franc and sterling currency areas is to be met. There appears to have been some discussion of the convertibility of sterling acquired by France as a result of sales of sterling securities to the British Government. This seems to be a somewhat academic point of discussion since it may be assumed that France will not sell more sterling securities than are needed to cover her current deficit. That being so, the question of expendability or convertibility of the proceeds of these sales does not arise since they will have been spent before they materialise.

So far as European countries are concerned, this leaves only Spain and Switzerland to deal with. The recent agreement with Spain represents the first phase of the arrangements to be made with that country. It provided for bilateral payments between Spain and Britain and also introduced the interesting voluntary undertaking by Spain to hold sterling up to the amount of its current surplus with the sterling area. The stage is therefore set for the second part of the negotiations which would merely put the seal of expendability on the accruing balances—a gesture which should be costless, since Spain has undertaken to hold this sterling for a time. Switzerland, which is the hardest of all the hard currency countries and which refuses to accept dollars and even gold unconditionally, will probably have to be left to the last. Representatives from Uruguay are on their way to Britain to discuss the problem of accumulated balances and to explore the possibilities of utilising them for repatriating capital now in British ownership.

This still leaves the hardest negotiations of all, namely those with the largest of the sterling creditors, India, Egypt and Iraq. It is likely that the talks with Egypt will be the first of this series and that they will open in the first half of June. The representatives of the Indian Government are likely to plead for delay in the hope that the constitutional position in their country will have clarified before definite arrangements have been made about accumulated sterling balances and the availability of current earnings.

In the case of the Dominions it is unlikely that any formal agreements will be entered into. All that is in fact necessary with these countries is a continuation of the war-time gentlemen's agreement not to spend accumulated sterling too fast, fortified perhaps by an undertaking that their global sterling balances will be maintained at a minimum level which will decline from year to year.

World Bank's First Loan

The International Bank for Reconstruction and Development has got away at last to its very belated start. Towards the end of last week it was announced that it had granted a loan of \$250 million to France. This loan bears interest at $4\frac{1}{2}$ per cent, and the capital is to be repayable on a graduated rising scale over a period of 30 years beginning in November, 1952. The amount is exactly half that for which France made a formal request last October. The terms appear decidedly stiff, especially in view of the fact that the loan is evidently being financed from the Bank's capital resources and not by an issue of bonds in the open market of the United States. Such an issue is, however, planned for the near future, and as this initial operation may, according to Washington reports, amount to \$250 million, it would serve to reimburse the Bank for the loan which it is about to make. The $4\frac{1}{2}$ per cent rate is presumably the lowest at which the Bank will find it possible to make loans which have to be financed by borrowings in the open capital market. The discussions which have been going on between Mr McCloy, the president of the Bank, and representatives of New York banks, issuing houses and insurance companies have not yet succeeded in defining the investment status and rating of the Bank's bonds. The most optimistic estimates at present appear to indicate that the Bank may be able to place its bonds at 3 per cent or slightly over. Since the Bank will be compelled, during the first ten years of its operations, to charge a guarantee commission of not less than 1 per cent and not more than $1\frac{1}{2}$ per cent per annum, the minimum rate of interest at which it would be able to lend to borrowers will probably be the $4\frac{1}{2}$ per cent rate which applies to the French loan.

This loan will bring some much-needed relief to the exceedingly strained French foreign exchange reserve, but it will do little to solve France's external problem, since its import programmes have been based on the assumption that France would be able to borrow from the World Bank at least twice the sum that has now been fixed. Of the \$250 million loan, about one-third has been earmarked for the purchase of machinery and other capital goods, while the other two-thirds will finance purchases of coal and raw materials. Negotiations will probably take place later in the year for a second World Bank loan for France. It is hoped by then, first, that the political and economic position in France may have been clarified somewhat, and, secondly, that the New York market will have had its first test of a bond issue by the Bank.

Meanwhile, the Bank has issued an account of income and expenditure for the nine months to March 31st last. This shows that expenses exceeded income by \$680,177. This is not surprising in view of the extremely late start which the Bank has made in its loan operations, and also the excessively heavy burden of overhead expenses which it has to shoulder.

Five-Day Week's Debut

Output figures for the first five-day week in the mines—the week ended May 10th—are, on the whole, encouraging. In spite of the unofficial strikes in Durham and Lancashire, and the two days' holiday in Scotland, which together accounted for a loss of 263,190 tons, the miners produced a total of 3,752,000 tons. But for these two factors, output would have exceeded the 4 million mark, although it would still have been nearly 100,000 tons below the previous week's figure of 4,108,300 tons. Figures for output per manshift and absenteeism are not yet available, but the district reports suggest that there has been a sharp fall in absenteeism, which in most areas has thus been reduced to absenteeism of an "involuntary" nature. Naturally, there were considerable variations in the experience in the different areas. The best records were achieved in Yorkshire, the Midlands and Kent, all of which exceeded their last week's output. Production in the Durham and Northumberland region, where the pits were not affected by the strike, was remarkably high. The following table shows the output last week, compared with the previous week and with the corresponding week in 1946.

	('000 Tons)		
	Last Week	Previous Week	Last Year
North Eastern.....	812	801	779
North Midlands.....	717	726	689
North West.....	254	273	258
Midlands.....	360	352	338
Wales.....	463	476	457
Kent.....	29	27	27
Scotland.....	271	271	271
Northern.....	643	643	643

This rate of output, however—cheering the position only by being appreciably bettered if the target of 200 million tons of average output of 4½ millions has been estimated as next. Obviously, it is too early to reach any conclusions about the effect of the five-day week, and no estimate would be valid before the end of this month. Summer holidays and possible disputes over anomalies due to the five-day week agreement may have an adverse effect on output. On the other hand, the gradually rising rate of recruitment and the growth in skill and experience of the workers may counterbalance any loss from these causes. What is needed from the miners is a steady and sustained output, rather than a series of spurts towards a weekly target. Last week, the miners, in the limelight of public attention, were very much on their mettle; it remains to be seen whether their interest and enthusiasm can be kept up. What is needed from the Coal Board is a speeding up of all possible measures to increase productivity—the Board is said to have both short-term and long-term plans, but so far there has been no indication of what they are. And surely the National Coal Board and the Ministry of Fuel can reach a more satisfactory understanding about who is to issue figures, and how often?

Profits Tax—Further Points

Closer scrutiny of the Finance Bill has resolved only some of the technical uncertainties surrounding the operation of the new tax on bonus issues, and on points of detail most City interests seem to have abandoned speculative discussion until the debate

in the House. The mechanism of the revised profits tax, however, the effects of which in several important classes of case was at first very obscure, is now more clearly understood. One point which even now seems to have escaped attention is the manner in which the tax will apply to post-budget dividends which have the effect of raising the total dividends declared for an accounting period falling wholly or partly before January 1st last over those of the preceding period.

As explained in these columns last week, such post-budget dividends will be treated, to the extent to which they contribute to the increase, as distributions in the accounting period in which they are actually paid. Ordinarily, therefore (ignoring any complication which may arise from the inclusion in profits of investment income which has already borne profits tax), the amount of the resultant excess will suffer tax at $7\frac{1}{2}$ per cent—because the company, having become liable to tax at $12\frac{1}{2}$ per cent on the whole of its profits for 1947 (assuming it accounts for a calendar year), will be debarred from claiming non-distribution relief to the extent of the dividend which has, in effect, to be brought in from the earlier period. For example, a company which paid 6 per cent for 1945, and for 1946 paid 8 per cent before this year's budget with a further 2 per cent declared after the budget, would for tax purposes have to treat half the increase in the year's distribution—that is, the 2 per cent added after the Budget—as a first payment on account of 1947, and made out of the profits for that year. If it paid 8 per cent specifically for 1947 (in further dividends made before June 30, 1948), but earned 12 per cent, its non-distribution relief would apply, not to one-third of its profits, but to only one-sixth.

That is the normal case, but there are other cases in which the post-budget distribution would not in effect attract any additional tax at all. These are cases in which the company, quite apart from the so-called post-budget distribution, pays out more than it earns. Despite the operation of this Clause 29 (3), which was designed to prevent forestalling and which at first glance seemed to have retrospective effect, the essential principle of this distribution tax is that it cannot attack profits accumulated before January 1st last. This principle will be the better understood if it is remembered that in form there is not any specific tax on distributions (other than the "distribution charge" on over-distribution): the practical effect of taxing distributions is achieved

by giving relief for non-distribution. Now Clause 24 (3), which imposes the distribution charge on amounts distributed beyond the amount of the year's profits is subject to the proviso that:—the amount on which tax is chargeable under this sub-section for any chargeable accounting period shall not, when added to the total of the amounts on which tax is charged thereunder for previous chargeable accounting periods, exceed the total of the differences [i.e., under-distributions] in respect of which reductions have been made . . . for previous chargeable accounting periods.

If, therefore, in the case considered above, the company while earning 12 per cent for 1947 specifically distributed for that year, not 8 per cent, but the whole 12 per cent, it would pay tax at $12\frac{1}{2}$ per cent on the whole of its profit. Its distribution for the year in the eyes of the Inland Revenue would, however, be 14 per cent because of the 2 per cent excess payment produced for the previous year by the post-budget distribution. But this over-distribution of 2 per cent for 1947 could not attract the distribution charge of $7\frac{1}{2}$ per cent because there would be no fund of accumulated non-distribution reliefs out of which any such charge must nationally be met.

Pre-1947 Earnings Immune

Provided that they are prepared to distribute up to the hilt for the current year, companies can with impunity even now declare dividends for 1946 which have the effect of increasing the amounts paid for 1945. At first glance, these provisions seem calculated to have the opposite effects to those which Mr Dalton presumably intended; they appear to penalise the conservative while allowing the reckless to go scot free. But in fact this is not so. Because the distribution penalty of $7\frac{1}{2}$ per cent cannot in any case fall upon profits accumulated or accrued before January 1st last (no matter when they are distributed), the only way in which companies, but for the safeguard in Clause 29 (3), could have forestalled the new burden would have been by anticipating 1947 profits by distributions forthwith, while pretending that the payments related back to an earlier year. That possibility has been ruled out. On the other hand, if they anticipated so lavishly that in the end their distributions for 1947 (including the post-budget payment) exceeded the profits, then, obviously, the excess would in fact be a payment from pre-1947 profits which fall outside the new provisions. The truth is that these changes of themselves



The original peso circulated widely throughout the Americas and was also known as the Spanish dollar or "piece of eight." It is now the monetary unit of several South American countries.

peso

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make it neither less nor more attractive to companies to share out resources accumulated up to the moment when the new provisions took effect, but they do make it more costly to distribute profits accumulated subsequently.

This principle also has a much wider application. It resolves the difficulty, which has greatly worried the market, about the fate of colliery companies or others which are due for nationalisation. Companies which wind up may be liable to tax in their final period on any distributions of capital in excess of the nominal amount paid-up, because under Clause 29 (1) (c) any such excess is not allowed to rank as capital which would be beyond the reach of a distribution charge. This limitation suggested to the suspiciously-minded that Mr Dalton was planning to take a rake-off from the compensation for the taking-over of nationalised assets whenever there was a clear surplus for the equity holders. But, in fact, the proviso quoted above—that there can be no distribution charge except out of a notional fund built up by past reliefs—runs equally for the case of wind-up as for current over-distributions. The receipt by a colliery company, or by any other nationalised concern, will not, whatever the date of payment for or vesting of the assets, increase this notional fund, because these receipts, being capital, will not attract any profits tax and therefore there can be no non-distribution relief for any accounting period in which they continue to be held. In consequence, when they come to be distributed on a wind-up, the company's liability to pay a 7½ per cent distribution charge on any excess over par will in principle be no different from that of a company quite outside the range of nationalisation. In either case, the excess will be taxable only to the extent to which it represents profits accumulated but not distributed since January 1st last, and which have accordingly already secured the 7½ per cent rebate. An excess resulting either from prior accumulation of profits or subsequent accumulation of capital (e.g., share premiums or capital compensation moneys) will escape. In short, apart from objections to the new form of profits tax in principle, it has to be admitted that the Chancellor's intentions seem to have been equitably and sensibly worked out by the tax authorities and draftsmen.

Trade with Russia

The trade talks with the USSR, which began in Moscow after Easter and are now being continued in London, show rather more signs of coming to fruition than previous series of negotiations—though there is some difference of opinion about the likely outcome between those whose approach to Russia is commercial and those who have had experience of the diplomatic methods of the Russians. Both sides appear to be anxious to develop trade relations, although both equally obviously are more anxious to buy than to sell. Last year British exports to Russia totalled £9,038,000, of which more than half was machinery remaining from wartime orders. British imports from Russia amounted to £4,920,000, of which £1 million was furs, £724,000 raw cotton, £600,000 wheat and timber, and £233,000 non-ferrous metals.

While there are a number of commodities which Britain is anxious to obtain from the Soviet Union—the list of over 100 items under consideration includes cotton, flax, hemp, copper, zinc, potash, glue, gelatine and edible oils—the main emphasis was laid by the British trade delegation on timber and wheat. Small quantities of timber have been supplied under the agreement reached last autumn, and Britain is obviously anxious to increase the scale of its imports in order to remove one of the main bottlenecks in the programme for housing and industrial recovery generally. The extent to which timber supplies can be increased depends to a large extent on British capacity to send suitable timber-getting equipment to Russia, in particular rails for tracks to convey the timber from the forests to the ports.

Wheat deliveries from the USSR could hardly be on a large scale this year, but if there is a good harvest, and if the efforts to rehabilitate Ukrainian agriculture are successful, there seems no reason why considerable quantities of wheat and coarse grain, suitable for feeding stuffs, could not be shipped during the course of 1948.

From Britain, it is expected that Russia would take machinery and capital equipment of all types, but mainly electrical equipment and machine tools. There have already been talks between the leaders of the electrical industry and the Russians, and there are still war surpluses of machine tools, although the Soviet Union is apparently anxious to obtain the most up-to-date types. It is hoped that the pre-war export of herrings from the east coast and from Scotland can be revived.

The stumbling block to previous attempts at agreement has always been the question of payment. The Russians, for example, have preferred a fixed price to the British method of a price

variation clause, and certain Soviet clauses for inspection and penalties for late deliveries have been unacceptable to British manufacturers. The question of a credit was outside the scope of the Mikoyan-Wilson talks and has been referred for higher consideration in London. However, given a genuine desire on both sides to open up trade, the obstacles which have formerly held up agreement may now not prove so formidable.

Vickers in Transition

Vickers, with its large armament interests was bound to suffer considerably in the transition from war to peace. Sir Archibald Jamieson warned shareholders a year ago that they must be under no illusion that profits as large as those for 1945 could be expected in normal times. Even so, they were probably not prepared to find that, before taking credit for an estimated EPT recovery of £1,100,000, the group's trading profits and miscellaneous revenue have fallen in 1946 from £6,738,386 to £3,122,985. After meeting all charges, including reduced appropriations for income tax, depreciation and deferred repairs, profits are insufficient to cover even the preference dividends. With the assistance of the EPT recovery it is, however, possible to cover all dividends, including the increase in the ordinary distribution from 10 to 12½ per cent and to add some £478,000 to reserves and carry forward. Figures for the past two years are set out in detail on page 369 of the *Records and Statistics* supplement.

These figures perhaps present too gloomy a picture to be altogether representative. The profit figure is arrived at after providing £950,000 for possible losses on contracts, while it appears that a provision, apparently of the order of £850,000, has been made for anticipated losses on the re-establishment of civil aircraft and other commercial products, including the building of merchant ships. Apart from current earnings and the EPT recovery, the resources of the group have been increased by a modest profit on sale of securities and the liquidation of a subsidiary, while credit is taken for an EPT refund of £1,672,713, of which the bulk had been received at the date of the report. Following the acquisition in 1945 of interests in Associated Electrical Industries and Powers Accounting Machines, the group bought a majority interest in Cockatoo Docks and Engineering of Sydney in December last, while it spent during the year £2,595,509 on land, buildings, plant and machinery. At the end of the year it had substantial commitments for capital outlays in progress, but their total is not disclosed. Evidently an effort is being made to cast an even wider net than in the past, but, as with other concerns, progress is being restricted by the prevailing shortages. The consolidated balance sheet shows a net expansion of some £1,670,000 in fixed assets and holdings and a rather smaller rise in net current assets, to almost £28,470,000, of which £21,376,000 is in liquid form. Reserves and surplus have risen by £2,780,000 to £26,260,000. There is no reference to the long-discussed project for the restoration of the ordinary shares of 10s. to their original value of £1 by the distribution of a part of these reserves. But the omission is scarcely surprising in view of the new tax.

Canada's Sterling Surplus

In 1946 the traditional shape of Canada's balance of payments—a surplus with the sterling area balanced by a deficit with the US dollar area—was more exaggerated than ever before. Details of the surplus with the sterling area and of the manner in which it was financed are provided in a report issued by the International Payments Branch of the Canadian Government. The net balance on current account in favour of Canada in its trade with the sterling area amounted last year to \$662 million, of which \$495 million was attributable to the United Kingdom and \$167 million to the trade with the rest of the sterling area. Of this total deficit of \$662 million, the bulk, namely \$540 million, was financed by drawings on the Canadian loan to Britain. A further \$112 million came from interim advances made to Britain and other Empire countries before the new loan was granted. The small residue of \$10 million is the net balance of a number of items, some of them fairly large, which included the sale of \$150 million of gold to Canada, \$135 million for sales of British-owned Canadian securities, and, on the other side of the account, certain inter-governmental transactions involving payments to the United Kingdom. The report stresses that the value of Canadian exports to Britain, Europe and other overseas countries in 1946 was greater than in any previous peace-time year.

These figures provide an eloquent commentary on the difficulties which Canada has recently experienced in meeting the Dominion's deficit with the US dollar area. The issues to be faced in this respect are merely part of a wider problem of which Britain is perhaps more keenly aware than Canada. These questions will have been the subject of helpful discussions which Sir Wilfrid Eady will have had with the Canadian authorities on his short visit to Ottawa.

Steel Output Recovery

The decline in iron and steel production which followed the fuel crisis was arrested in April. Figures issued by the British Iron and Steel Federation show that average weekly production of steel ingots and castings was 236,400 tons last month compared with 196,000 tons in March. The corresponding annual rates were 12,294,000 and 10,190,000 tons. The annual rate of output in April was thus only 1.4 per cent below the January level. But it was still nearly 4 per cent below the 1946 level of production of 12½ million tons, which is the figure set for the industry in 1947 by the *Economic Survey*.

Pig-iron production has also recovered. Average weekly production in April was 139,200 tons, compared with 123,100 tons in March and 150,100 tons in January. The annual rate last month was thus 7,238,000 compared with 7,806,000 tons in January.

These improved results were achieved, says the Federation, only by drawing upon depleted stocks of steel-making materials, especially pig-iron, and can be maintained only if supplies of coking coal improve. It is clear that iron and steel have joined the growing list of industries which will be almost entirely dependent for the rest of this year on supplies of materials from current production. There is only the slenderest margin of safety against even a temporary interruption in output. The hopes which Sir Stafford Cripps held out on Wednesday of obtaining some steel from abroad in the autumn are therefore particularly welcome.

Nationalisation of French Shipping

History, perhaps, may give the French Government a better excuse for using the guillotine in its transport nationalisation debates than could be pleaded by Mr Barnes. At all events, the comparable technique was employed for the Bill presented by M. Jules Moch, which contains drastic provisions for the nationalisation of shipping. The two major companies, *Cie Générale Transatlantique* and *Messageries Maritimes*, and one or two special services, are to be state-owned and administered by a board of 15 representatives, five of the Government, five of personnel and five of users (of which two will represent Chambers of Commerce and one each the railways and the colonial territories). All other shipowners whose fleets exceeded 100,000 tons gross in 1939 are to come under the control of the Minister of Transport, who will appoint a commissioner to be present at all board meetings with the power of veto, subject to Ministerial arbitration. The remaining shipowners are to be "free," provided that they find employment in activities regarded as essential to the Monnet plan. Finally, a Maritime Commission will be created to preside over all shipping affairs and to advise the Minister. Its 20 members will consist of five representatives each of the Government, of users and personnel, and of shipowners. An assured majority of 15 non-experts will thus direct shipbuilding programmes, create or maintain shipping services and "prevent uneconomical competition between individual companies."

French shipowners apparently regard the proposed regime as a stultification of their hopes of reviving French participation in international trading. Shipowners under free flags refrain from comment. The dangers of a revival of economic nationalism are being sufficiently obvious, particularly when strenuous efforts are being made to expand international trade, but it remains to be seen how long the French Treasury will be able to pour out millions of francs in the operation of a state fleet in an attempt to save imports of shipping services. Not only are these services now likely to cost more, but the state fleet is unlikely to earn as much foreign exchange as before the war in exporting its services. The nationalisation of the two leading companies merely regularises their present status, for their losses have been covered by the

Treasury for 25 years. That record alone should be sufficient reason for hesitating to apply nationalisation to further branches of an essentially international industry.

Retail Margins Negotiations

The Board of Trade has agreed, after consultation with the organisations representing the retail trade, to consider with the Central Price Regulation Committee the effects of the reductions in retail margins made in January. Margins fixed during the war had to take account of the reduced turnover in the shops. But since the war sales have been expanding and towards the end of last year the Board of Trade was satisfied that wartime margins could no longer be justified. Cuts introduced at the turn of the year in a number of clothing lines resulted in small but, from the consumers' point of view, very welcome reductions in price. Reductions in other margins were under consideration when the fuel crisis broke.

The resultant dislocation destroyed such basis as had existed beforehand for computing turnover in the shops in 1947. It was clear from the outset of the crisis that production of textiles, to take only one example, would be severely reduced, and that this reduction would affect the retail turnover of clothing later this year, but that any exact estimates of the prospective reduction in sales would be clearly impossible.

Before the margins were cut, the Retail Organisations' Committee and the Board of Trade were agreed that there would be an increase in wage costs and overheads to be set against the increase in gross receipts. The separate estimates, made by both sides, of the percentage probable increase in turnover and costs in 1947 did not differ substantially, but the discrepancy was sufficient to make an important difference in the prospective cash receipts of retailers. The Board of Trade was satisfied, however, that a case had been established for reducing margins, and they were revised accordingly. Now that the trend of turnover is downwards, the retailers' case for a reversal of the decisions taken in January has obviously been strengthened. But there is also a case for reviewing afresh the whole basis of controls. Restriction or specific fixing of margins was an inevitable ingredient in the formula of wartime price control, and regulation of margins by reference to turnover—so that, in principle, the unit margins widened as the volume of trade declined—was regarded as necessary to ensure that the existing retail organisation was not constricted by purely financial pressure. Scarcity of supplies at present perhaps justifies similar arguments now, but the system

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can operate inequitably for retailers and is not calculated to increase the efficiency of the distribution system. If the consumers' interest is to be adequately served, a thorough overhaul of all price structures from manufacturer to retailer is necessary to discover not only if margins are too high or too low, but also if some allowances are necessary at all. Unfortunately, the fact that the Census of Distribution has been postponed for a year suggests that there is little prospect of a thorough overhaul of the retail price structure in the near future.

Diamonds and De Beers

The change of trend in the diamond market in recent months lent an added importance to Sir Ernest Oppenheimer's review at the annual meeting of De Beers Consolidated Mines. It was even more informative than usual. Total sales of diamonds in 1946 reached a new high level at nearly £30 million—£26.1 million by the Diamond Trading Company (whose dividend was raised from 12½ to 27½ per cent) and almost £3.5 million by the newly formed Industrial Distributors (1946), Ltd., whose object is to develop the particular sales technique which is best suited to industrial diamonds; this company paid a maiden dividend of 10 per cent. Unfortunately, the sales of gem stones were concentrated almost wholly in the first nine months of the year, before the setback on Wall Street. The outlook now is clouded by overstocking of the smaller gem stones by jewellers (partly from stones downgraded by the group during the war and released at low prices as industrial diamonds in order to ease the supply for such purposes), by restrictions on purchases in European countries, and, above all, by the uncertainties which spring from fears of an American trade recession. "Much reduced but quite reasonable" sales of rough diamonds are therefore envisaged for the current year, but Sir Ernest claimed that the conservative price policy—which had not followed the market to its peak—and the financial strength of the group will enable it to cope "easily and successfully" with temporary recession. Meanwhile, the Diamond Corporation—jointly owned by De Beers (80 per cent) and by Consolidated Diamond Mines of South Africa (20 per cent, most of which is in effect indirectly held by De Beers)—made "substantial" profits during the year; the question of a dividend was postponed until the current year and will be considered "at a later date."

The diamond interests of De Beers nowadays are, in any case, only the most spectacular of its ramifications. The De Beers Industrial Corporation holds a half-interest both in African Explosives and Chemical Industries (the other half is held by Imperial Chemicals) and in Boart Products, makers of diamond drills and tools. The Chemical company is providing for expansion of its output of superphosphates to 500,000 tons per annum and to increase the South African production of various chemicals, which must be supplied as cheaply as possible because they are the raw materials of other industries, including gold mining. The scheme also embraces a leather-cloth plant and the whole programme will cost £3,000,000. De Beers is reducing its holding of the Industrial Corporation shares by £1,000,000 nominal as a result of options granted to other Rand groups in 1944 at a price of 30s. per share, and is also providing half the block of 400,000 shares to be released to the Johannesburg market (at 32s. 6d.) in connection with an application for a quotation on the Johannesburg Stock Exchange; a similar application will also be made in London. Altogether, the outlook for the group as a whole is obviously less rosy than in the boom years of war, but, after stressing the strength of the De Beers company's cash resources—these, including the proceeds of the realisation of the Industrial Corporation shares, total nearly £5.7 million—Sir Ernest remarked that "dividend declarations can in future approximate more closely to actual earnings." For 1946 De Beers deferred shareholders received £2 per share (equivalent to 4s. on the existing 5s. units) compared with earnings of £2 14s. 3d. per share.

Jet Aero-Engine Exports

The week-end announcement that Pratt and Whitneys are to build Rolls-Royce Nene jet engines under licence marks an important stage in the expansion of British aeronautical exports. The Americans have for some time acknowledged the supremacy of British jets and last June the Taylor Turbine Company was formed with a capital of \$10 million to build Rolls-Royce jets. It thus seems certain that jet engines will become an increasingly important dollar-earning export. They are, however, already

earning considerable sums of hard currencies. Sweden makes De Havilland Goblins under licence and is soon to make Ghosts, apart from the purchase of several dozen complete Vampire fighters. The Swiss Air Force is abandoning all other fighters in favour of Vampires, and Argentina has just bought several Gloster Meteors. Other markets are France and China, where Hispano-Suiza are licensed to build Rolls-Royce jets.

The emphasis so far has been on the use of jet-engines in fighters. But it should be remembered that the first jet air-liner, a modified Lancastrian, was also a British machine, and since it flew last summer, considerable experience has been gained from it and other prototypes of the performance of large jet aircraft. Considerable experience is also being gained of propeller-turbine engines which attempt to overcome the present disadvantages of jets by the use of a propeller. The Bristol Theseus has just passed its tests and gone into production, and several other British manufacturers have similar engines almost as far advanced.

Meanwhile, aircraft exports in March totalled £1,373,201, more than twice the figure for March, 1946, compared with £792,226 in February when the fuel crisis hindered production. Of the latest total, 145 aircraft accounted for £636,635 and 84 engines for £573,716. A satisfactory feature of this rising trend is that it has yet to reflect the export of new types. The figures for the past year or so admittedly included a number of obsolescent military types, but few large civil machines and none of new design. When new machines, designed for propeller-turbines and, later, jets incorporating war-time lessons and often very much larger (and there more expensive) appear, the export prospects should be bright—unless dimmed by another fuel crisis.

Whisky for Dollars

There have been reports recently that the Government is contemplating a centralisation of exports of whisky, particularly for the American market, and possibly by means of Government purchase by a central selling agency. Certainly, whisky is one of the surest British exports to the United States. Its demand is based on the acquired thirst of those Americans who knew "Scotch" before the war, together with the relative new-comers who were first introduced to its taste through British hospitality in recent years. Americans used to yearn for real "Scotch" and ask why they could not get more of it "back home." But, in spite of this, whisky does not bring in any very large quantity of dollars for Britain. Its export price is 5s. a bottle f.o.b. or 60s. for a case of 12 which compares with the British wholesale price of 4s. 3½d. a bottle and a retail price of 25s. 9d. On the face of it, there would seem to be scope for increasing the dollar yield, either by a straight increase in the export price or by the imposition of an export duty payable by the purchasing countries.

But how elastic is the demand for whisky in the United States? There are many substitutes and although no connoisseur would ever drink rye-whisky in preference to Scotch, the average consumer has to consider relative prices in relation to his income. The retail selling price in America is 22s. to 25s. a bottle. The difference of 17s.-20s. compared with the British export price is made up by taxes, freight and distributive margins. Nevertheless, this price is relatively much lower than the British retail price, when considered in relation to the higher American income structure, and it would appear possible to effect a moderate rise in price without affecting consumption unduly. The British whisky trade, however, considers that such action would be "the height of folly," on the ground that consumer resistance is already beginning to harden in the United States, particularly in luxury trades. According to the Scotch Whisky Association, its sales have never covered more than a relatively small share of the American market, and now are believed to represent barely 5 per cent. If this is so, it would suggest that the majority of consumers were of the "connoisseur" type, in which case price elasticity is likely to be less than unity and an increase in price would cause a less than proportional decline in consumption.

From a domestic consumer's point of view, it seems only fair that the maximum number of dollars should be obtained from the whisky which is denied to the home market. Of the British retail price of 25s. 9d. a bottle, the Chancellor of the Exchequer receives 18s. 4½d., but from the export price he receives nothing. Indeed, the United States Federal Government gets about 10s. a bottle from taxes, and State governments also impose levies. Although it is difficult to state categorically that the demand for a product is elastic or inelastic without careful investigation, these facts do suggest that the demand for Scotch whisky in the United

States, although conditioned to some extent by the price of possible substitutes, tends to be relatively inelastic. Naturally, if an export duty were considered, it would have to apply to exports of whisky to all destinations. But in 1946 exports to dollar countries amounted to 3.9 million gallons out of a total of 5.9 million gallons. With the increased allocation, exports should show quite an appreciable rise this year.

Floating Security

A number of London banking houses have recently been deprived of security they held in respect of a debt of £400,000 owing to them by the Hungarian River and Sea Navigation Co. and outstanding from the pre-standstill days of the early 1930's. The security was eleven ships belonging to the debtor. They were part of the Hungarian Danube fleet that had been detained by the American authorities after the liberation of Austria. When those ships were released last November they were handed over by the American military authorities to the Hungarian Government, which now, directly or indirectly, has a hundred per cent interest in the Hungarian River and Sea Navigation Co. As the ships made their way down the Danube they were arrested in Linz on behalf of the British creditors acting on the authority of the Austrian courts. After remaining in Linz for several weeks the ships escaped on May 4th unhindered by the Austrian police and in disregard of the court orders. Their escape appears to have been prompted by emissaries who had been sent from Budapest. On their journey down the Danube the ships were re-arrested in Vienna by the Austrian authorities, but were released in less than 24 hours on orders from the Russian military authorities. The latest news is that the ships are now in Budapest and well out of reach of the creditors. This is a clear instance of illegal seizure by the Hungarian Government of property belonging to British banking creditors. This event should strike a very odd note in the discussions which are now proceeding for granting substantial London credits to the Hungarian Government to finance the import of wool into Hungary. These credits are being arranged by London bankers and will be secured by the Export Credit Department guarantees. This seems to be a case where the left hand of the City of London, to say nothing of the Foreign

Office, knows little of what is being done by, or rather to, their right hand. Better co-ordination might avoid losses which Britain can ill-afford to make at this moment.

International Timber Plans

The international timber conference held in Czechoslovakia concluded last Saturday. It was convened in order to estimate and co-ordinate the world supply and demand for timber and to attempt to overcome the problem of scarcity. The members comprised most of the European countries, including delegates from the western zones of Germany, together with the United Kingdom, Canada, the United States, Brazil, Chile and Egypt. The USSR was not represented and did not send an observer. As expected, the conference did not achieve any major results, but it was far from being a failure. It is interesting to find that the United Kingdom, being the main consumer, took a leading part in the discussions and in the formulation of the decisions.

The world available supply of softwood for the 1947 season has been estimated at 2,509,000 standards, of which 550,000 standards are to come from Canada; 410,000 standards from Finland (this figure includes shipments for reparations); 400,000 standards from Sweden; 328,000 standards from Germany; 250,000 standards from the United States; and 45,000 standards from the Soviet Union. British requirements comprised nearly half of the total. The prospective deficits between supply and requirements for 1947 and 1948 were estimated to be about 10 per cent. Whereupon France proposed, and the conference agreed, to request all producing countries to expand output in the next two seasons by this percentage.

The second resolution was that consumers should take all practical economy measures. The influence of British wartime experience was obviously very strong in this field. The conference recommended a limitation of timber in buildings, economy in packagings, use of fibre-boards and other non-wood materials wherever practicable, and finally the recovery of old timber. All these economy measures are already in operation in this country.

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BALANCE SHEET, 5th APRIL, 1947

	£	s	d		£	s	d
SHARE CAPITAL—							
Authorised, Issued and Fully Paid:				Cash at Bankers and in hand	1,040,022		
£800,000 5% Cumulative Preference Stock	800,000			British Government Treasury Bills, Bank Bills and Trade Bills, less Rebate Reserve, and short dated securities	68,498,426		
£400,000 Ordinary Stock	400,000			British Government Securities at Cost, less Share Premiums and Securities Reserve	15,650,516		
	1,200,000			Advances against Security and Sundry Accounts	461,440		
GENERAL RESERVE—							
Balance per last Balance Sheet	400,000						
Transferred from Share Premium Account	800,000						
	1,200,000						
Profit and Loss Account	88,241						
	2,488,241						
Loans against Bills and Securities							
Deposits, Sundry Creditors and Reserve for Contingencies	244,300						
Proposed Final Dividend on the Ordinary Stock, less Income Tax	88,300						
	332,600						
NOTE— There is a contingent liability in respect of Bills rediscounted, amounting to £9,296,165, excluding Treasury Bills.							
	288,881,004				288,881,004		

AUDITORS' REPORT TO THE MEMBERS.

We have examined the above Balance Sheet and have obtained all the information and explanations we have required. We are of opinion that the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information, and the explanations given to us, and as shown by the books of the Company.

GEORGE A. TOUCHE & CO.,
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SPICER & FEGLER,
Chartered Accountants,

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* FAMOUS ALSO for Motor Insurance
and Fire Bonus Schemes

It was further agreed that it would be unwise, from a long-term point of view, to cut too much timber now. The Economic Commission for Europe is therefore to be asked to take responsibility for the effort to increase available timber supplies and to effect a satisfactory distribution, taking into consideration countries' current needs for reconstruction purposes and also longer term requirements.

Finally, the conference recommended that, as German aggression caused the damage which now has to be repaired, and as the amount of German timber felled during the war was double that of the pre-war period, Germany should make a major contribution to current supplies. It was agreed that she could export some 328,000 standards in 1947 and 200,000 standards in 1948.

If these recommendations can be carried out, timber prospects for the next twelve months will look brighter. Of the estimated available world supplies for 1947, some 1,200,000 standards should be available to cover British requirements. The use of German timber will not interfere with the British plans for developing supplies from the British zone; it will rather form an expansion of it. It is not known whether the Soviet Union will agree to ship timber from its zone for reconstruction purposes in Western Europe.

Accountants and Nationalisation

All too little attention has so far been paid to the question of the form of accounts to be adopted by the various governmental boards of nationalised industries, despite the obvious importance of coherent and objective systems of costing. The Accountants' Joint Parliamentary Committee, the work of which was described by Mr Gilbert D. Shepherd in his presidential address to the annual meeting of the Institute of Chartered Accountants last week, was set up last year to consider the effect of coal nationalisation upon the accountancy profession. The terms of reference of the Committee, which includes representatives of each of the leading accountancy bodies, have now been widened to cover all nationalisation proposals which may have an effect upon the accountancy profession. It seems that the Committee has so far been concerned mainly with the impact of nationalisation upon accountants as such, but it is very clear that many of the issues involved have a much wider public significance.

Although the National Coal Board, the practice of which may well be followed by other nationalisation Boards, has appointed a leading firm of accountants to audit its own accounts, it is also planning to establish a comprehensive internal audit department responsible for the detailed audit work of the various collieries, etc. Naturally, it would have been impossible to establish such a system rapidly, and in the meantime the Board is employing a number of professional firms in the various regions. But when the plan is fully working it seems clear that the field for professional accountants in the colliery industry will be greatly narrowed, and the benefit of much highly specialised knowledge

will inevitably be lost—more particularly as few accountants of standing would be attracted by the prospects of working as employees wholly within a given industry. It would certainly be regrettable if the accounting systems of the nationalised industries were to be assimilated to the methods of the traditional service of Government accountants, for their techniques are essentially adapted to the needs of public administration rather than to those of the running of trading and industrial concerns. In pursuing such issues as these mainly from the standpoint of their effect upon the accountancy profession, the Accountants' Parliamentary Committee may none the less perform a valuable public service in drawing attention to the need for the highest standards of objective accounting in nationalised industry. Without adequate and realistic accounting data, it will be virtually impossible even for the expert outside observer to judge how far such industries are being efficiently and economically conducted.

Shorter Notices

Following the increase in crude oil Gulf prices recently, the prices of certain petroleum products in the United Kingdom have been raised this week. Motor spirit is increased by 1½d. to 2s. 0½d. per gallon, including duty. Paraffin and vaporising oil are increased by 1d. and Diesel oil for road vehicles by ¾d. a gallon. White spirit is increased by 1½d. a gallon and bitumen by 9s. per ton.

United States imports of manganese ores reached a record level of 1,747,000 tons in 1946, against 1,461,945 tons in 1945. India and the Gold Coast were the main sources of supply. Industrial stocks of ore at the end of 1946 totalled 872,347 tons, against 513,063 tons in December, 1945, and were equivalent to over six months' supply at the consumption rate established in the second half of 1946. Domestic production represented about one-tenth of consumption.

Following the reports of several committees of enquiry, the Minister of Labour has decided to set up seven different wages councils for the retail distributive trade, and a separate one for hairdressing. Objections to this proposal can be lodged before June 19th, but, even if there is some opposition from the trade, there is unlikely to be any from the general public. While some sections are already covered by joint industrial councils, there are still some largely unorganised and unregulated sections in this highly complex and heterogeneous group of trades. The effect of wages councils should be to raise the standards of those sections and units which are below average and to give statutory protection to workers whose conditions and hours are still unregulated.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Vickers; Ever Ready; Home and Colonial; Pinchin Johnson.

Prices, Jan. 1-May 14, 1947		Name of Security	Price, May 7, 1947	Price, May 14, 1947	Net Yield,* May 14, 1947	Gross Yield,* May 14, 1947	Prices, Jan. 1-May 14 1947			Last Two Dividends			Name of Security	Price, May 7, 1947	Price, May 14, 1947	Yield, May 14, 1947
High	Low		High	Low	(a)	(b)	(c)									
Other Securities																
103½	101½	Conversion 3% March 1, 1948-53	102½	102	£ s. d.	£ s. d.	111½	106½	(d)	(d)	(d)	Australia 3½ 1965-69	110	110	2 10 7	
103½	101½	War Bonds 2½ August 1, 1949-51	102½	102	0 3 8	1 4 10	105½	99½	(d)	(d)	(d)	Birmingham 2½ 1966-71	100	101	2 8 8	
102½	100½	Exchequer Bonds 1½ Feb. 15, 1950	101½	101½	0 0 2	1 6 3	102½	100½	(d)	(d)	(d)	Argentine 3½ 1972	101	101½	3 8 0	
105½	101½	War Bonds 2½ March 1, 1951-53	103½	103½	0 0 0	1 13 4	102½	100½	40 c	42½ c	42½ c	Anglo-American Corp. 10s.	133/3	132/3	3 18 8	
105½	101½	War Bonds 2½ March 1, 1952-54	103½	103½	0 13 4	1 16 4	102½	100½	60/-	10 c	15 c	Anglo-Iranian Oil 11	160/-	160/-	2 10 0	
106	103	Funding 2½ June 15, 1950-57	105½	104½	0 12 6	1 16 3	102½	100½	42/-	36/4	25 c	Assoc. Port. Cem. Ord. Stk. 11	78/6	80/-	3 15 0	
108½	103½	National Def. 3½ July 15, 1954-58	106½	106½	0 15 2	2 2 7	102½	100½	79/6	7 a	7 b	Austin Motor 'A' Old. Stk. 5s.	37/7½	39/4½	5 1 7	
109½	103½	War Loan 3½ Oct. 15, 1956-59	106½	106½	0 16 7	2 2 10	102½	100½	197/6	19 a	120 b	Barclays Bank Ord. 'B' 11	89/6	88/6	3 2 3	
108½	103½	Savings Bonds 3½ Aug. 15, 1955-65	106½	106½	0 17 6	2 4 6	102½	100½	88/8	8 a	12 b	Bass Ratcliff Ord. 11	217/6	217/6	2 6 0	
108½	103½	Funding 2½ April 15, 1956-61	106½	106½	0 17 6	2 4 6	102½	100½	58/1	50/7	2½ a	British Oxygen Ord. 11	104/4½	104/4½	3 16 4	
109½	103½	Funding 2½ April 15, 1959-69	106½	106½	0 17 6	2 4 6	102½	100½	29/11	29/11	8 c	Courtauld Ord. 11	54/3	54/6	2 15 0	
109½	103½	Funding 2½ April 15, 1960-90	106½	106½	0 17 6	2 4 6	102½	100½	79/4½	68/8	8 c	Dormant Long Ord. 11	78/-	79/3	3 0 6	
122½	114½	Savings Bonds 3½ Sept. 1, 1960-70	118½	118½	0 14 0	2 6 9	102½	100½	41/-	3 a	7 b	Dunlop Rubber Ord. 11	78/-	79/3	3 0 6	
123½	115½	Savings Bonds 3½ Sept. 1, 1960-70	107½	107½	0 12 2	2 8 7	102½	100½	40/-	40/-	7 c	Imp. Chem. Ind. Ord. Stk. 11	50/6	51/3	3 18 0	
104½	98½	Savings Bonds 2½ May 1, 1964-67	102½	102½	0 14 9	2 7 1	102½	100½	49/6	40/-	7 c	Lancs. Cotton Ord. Stk. 11	46/4½	48/9	4 2 0	
123½	115½	Victory Bonds 4½ Sept. 1, 1920-76†	120½	120½	0 18 3	2 10 4	102½	100½	47/6	10 c	5 c	Lever & Unilever Ord. 11	56/-	55/9	1 15 9	
111½	103½	Savings Bonds 3½ Aug. 15, 1965-75	108	108½	0 13 5	2 9 9	102½	100½	76/6	62/6	10 c	London Brick Ord. Stk. 11	70/-	71/3	3 10 3	
108½	104½	War Loan 3½ (after Dec. 1, 1952)	106½	106½	0 14 11	2 5 1	102½	100½	78½	44½	(d)	L.M.S. 4½ 1st Pref. Stk. 11	79	79½	5 0 8	
117½	110½	Consols 4½ (after Feb. 1, 1957)	111½	115½	0 13 2	2 7 7	102½	100½	36/9	35/-	2½ a	N. Eastn. Elec. Ord. Stk. 11	35/-	35/-	4 0 0	
115½	107½	Conversion 3½ (after Apr. 1, 1961)	111½	112½	0 13 2	2 7 7	102½	100½	64/6	47/-	5 a	Pebbin Jnson Ord. Stk. 10s.	64/6	64/-	3 18 0	
100½	93	Treas. Stk. 2½ (after Apr. 1, 1975)	97½	97½	1 8 5	2 11 8	102½	100½	33	33	163½ c	Prudential 'A' 11	37½	38½	1 18 0	
110½	102½	Treas. Stk. 3½ (after Apr. 5, 1966)	106½	107½	0 14 11	2 11 1	102½	100½	63/4½	52/3	12½ a	Stewarts & Lloyds Del. 11	59/3	56/9½	4 8 0	
117½	107½	Redemp. Stk. 3½ Oct. 1, 1986-96	111½	112½	1 5 1	2 10 3	102½	100½	91/7	113½	12½ a	"Shell" Transp. Ord. Stk. 11	105/7½	106/10½	1 3 0	
99	92½	Consols 2½ ½	96	96	1 8 8	2 12 3	102½	100½	147/6	118/9	12½ b	Tube Invest. Ord. Stk. 11	141/3	142/6½	3 10 0	
							102½	100½	81/3	3½	8½ b	Turner & Newall Ord. Stk. 11	93/3	93/-	2 12 8	
							102½	100½	96/9	93/1½	15 a	Woolworth (F. W.) Ord. 5s.	102/6	103/9	3 7 6	

* To earliest redemption, except § flat yield and † assumed average life 17 years 6 months. Net yields after allowing for tax at 9s. in £.

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

COMPANY MEETINGS

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

SUBSTANTIAL INCREASE IN PREMIUMS

SOUND POSITION

MR. GEORGE F. HENDERSON'S SPEECH

The 122nd annual general meeting of the shareholders of the Scottish Union and National Insurance Company was held at Edinburgh, on the 14th instant.

Mr George F. Henderson, M.C., W.S., the chairman, who presided, said:

My Lords and Gentlemen, The accounts for the year which have been in your hands for some days largely follow the customary form. Having regard to the many difficult problems of trade and commerce throughout the world, over which area we operate, I hope that the figures presented to you may not be considered unsatisfactory.

The outstanding features of our accounts are the substantial increase in premiums in all departments and the present heavy cost of running our business. The former of these two items will be dealt with under the reviews of departments. Of the latter, the considerable increase in expenses will have been noticed. This is mainly due to three factors. Firstly, a substantial rise in premium income which must naturally carry with it increased cost, then the increase in commodity prices which means that we have had to pay more for our office supplies and equipment, and lastly the increased salary bill, following the return of the majority of those of our staff who have been serving with the Forces during the war. These men and women whom we welcome back have been reinstated in our employment on a basis which is intended to prevent them from being prejudiced by their years of absence and this, together with a general rise in salary rates, naturally increases our expenses.

LIFE DEPARTMENT

The return of the majority of our outdoor staff in 1946 was reflected in the increased new business written in the life department. The total new sums assured, after deducting reassurances, amounted to £1,792,408, an increase of 80 per cent. over the figures for the previous year. While this total is lower than the new business written in the years preceding the war, it should be remembered that the whole of it arises from business written within this country. We do not now, as was the case before the war, transact new life business in India or Eire. In the circumstances the business written is very satisfactory, more particularly as the figures are in no way inflated by any blocks of business or special schemes at low rates of premium.

Our claims by death are higher than for the last four years. Our experience in recent years has been most favourable and despite the increase in 1946 the total payments are less than were expected by the mortality tables which we employ. Expenses and commission have both advanced with the increased business written. On the other side of the account, despite the single premiums in 1946 being £10,000 less than in the previous year, our total premium income shows a satisfactory increase of over £20,000 at £858,393. The life and annuity funds have increased during the course of the year by over £200,000 to £12,851,977.

FIRE DEPARTMENT

The total premium income of £1,915,610 constitutes another new record in the history of the company. This increase is, in some measure due to the rise in insurable values,

but it also reflects the work done by the members of our organisation in developing new avenues of business. Adequate provision for premium reserve has been made to meet this development of our fire account. The claims paid and outstanding are higher than in 1945, mainly on account of the continued unfavourable experience in our North American business. The remainder of our business, both at home and overseas, has been extremely favourable and indeed is an improvement on the previous year. Our position in the USA and Canada, however, follows the general experience of companies in these countries. While there is no consolation in making a loss in any class of business, it is interesting to note that our loss experience on the American Continent is below the average of the majority of companies.

Overall the trading surplus in the fire department for the year was £211,591 but out of this the sum of £185,193 has been added to reserve for unexpired risks in consequence of the increase in premium income.

ACCIDENT DEPARTMENT

In this department the aggregate premiums increased by some £87,500. Each section of the accident department contributed to this advance. The smaller transfer to profit and loss is entirely due to a heavy loss experience in the motor section. The other sections of the account each showed a satisfactory profit.

Looking ahead we must anticipate some reduction of our premium income as a result of the impending legislation regarding Workmen's Compensation. The National Insurance (Industrial Injuries) Act, under which the administration of workmen's compensation will operate, provides for the Ministry of National Insurance taking over the insurance of employers' liabilities to their workpeople other than those which arise at Common Law.

MARINE

After the anticipated reductions in marine premiums which occurred in recent years, it is very satisfactory to report an increase of over £194,000 in the premiums for 1946. This has, of course, made it necessary to increase the marine underwriting fund but, on the other hand, it has been possible to release £50,000 from the reserve we had set up to meet possible excess profits tax no longer required, and the sum of £110,000 is available for transfer to the profit and loss account.

INVESTMENTS

1946 saw the continuance and, I hope, the culmination of the Treasury's present cheap-money policy. As a result, the market value of the Stock Exchange investments showed further appreciation at the end of the year. We are, of course, more concerned with the difficulty of investing money at a reasonable yield. Although it seems likely that we shall not see lower interest rates, conversions to lower rates of maturing debentures, etc., are likely to continue to affect earnings for some time. The loss of various securities through nationalisation of industries will have a similar effect. The new dividend tax may still further limit the earnings from investments. It is to be hoped that it will not be a vehicle for stifling enterprise and denying the normal protection to capital while inflationary conditions continue.

Balance Sheet.—I do not think I need make much comment about the balance sheet, which reflects the sound and healthy condition of the company.

The past year has largely been one of reconstruction after the disorganisation caused by the war. The rehabilitation into our business of the men and women who served in the Forces has been a welcome responsibility. Many of the readjustments in our organisation rendered necessary by this factor are yet to be put into full operation. Every encouragement is being given to the younger members of the staff to equip themselves by training and practice to play their part in the development of our business and the provision of that service which the company always seeks to provide for its policyholders.

During the war years it was not possible to make visits to our overseas branches and agents, but last year our general manager, Mr Stevens, paid visits to the United States, Canada and Australia, while a number of our representatives from abroad paid visits to this country. These direct contacts with our representatives in other countries are of great importance and most helpful to our business.

The year 1946 has not been an easy one for insurance companies and has called for much hard work by the executive and every member of our staff. I wish to take this opportunity of thanking them one and all for the good work they have done and to assure them of our appreciation of their loyal services and co-operation. These remarks also apply to our agents and representatives abroad whose efforts and services have been of such benefit to the company.

The report and accounts were approved.

ROYAL INSURANCE COMPANY LIMITED

101st ANNUAL REPORT

In a statement circulated with the 101st annual report of the Royal Insurance Company, Limited, the chairman, Mr. P. R. England, said that fire, accident, and marine premiums at £21,840,373—a record figure—were higher by £4,255,642 over 1945. Underwriting profit was £1,056,010 compared with £1,563,237 in the previous year.

DEPARTMENTAL RESULTS

Fire premiums at £10,428,006—the highest recorded—rose by over £2½ million against the 1945 figure of £7,841,426.

Accident and general premiums totalled £9,462,674 (a record), rising by over £1,700,000, against £7,752,880 of 1945.

The Marine account closed with a profit of £440,999 to which the four principal marine underwriting centres—Liverpool, London, America and Australia—all contributed.

Life new business, at £7,598,000, showed a substantial advance of over three and a half million pounds against the 1945 figure of £4,005,000.

Apart from agency commission and overseas taxation, expenses were 15.47 per cent. of the premiums.

PROFIT AND LOSS ACCOUNT

In addition to interest (amounting to £1,056,529 net) and the usual departmental transfers, the account had been credited with £103,949 profit on foreign exchange in respect of interest and dividends remitted. £756,461 had been brought in on account of profit realised on investments, mainly in respect of U.S.A. securities. On the other side of the account, a transfer of £534,500 had been made to the staff pension funds, this figure including a provision against the

pension liabilities arising from the post-war adjustment of salary levels. £950,000 had been charged as provision for British taxation in respect of 1946 profits. This was additional to the taxes of £884,200 on interest (which was shown net in the account). There were also Dominion and foreign taxes of £632,705 which appeared as separate charges in the revenue accounts.

A balance of £1,771,859 had been carried forward.

A YEAR OF TRANSITION

The chairman characterised 1946 as primarily a year of transition. The world had been acclimatising itself to the atmosphere of war's aftermath, an atmosphere no less exacting than that of war, but perhaps, in a sense, more dangerous because less stimulating. The solution of Britain's problems would tax the resourcefulness and political sagacity of her people to the utmost, and would depend on the persistence of those qualities which had made for her greatness—leadership, hard work, tenacity and willingness to co-operate.

MANPOWER AND EFFICIENCY

Much had been said and written about steps to improve the economic position of the country. The inescapable emphasis was upon increased production. This rightly applied not only to manual work, but equally to black-coated occupations. There were perhaps three million black-coated workers in this country. It took little imagination to visualise the additional manpower which would become available if the output of each individual could be raised by 10 or 15 per cent. The responsibility did not lie merely with the employee. He undoubtedly had his obligation to raise his output to the maximum, but it was equally important for the employer to plan for maximum efficiency to eliminate antiquated methods and unnecessary routine.

INTERNATIONAL TRADE AND INSURANCE

It was regrettable that there was still a tendency in many countries to adopt a legislative policy inimicable to the interests of foreign insurers. It was hoped that those responsible might yet realise the international character of insurance so convincingly stressed by Sir Stafford Cripps in the House of Commons in November, 1945. No one in Great Britain would lack sympathy with countries which were confronted with difficult problems in their balance of payments, but it was permissible to stress the inescapable truism that, if those other countries looked to Britain for a market for their primary products, they must be ready to accept some part of the payment therefor in the services Great Britain had to offer, of which insurance is not the least important.

DIVIDEND

In November last an interim dividend of 3s. 9d. (less tax) was declared. The directors recommend a similar rate for final dividend, making 7s. 6d. per £1 stock for the year compared with 6s. 6d. for 1945.

THE LICENSES AND GENERAL INSURANCE COMPANY, LIMITED

FURTHER EXPANSION

The fifty-seventh ordinary general meeting of The Licenses and General Insurance Company, Limited, was held, in London, on the 14th instant.

Mr Stanley Christopherson (the chairman), who presided, said:—

We go from strength to strength, the total funds at £2,323,175 showing an increase of £295,655 during the year which has passed. The Assurance Companies Act, 1946, requires that a company shall possess in "free

reserves" a sum equal to 10 per cent. of the premium income. Your company is in a position to declare a percentage largely in excess of the required figure.

The Life department funds now total almost £400,000. This department is assuming quietly a measure of some importance. The fire department continues to show a reasonable profit in a transfer of £19,261 to the credit of profit and loss. With regard to our motor account, an accession of business has called for substantial reserve additions, costing no less than £54,821—and equal approximately to twenty-five per cent. of the income figure. There remains the sum of £6,665 to add to profit and loss.

The general account provides a profit similar to the preceding year, but with the increased income, the financing charge is slightly more onerous than in 1945—£27,269 in all being required for unexpired risk and added claims reserve before a profit balance is reached. The upward trend of interest earnings continues and your directors feel that the dividend payment might again follow a like course by an additional 2½ per cent. in the final payment.

The report was adopted and a final dividend of 22½ per cent., making 32½ per cent. for the year, was approved.

METHUEN AND COMPANY, LIMITED

PUBLISHERS

INADEQUATE PAPER SUPPLIES

The annual general meeting of Methuen and Company, Limited, was held, on the 22nd instant, at 36, Essex Street, W.C.2.

The following are extracts from the statement by Mr H. N. Hume, C.B.E., M.C., the chairman, circulated with the report and accounts:—

There has been only a relatively small contraction in gross and net trading profits which, having in mind the difficulties which persisted throughout the year, is gratifying. The reduction of excess profits tax to 60 per cent. has made available an appreciably larger sum for reserves and dividends, with the result that we have been able to recommend a dividend of 10 per cent. which will cost (after income tax) £4,400 more than the 6 per cent. dividend last year, while at the same time we have added £12,035 out of the year's profits to reserves and carry-forward, whereas we added only £5,026 a year ago.

SATISFACTORY LIQUID POSITION

We received £31,396 by way of post-war refund of Excess Profits Tax during the year, and we have since received a further £10,226. In the same periods, Chapman and Hall, Ltd., have received £7,184. The aggregate of reserves in the balance sheet of Methuen and Co., Ltd., now amounts to £102,862, and there are further reserves in Chapman and Hall, Ltd., to which this company, as the parent, is beneficially entitled. The liquid position of both companies is satisfactory, but shareholders must realise that our cash resources are needed to recreate our stock in trade as soon as supplies of raw materials allow and the necessary production facilities are available.

I wish it could be said that the increase in the available profit for 1946 was symptomatic of a general improvement in the condition of book production, but that would be very far away from the truth. Our late chairman, Mr C. W. Chamberlain, described at our last annual general meeting the serious slowing up of printing and binding which had then become apparent and which he regarded as constituting the company's biggest problem. Paper supplies were not adequate in

relation to the demand for books, but they were sufficient to keep printing and binding works—manned to the extent they then were—fully occupied. More labour was the great requirement.

Since 31st December last the position has deteriorated. The winter fuel crisis caused an immediate loss of output in all branches of production (and incidentally also of distribution) and a cut of 10 per cent. in the 24th paper quota. Unfortunately, that was not all, for it quickly became apparent that the 10 per cent. reduction in the paper ration imposed by the Paper Control was one thing but the real reduction, possibly amounting to 50 per cent., imposed as a consequence of the Ministry of Fuel's allocation of coal to the mills, quite another. The official "quota" for publishers is at present no more than a pious hope of the Ministry of Supply, but we cherish hopes that this position will be improved in the near future.

My colleague Sir Stanley Unwin, in a recent characteristically forceful statement, has pointed out a number of other large inconsistencies in the Governmental attitude to books.

While the shortage of raw materials lasts, and while books continue to be regarded officially as plain merchandise, and not as vital to the nation's life and therefore to be accorded some degree of priority, the universities, schools, libraries and general readers will continue to find themselves short of books.

ENCOURAGING DEMAND FOR BOOKS

Happily the outlook is not without brighter vistas also. The demand for books of all kinds continues to be most encouraging to publishers. There are signs that the reading habit which was so noticeable during the war is not apparently being overcome by rival attractions.

With the complete lifting, at last, of the Excess Profits Tax, we can look forward to the enjoyment and utilisation in more reasonable measure of the profits we earn. We have suffered most unjustly from the incidence of this tax. Over the 20 years immediately preceding its imposition in 1939—years which included several that were bad ones for the whole publishing trade—our profits averaged nearly £30,000; yet our standard for excess profits tax purposes was under £20,000. Since 1939 our profits have averaged £77,000. Admittedly six of these eight years have been exceptional ones for publishers; but, with the pre-war profit record I have mentioned, I consider optimism is justified.

E. POLLARD AND COMPANY, LIMITED

STRONG FINANCIAL POSITION

The thirty-fifth annual general meeting of E. Pollard and Company, Limited, was held, on the 14th instant, at 159, St. John Street, Clerkenwell, London, E.C.1, Mr H. Edward Pollard, chairman and managing director, presiding.

The chairman, in the course of his speech, said: I have pleasure in submitting to you the accounts of the company for the year ending December 31, 1946. The actual net profit after providing for taxation and crediting an estimated amount of E.P.T. deficiency relief for 1946 is £57,420, as against £42,893 for 1945.

You will see that the balance of the profit and loss account amounts to £132,385 after deduction of depreciation and amortisation, interest and a provision for deferred repairs and rehabilitation expenses of £15,248 and after adding an estimated E.P.T. deficiency relief claim of £164,346 and an amount of £8,286 for interest and rents receivable, etc.

PROFIT AND DIVIDEND

To this profit of £132,385 is added the carry-forward from 1945 of £39,243, giving us £171,628, which we propose to deal with by payment of the preference share dividend of 7 per cent., amounting to £10,351 net, and a dividend of 7½ per cent. on the ordinary share capital amounting to £12,636 net. We are reserving for income-tax £72,911, which we consider adequate, and also £2,054 for the debenture reserve account. This leaves a balance of £73,676, of which £25,000 is to be transferred to the general reserve, leaving £48,676 to be carried forward to the 1947 accounts. Altogether our total assets amount to the considerable total of £1,377,373, and I think you will agree the balance-sheet shows a strong financial position.

A YEAR OF DISAPPOINTMENTS

Nineteen hundred and forty-six was a year of disappointments. You will appreciate the inevitable delays that must occur in changing from war to peace-time production. We have met and overcome these difficulties and, in fact, made good progress towards establishing a peace time market. There are in addition other obstacles to any rapid return to full production. I refer to the extreme difficulty of obtaining raw materials and to the frustrations and delays that are caused by the restrictions and controls placed upon all our important materials by the authorities. Timber, plywood, plate glass, iron and steel are all being controlled out of existence as far as we are concerned, although we are constantly endeavouring to improve matters. Decorative veneers are controlled, we are told, because they are required for housing. Plate glass is manufactured in large quantities in this country, but nearly all exported, while foreign plate glass is being regularly imported. These are but two peculiar happenings that we find so difficult to understand.

As regards 1947 and the future, I can only predict that we shall begin to trade properly as soon as licences and controls get easier. There is an enormous amount of work waiting to be done, and this is increasing as time goes on. In the meantime we are concentrating on our research and development of alternative materials. We have brought our designing and manufacturing staff up to date with the world developments that went on during the war outside this country. Delegations of our staff have visited the United States and South Africa and the lift engineers of Hammond and Champness, Limited, made the official investigation into German methods and design on behalf of the authorities. They visited that country and, incidentally, found much of interest in Hitler's own private lift in his Berchtesgaden hide-out.

INCREASING EXPORTS

We are slowly increasing our export of Haskins' steel shutters and extending our market to all likely countries. Shop-fitting is not very suitable for export, but we have been able to do a small amount with English firms for their foreign branches. Our other activities in shop display, building supplies, and bronze metal founding are all well organised and we are ready to grasp every opportunity as it arrives and one day shall reap the benefit of our preparedness.

In conclusion, I should like to thank the management, staff, and all employees, for their constant support, their encouragement and their loyalty.

The report was adopted.

UNITED GLASS BOTTLE MANUFACTURERS LIMITED

YEAR OF SATISFACTORY PROGRESS

SIR WALROND SINCLAIR ON THE OUTLOOK

The thirty-fourth ordinary general meeting of the United Glass Bottle Manufacturers, Limited, was held, on the 8th instant, at the registered office, 8, Leicester Street, London, W.C.

Sir Walrond Sinclair, KBE (chairman of the company), in the course of his speech, said:—

Comparative figures indicate clearly the satisfactory progress made during the past year, both in our earnings and financial resources.

RESULT OF YEAR'S OPERATIONS

Turning first to the profit and loss account of the parent company, manufacturing and trading profit after providing fully for excess profits tax, is shown at £488,972, an increase of £33,555 over the previous year. Dividends from subsidiary companies together with sundry revenue from other sources as detailed, after deduction of income tax, brought in a further £68,331 and disclose a total credit amounting to £557,303. Your directors propose to increase the distribution on the ordinary capital from 13½ per cent. to 15 per cent., less income tax, by the payment of a final 7½ per cent. and a cash bonus of 2½ per cent. I have no doubt this recommendation will meet with your approval. The credit balance to be carried forward to the current year will thus be increased by £10,503 to £86,745.

REASONS FOR IMPROVED RESULTS

So much for the figures given in your company's profit and loss account. These improved results are due largely to two factors: economy in administration and increased turnover. Economies under existing conditions are not easy to achieve, but with the willing co-operation of our very efficient staff this has been accomplished, notwithstanding the increased turnover over the record established in the previous year. The latter is due to circumstances with which you are doubtless as familiar as I am, for the shortage of glass containers has been for some time, and still is, an acute national problem.

Upon referring to the balance sheet you will observe that the fixed assets appear at a valuation of over two and a-half million sterling, the net increase over the previous year's figure being £94,941, and of this increase £89,577 represents the increase in land, buildings, plant and machinery, even after the provision of £108,282 for depreciation. In this connection it is important to note that the fixed assets of the subsidiaries, whose shares appear in your company's balance sheet at cost and were acquired on a profit basis in 1937, and upon which considerable expenditure has since been made, have been valued as at 30th June last by a well-known firm of surveyors and valuers and are included in these accounts at a figure very substantially less than the valuation.

I wish to emphasise the important fact that they were appraised as going concerns upon a conservative basis and your directors subsequently reduced the valuation to the extent of approximately 67 per cent. on the plant and machinery and 33 per cent. on the land and buildings concerned.

The reserves and undistributed profits have risen by over £200,000, the general reserve being actually £350,000 higher at £850,000 consequent upon our having transferred the debenture redemption reserve not now required and amounting to £292,991 plus £57,009 from our earnings during the past year. The other items which go to make

up the total already mentioned explain themselves, and I think you will agree that our financial structure is on a very sound basis.

The consolidated accounts give you a clear picture of the whole undertaking. Trading profits, after providing for taxation, reach the very satisfactory total of £737,838, the two principal charges against these are income tax £233,415 and depreciation £147,712. You will gather from these figures that our contribution to the National Exchequer is on a considerable scale. The net profit is shown at £322,011 and together with the balance of £183,371 brought forward from the previous year makes a total of £505,382. Reference to the appropriation account will indicate how this has been dealt with. The consolidated balance sheet shows assets aggregating £6,028,044, to which current assets contribute £3,894,618. Current liabilities amount to £1,454,542, while there are reserves and undistributed profits totalling £1,897,960.

DEMAND EXCEEDS SUPPLY

You will no doubt be interested to learn whether any change has taken place in trading conditions since I last addressed you. As a matter of fact, the position regarding supplies of glass containers is still as acute as ever. The demand still greatly exceeds the supply. The difficulties regarding raw materials, adequate skilled labour, the high cost of fuel coupled with the poor quality of such coal supplies as we are fortunate enough to secure, make the work of our managerial and administrative staff much more laborious than we would desire. In normal circumstances the change-over from war to peace-time conditions should not, in our trade, be a serious matter, but for reasons which must be obvious to you there seems general agreement that the difficulties to which I have referred are, if anything, even more apparent to-day than they were a year ago.

While our turnover exceeded that of the previous year both in volume and in value, production costs continue to increase, and, as I have already mentioned, our improved results are largely due to the economies we have been able to effect in administration. Of course, there is a limit to these, and our policy will still be to ensure that the traditional service to all UGB customers is maintained to the utmost of our power. As you may know, in common with the industry, we maintain close relationship with Government Departments, and this has been mutually helpful and satisfactory.

THE FUTURE: CO-OPERATION ESSENTIAL

As I see the future, while it is not at present possible to assess the effect of stoppages caused by the fuel crisis on this year's trading, much depends upon what happens during the remainder of this year by way of our securing adequate supplies of fuel and raw materials. It becomes increasingly evident that co-operation throughout the ranks is essential to the prosperity of industry and the well-being of the individual, and you can rest assured that so far as this company is concerned your directors will use every effort to ensure that such a policy governs our activities. This company enjoys a very high reputation in the industry with which we are associated, and has a very fine body of workers who take a real pride in their work. At the same time, the company is built on a strong trading and financial basis so there is every reason why we should continue to enjoy the prosperity that has been our good fortune for many years past.

The report was adopted.

LANCASHIRE STEEL CORPORATION, LIMITED

INCREASED EARNINGS

The seventeenth ordinary general meeting of the Lancashire Steel Corporation, Limited, was held, on the 12th instant, at Warrington.

Mr John E. James (chairman and managing director) said that the earnings from operations for the 14 months' period to December 31, 1946, which included the earnings of the corporation's subsidiary companies, Rylands Brothers, Limited, Whitecross Company, Limited, and the Pearson and Knowles Engineering Company, Limited, amounted to £960,486.

The directors recommended a dividend for the 14 months at the rate of 8 per cent. per annum on the "A" and "B" ordinary stock. This represented an increase of 1 per cent. per annum in the rate of dividend which had been paid annually since 1936.

The general reserve was now £1,000,000, while a reserve of £500,000 for possible losses due to reduction of output and possible fall in present prices of trading stocks, which had been accumulated in previous years, appeared for the first time. The reserve for depreciation amounted to £2,690,000. The excess of current assets over current liabilities and provisions amounted to £3,391,089.

At their Irlam works they had completed the 32-inch and 34-inch mill scheme commenced in 1938 and delayed during the war and all the mills were now electrically driven. As the blast furnaces became due for rebuilding, they had constructed them of larger capacity and were installing more powerful modern blowing plant which would enable them to make further increases in their size if desired.

INCREASE OF PRODUCTION CAPACITY

Plans were already well forward for rebuilding the older part of the open hearth steel furnaces with the object of increasing the output of steel ingots. They had already converted some of their steel furnaces to oil firing. In addition they had made good progress with an ingot mould preparation building with a view to improving further the quality of production.

They had just completed the Rixton tipping ground for refuse which would cover their needs for many years ahead. They had put forward a plan for a new rod and bar mill of the most modern type for installation at their Warrington works. The wire side of their business had had attention and last year they had commenced to build a new nail factory at Rylands Brothers, Limited. They hoped to have this new factory in full operation by the next annual meeting.

During the period under review, their works had been fully employed. The pressure for delivery of all iron and steel materials was heavy, but notwithstanding difficulties in supplies of raw materials, they had been able to obtain average outputs.

The lack of certainty about coal supplies was giving rise to grave apprehension, and continuous working of the Main Departments would become impossible unless adequate guaranteed coal supplies were granted and, in addition, further supplies to enable reasonable stocks to be accumulated to cover holiday periods and transport dislocations.

The iron and steel industry had undertaken to increase its production capacity to 15,000,000 ingot tons per annum and to bring the industry's plant and machinery up to date in all respects. Little could be done in the latter direction during the years of war. In his opinion, however, unless the industry could count on supplies of coal of the right quality and labour for the necessary reconstruction work, the programme on which it had embarked would be delayed, and the industry would fall short of its objectives both at home and abroad.

The report was adopted.

RIO TINTO COMPANY, LIMITED

DETERIORATION OF POSITION IN SPAIN

The seventy-fourth ordinary general meeting of the Rio Tinto Company Limited, was held, on the 13th instant, in London.

Mr J. N. Buchanan, D.S.O., M.C., presided in the absence, owing to the sudden illness, of the chairman, the Rt. Hon. The Earl of Bessborough, G.C.M.G., whose speech he read, of which the following is an extract.

I refer with profound regret, first—to the death on February 14, 1947, at Gibraltar, of Captain Ulick de Burgh Charles, and second—to the resignation on the 11th March, from the board of directors, of its distinguished chairman, Lord Geddes.

RESULT OF YEAR'S OPERATIONS

The revenue account shows that the net return on sales of produce was down by some £60,000 as compared with last year, after deducting the writing back of the amount of £84,000, a reserve no longer required; on the other hand, the figure of "gross dividends and interest" was more than doubled; on the opposite side of the account the increase in the first item from £187,000 to £323,000 is mainly due to British taxation resulting from this increase of dividend receipts. The balance carried to appropriation account is higher by £66,000. It amounts to this: after meeting the debenture service and the payment as usual of the preference dividend, there is a balance for the year of about £160,000—or, if the item of £84,000 before mentioned is eliminated, the surplus for the year available for the ordinary shares would not have exceeded £76,000.

In view of the serious deterioration of the company's position in Spain since the turn of the year, to which I will refer later, the board have decided that it would not be prudent to pay a dividend on the ordinary shares, and have therefore added the surplus for the present to the carry-forward. This is undoubtedly the wiser course to pursue, in view of the board's decision to redeem the debentures. They propose to give notice on the 30th June next, as by the terms of the trust deed they are entitled to do, to redeem the outstanding debentures on the next following interest payment date, October 1, 1947. As a substantial proportion is already held by the company in its portfolio this operation will not strain the company's financial resources.

Once the company is freed from the gross annual charge of £160,000 for the service of the debentures the date for the resumption of the payment of a dividend on the ordinary shares is appreciably nearer. But the position in Spain does not permit me to-day to promise a dividend for this current year. It is largely a question of coal.

INCREASED ACTIVITIES IN 1946

I now turn to Spain. At the end of May last year, when the last annual general meeting was held, the prospects for the trading year 1946 appeared to hold out considerable promise; the prolonged drought which had seriously hampered our operations throughout 1945 had been broken by beneficial rains; the export trade in pyrites was unmistakably improving; it was believed that our production of copper and brimstone would be greater than in the preceding year, and it was confidently expected that our investments in the copper producing mines in Northern Rhodesia would yield a greater return.

All these favourable expectations were fulfilled during the course of 1946. Our pyrites deliveries were more than 100,000 tons higher

than in 1945; copper and sulphur production figures were up and our gross income from dividends and interest rose from £158,863 to £332,458.

Despite those substantial gains in our production and delivery figures in Spain and overseas the net yield to the company has been most disappointing. The year 1946, which began so full of promise, ended in the most adverse and disappointing circumstances, which have continued far into 1947. Throughout the first four months of this year fuel shortages have precluded all metallurgical operations for the production of blister copper and brimstone, with concomitant effect upon our overall costs and our income in Spain.

Within a fortnight immediately following my election to the chair I set out, in March this year, to visit your company's properties and organisations in Spain. I was accompanied by Sir Francis Joseph and Mr. Thomas Robbins, our managing director, thus forming a fully empowered deputation of the board. We were joined in Madrid by Mr. A. T. Gough, our general manager at Rio Tinto, and with him we were received by His Excellency Don Juan Antonio Suanzes y Fernandez, the Minister of Industry and Commerce.

DOMESTIC PRICES

You will share my satisfaction over the outcome of those interviews. Knowing my anxiety to be able at this meeting to acquaint you with his decisions, the Minister has promptly caused me to be informed of the new official prices for copper, sulphur and pyrites produced and consumed in Spain. Although it appears to have been impracticable for the Minister fully to meet all our claims for consideration, the relief afforded by these new price levels is important. It will alleviate our position when we receive the increased quota of fuel to the extent promised, which will enable us once more to produce copper and sulphur. I am grateful to him for his courtesy as also for the recognition by the Government of the Spanish State of the justice of our claims after they had been submitted to prolonged and searching examination.

ENCOURAGING SYMPTOMS

Further encouraging symptoms of development favourable to your company's commercial activities in Europe are now evident. Last year, from this chair, and elsewhere in the course of official representations to the responsible Ministers of State, Lord Geddes directed attention to the wisdom of resuming fertiliser production in Central and Western Europe for the rehabilitation of Europe's soils. The Lord President of the Council promptly initiated action, which, after prolonged examination, resulted in the acceptance of our proposals for the supply—with the Tharsis Sulphur and Copper Company Limited—of substantial shipments of pyrites for consumption in the British and American zones of Germany.

The competent authorities in those zones have now agreed to our proposals for the treatment on toll of residues from Rio Tinto and Tharsis pyrites which have accumulated at roasters' works in Belgium and Holland. This development will be most beneficial to the economy of the British and American zones in German and to our pyrites customers in adjacent countries and should, in turn, facilitate our selling operations in those countries, but has otherwise no special significance to the company as the residues are the property of the pyrites roasters.

The report and accounts were unanimously adopted.

GOVERNMENT RETURNS

For the week ended May 10, 1947, total ordinary revenue was £170,601,440, against ordinary expenditure of £34,728,040 and issues to sinking funds, £480,000. Thus, including sinking fund allocations of £1,009,015, the surplus accrued since April 1st is £160,836,049 against a deficit of £115,442,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to May 11, 1946	April 1 to May 10, 1947	Week ended May 11, 1946	Week ended May 10, 1947
ORDINARY REVENUE					
Income Tax	107,300	118,921	106,850	10,300	14,173
Sur-tax	80,000	7,070	6,820	910	750
Estate, etc., Duties	155,000	17,059	16,170	3,060	850
Stamps	57,000	3,020	4,670	600	600
N.D.C.	202,000	3,134	2,965	410	500
E.P.T.	1,000	94	55	9	3,600
Other Inland Rev.					
Total Inland Rev.	1,568,000	183,068	161,740	17,934	20,473
Customs	736,960	60,014	84,736	14,440	28,085
Excise	643,040	69,600	71,800	6,408	6,143
Total Customs & Excise	1,380,000	129,614	156,536	20,848	36,198
Motor Duties	50,000	4,245	4,589	515	1,246
Surplus War Stores	95,000	269	8,503	...	...
Surplus Receipts from Trading	55,000	...	...	...	...
Post Office (Net Receipts)	...	3,650	1,100	2,150	600
Wireless Licences	11,000	160	160	...	...
Crown Lands	1,000	...	...	...	...
Receipts from Sundry Loans	21,000	128	44	63	...
Miscellaneous	270,000	1,452	116,119	32	112,084
Total Ord. Rev.	2,851,000	322,956	449,592	41,542	170,601
SELF-BALANCING					
Post Office	144,230	11,750	13,800	1,550	3,400
Income Tax	49,000	19,167	3,746	4,608	637
E.P.T. Refunds					
Total	364,230	33,873	467,138	47,700	174,638

Expenditure	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to May 11, 1946	April 1 to May 10, 1947	Week ended May 11, 1946	Week ended May 10, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	56,497	68,656	1,164	1,832
Payments to N. Ireland	23,000	886	1,393	...	696
Other Const. Fund Services	8,000	284	286	...	...
Total	556,000	57,668	70,335	1,164	2,528
Supply Services	262,536	379,990	217,418	46,900	32,200
Total Ord. Exp.	318,536	437,658	287,746	48,064	34,728
SELF-BALANCING					
P.O. & Broadcasting	144,230	11,750	13,800	1,550	3,400
Income Tax on E.P.T. Refunds	49,000	19,167	3,746	4,608	637
Total	337,459	46,575	305,292	54,222	38,765

After decreasing Exchequer balances by £452,886 to £2,807,488, the other operations for the week decreased the gross National Debt by £132,849,481 to £25,483 million.

NET ISSUES (£ thousand)		
P.O. and Telegraph	779	
E.P.T. refunds	10	
Overseas Trade Guarantees Act, 1939, Sec. 4 (1)	155	
Housing (Scotland) Act, 1944, Section 4 (2)	1,500	
Local Authorities Loans Act, 1945, Section 3 (1)	203	
Finance Act, 1946, Section 26 (7) Post-war Credits	100	
Finance Act, 1936, Section 30 (1) 3 per cent. Local Loans Stock	2,997	

CHANGES IN DEBT (£ thousand)

NET RECEIPTS		NET REPAYMENTS	
Nat. Savings Certs.	2,550	Treasury Bills	32,068
2½% Defence Bonds	2,039	3% Defence Bonds	1,837
Other Debt	547	Tax Reserve Certs.	2,060
Internal	4,655	Ways & Means Advances	106,675
External	9,791		142,640

* Including £846,000 paid off in maturity.

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
May 11	1850.0	2540.6	415.3	...	1535.5	6341.3
1947						
Feb. 1	2145.0	2435.2	427.2	...	1633.5	6640.8
" 8	2145.0	2418.2	439.7	...	1600.0	6602.9
" 15	2155.0	2441.3	469.7	9.0	1540.0	6615.9
" 22	2155.0	2506.5	446.5	...	1508.0	6628.1
Mar. 1	2175.0	2555.5	530.3	15.0	1473.5	6759.3
" 8	2185.0	2600.7	583.7	...	1443.5	6812.9
" 15	2185.0	2628.5	582.2	...	1435.0	6830.7
" 22	2185.0	2690.9	582.6	2.25	1434.0	6894.7
" 31	2185.0	2699.7	513.5	...	1456.5	6954.6
Apr. 6	2185.0	2704.4	592.7	18.75	1443.5	6944.4
" 12	2185.0	2728.8	580.6	...	1463.5	6941.1
" 19	2185.0	2708.6	583.8	...	1463.5	6941.1
" 26	2190.0	2692.1	519.9	...	1436.5	6822.9
May 3	2190.0	2661.5	507.9	...	1436.5	6822.9
" 10	2190.0	2629.4	401.3	...	1463.5	6684.1

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
May 10	150.0	234.3	150.0	10 1.58	48
1947					
Feb. 1	170.0	290.6	170.0	10 1.52	46
" 14	170.0	263.6	170.0	10 2.17	58
" 21	170.0	277.9	170.0	10 3.79	41
" 28	170.0	246.3	170.0	10 2.16	63
Mar. 7	170.0	287.0	170.0	10 1.18	43
" 14	170.0	273.9	170.0	10 1.59	51
" 21	170.0	288.2	170.0	10 1.29	45
" 28	170.0	296.9	170.0	10 2.51	42
Apr. 3	170.0	293.9	170.0	10 2.60	43
" 11	170.0	296.2	170.0	10 2.57	43
" 18	170.0	280.7	170.0	10 3.10	51
" 25	160.0	281.8	160.0	10 2.72	27
May 2	160.0	308.0	160.0	10 0.84	32
" 9	170.0	296.3	170.0	10 1.38	44

On May 9th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 44 per cent of the amount applied for at 99 17s. 6d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for May 16th. For the week ended May 17th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals Mar. 31 to May 3, 1947
	May 4, 1946	May 3, 1947	
Savings Certificates—			
Receipts	3,000	16,000	53,850
Repayments	2,250	8,800	19,000
Net Savings	750	7,200	34,850
Defence Bonds—			
Receipts	41,400	1,820	9,500
Repayments	187	759	3,183
Net Savings	41,213	881	6,317
P.O. and Trustee Savings Banks—			
Receipts	13,921	12,764	64,374
Repayments	15,166	9,965	57,353
Net Savings	Dr. 1,245	2,799	6,439
Total net savings	40,718	10,880	47,606
Interest on certificates repaid	360	1,760	3,805
Interest accrued on savings remaining invested	2,065	2,271	11,323

Statistical Summary

BANK OF ENGLAND RETURNS

MAY 14, 1947

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt	11,015,100
In Circulation	1390,354,541	Other Govt. Securities	1438,324,028
In Bank, Department	59,893,292	Other Secs.	651,351
		Coin other than Gold	9,521
		Ant. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,835
			1450,247,835

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	320,395,660
Reserves	3,338,794	Other Secs.	...
Public Deps.	9,116,521	Discounts and Advances	14,276,270
		Securities	18,114,668
Other Deps.	280,561,599		
Bankers' Balances	86,250,569		
Other Assets	386,812,168	Notes	59,893,292
		Coin	1,140,550
			413,820,483

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

COMPARATIVE ANALYSIS (£ millions)

	(\$ millions)			
	1946		1947	
	May 15	Apr. 30	May 7	May 14
<i>Issue Dept.</i>				
Notes in circulation	1340.6	1387.6	1391.8	1390.4
Notes in banking department	59.6	62.6	58.5	59.9
Government debt and securities	1399.0	1449.3	1449.3	1449.3
Other securities	0.8	0.7	0.7	0.7
Gold	0.2	0.2	0.2	0.2
Valued at a. per fine cu.	172/3	172/3	172/3	172/3
<i>Banking Dept.</i>				
Deposits:				
Public	15.5	6.9	13.0	9.1
Bankers'	218.6	303.7	288.4	290.6
Others	50.8	98.0	95.7	96.3
Total	284.9	408.6	397.1	396.0
<i>Securities:</i>				
Government	208.4	317.1	311.1	320.4
Discounts, etc.	16.7	18.0	17.0	14.3
Others	16.8	67.7	26.4	18.1
Total	241.9	362.8	354.4	352.8
Banking dept. res.	60.9	63.6	59.5	61.0
	%	%	%	%
"Proportion"	21.3	15.5	7.9	18.4



The Economist

Established 1843

May 24, 1947

One Shilling

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.
Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:			
Aden and Aden Point	Cochin (S. India)	Madras	Kisumu
Amritsar	Colombo	Mombasa	Nairobi
Bombay	Dahli	Nuwara	British E.A.
Calcutta	Kandy	Ellya	
Cawnpore	Karachi	Rangoon	Entebbe
Chittagong	Lahore	Tuticorin	Jinja
Dar-es-salaam	Mwanza	Zanzibar	Kampala
Tanganyika Territory			
Uganda			

SUBSCRIBED CAPITAL ... £4,000,000
PAID-UP CAPITAL ... £2,000,000
RESERVE FUND ... £2,300,000

The Bank conducts every description of Eastern Banking business. Trusteeships and Executorships also undertaken.

NATIONAL BANK OF EGYPT

Incorporated in Egypt.
Liability of Members is Limited.

Head Office - - - CAIRO

Commercial Register No. 1 Cairo.

FULLY PAID CAPITAL - - £3,000,000
RESERVE FUND - - £3,000,000

London Office:

6 & 7 King William Street, E.C.4

Branches in all the Principal Towns in EGYPT and the SUDAN

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £16,300,000

ASSETS EXCEED - £97,000,000

CLAIMS PAID EXCEED - £181,000,000 (1946 Accounts)

CITY OF JOHANNESBURG

THREE AND A-HALF PER CENT. INSCRIBED STOCK 1953/53.

CITY OF BLOEMFONTEIN

FOUR PER CENT. INSCRIBED STOCK 1954.

CITY OF PRETORIA

THREE AND A-HALF PER CENT. INSCRIBED STOCK 1953/53.

NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for Interest due 1st July next the BALANCES of the several Accounts in the above mentioned Stocks will be STRUCK on the night of the 2nd June and that on and after the 3rd June the Stocks will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas) (London Registrars of the above Stocks),

ROWLAND SMITH, Manager.

Circus Place, London Wall, E.C.2. May 5, 1947.

CITY OF BLOEMFONTEIN

FIVE PER CENT. INSCRIBED STOCK 1950.

NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for Interest due 30th June next the BALANCES of the several Accounts in the above mentioned Stock will be STRUCK on the night of the 31st May and that on and after the 2nd June the Stock will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas) (London Registrars of the above Stock),

ROWLAND SMITH, Manager.

Circus Place, London Wall, E.C.2. May 5, 1947.

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VOL. CLII NO. 5413

THE ECONOMIST, Breitenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3

BY AIR (U.S. and Canada only) \$24

Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Imperialism or Indifference?

IN any comparison of the potential resources of the Great Powers, the United States, even before Hitler's War, far outstripped every other nation in the world in material strength, in scale of industrialisation, in weight of resources, in standards of living, by every index of output and consumption. And the war, which all but doubled the American national income while it either ruined or severely weakened every other Great Power, has enormously increased the scale upon which the United States now towers above its fellows. Like mice in the cage of an elephant, they follow with apprehension the movements of the mammoth. What chance would they stand if it were to begin to throw its weight about, they who are in some danger even if it only decides to sit down?

There is, indeed, one question that the analyst of power need not spend time in asking about the strength of the United States. If raw material resources, industrial capacity, scientific knowledge, productive "know-how," skilled labour—if these alone were the ingredients of power, then the United States could take on the rest of the world single-handed. But though these things are essential ingredients, they are not all that it takes to make a Great Power. There must also be the willingness, and the ability, to use economic resources in support of national policy. The rulers of Soviet Russia, as was suggested last week, are not likely, at least for a generation to come, to have nearly as good cards in their hand as the Americans. But the nature of their system of concentrated power and iron censorship enables them to play a forcing game. The Americans' hand is all trumps; but will any of them ever be played? And for what purpose?

There is no lack of prophets, either in America or in Europe, anxious to tell the world that the United States either will or should turn to an aggressive imperialist role in world affairs. Critics on the Left argue that capitalism is inevitably aggressive and that sooner or later the largest capitalist community is therefore likely to prove the most aggressive. Supporters on the Right argue that America, as the last stronghold of the free-enterprise system, must use its strength to preserve this "free way of life" against Communist inroads. Nor is it only in books and speeches of private citizens that the evidence of imperialist tendencies can be found by those who are in search of it. There are actions of the United States Government that fit neatly into such a thesis. For example, in the name of defence, most of the islands in the Pacific Ocean have been brought under exclusive American control. And the appropriations for Greece and Turkey were presented to Congress as the first step in a world-wide policy of opposing Communism everywhere. Is this then a new phase in American policy, a phase of expansion and imperialism?

Only those whose view of America is distorted by ignorance or malice, or obscured by dogmatism, could possibly believe any such thesis. It is true that there are individual men and women and groups, some of them with a measure of influence, who are impressed with their country's overwhelming strength and attracted by the short cuts of aggressive diplomacy. But their views should not be mistaken for the policy of the

United States. The nation-wide debate that followed President Truman's request for the Greek and Turkish appropriations was the most impressive testimony to the emotional and institutional obstacles that lie in the way of canalising America's overwhelming economic strength into a sustained and effective foreign policy of any sort, be it imperialist and aggressive or constructive and co-operative. Faced with the daily exasperations of high prices and the dislocations mainly attributed to much publicised strikes, the average American is not certain that his community is much wealthier and more powerful than in 1939. Moreover, even an America that was fully conscious of its strength would be held back from using it by some of its most deeply rooted patterns of thought. The brake would be applied impartially to any active policy, whether of aggression or of co-operation. The old combination of liberalism at home and isolationism abroad, of a forward policy in domestic matters and of no policy at all in foreign affairs, still holds good. The La Follette family may, for the first time in decades, hold no office either at Washington or in Wisconsin, but the pattern of their thought is very much alive. Some of the keenest opposition to the "Truman Doctrine" comes from those who believe that direct American intervention violates the rights of the United Nations and the criticism was strong enough to impel Senator Vandenberg to propose reservations designed to save face for the United Nations. This specific support for the United Nations is one strand in a wider fabric of anti-imperialist, anti-militarist thought which should certainly not be dismissed as ineffective idealism. The anti-militarist has been sufficient in the course of the last two years to do away with conscription, drastically to reduce the army, to throw doubts on the full effectiveness of any volunteer system and, with the German peace treaty undrafted and the Truman Doctrine looming ahead, to permit Congress to slash 10 per cent out of the appropriations proposed for the various armed forces.

All this opposition to direct American intervention abroad on moral grounds fuses at the political level with the amoral but even more effective force of mere selfish isolationism. When Mr Joseph Kennedy remarked that the best way to defeat Communism was to make the American system work at home, he did not speak only for himself. And when the House of Representatives, in a single day, gave Mr J. Edgar Hoover all the funds he wanted for tracking down Communists in America and threw out the entire appropriation for the "Voice of America," the broadcasts by which the State Department hopes to explain the American way of life to the world, they demonstrated their relative concern for the internal and external aspects of America's anti-Communist crusade.

The more difficult and distasteful the problems of the outside world become, the greater is the temptation to Americans to concentrate on the world they really control and understand—which is their own United States. It is easier and possibly more rewarding to build a TVA for the Missouri than for the Danube.

This is the emotional context in which the American political and economic system works. The structure of the system adds further impediments of its own to the development of a consistent, sustained and aggressive foreign policy. It is difficult to believe that the next few years will abolish the old economic instability of the United States, the cyclical recurrence in its economy of recessions and depressions. The importance of these dislocations is not, as is sometimes supposed, the possibility that they will allow other nations, in particular the Soviet Union, to outstrip America in industrial strength. The loss of wealth represented by even the most severe depression is not more, in real terms, than, say twenty per cent, and with a national income running at some \$160 billions a year, the United States' margin of superiority over its competitor is far

larger than that. The importance of a depression to America's external relations is that it would enormously reinforce the instinct to concentrate on American problems to the exclusion of the outside world. Foreign lending would cease as abruptly as it did in 1929. And the spectacle of the richest community in the world closing its factories and struggling with mass unemployment would probably knock the longest nail yet driven into the coffin of the "free way of life."

But perhaps the greatest single obstacle to the emergence in America of a sustained and positive foreign policy is the nature of its political system. The division of power between President and Congress, the possibility of different parties controlling the one and the other, the lack of a Cabinet responsible to the legislature, the working of the party system, are all weighted against the present pursuit of long-term national or international objectives. So long as the essence of the political struggle in the country is the conciliation of minorities and the avoidance of controversial topics, the great issues of foreign policy cannot be fairly placed before the electorate and later confidently worked out. The spectacle to-day of the wool bloc in Congress, representing a minute fraction of American political life, pressing an increase in tariffs in the middle of the Administration's attempt to lead the world to freer trade and lower tariffs is a typical example of the pluralism of objectives and scattering of efforts which characterise American politics.

The only way in which an Administration in these circumstances can make its voice heard above the clamorous shouts of minorities, lobbyists, special interest groups, silver Senators, cattle Senators and cotton Senators is by dramatising the issue at stake to ten times life size and compelling Congress by a species of shock treatment to pass the necessary appropriation. The fact that President Truman had almost to declare war on Russia to get Congress to agree to a minor appropriation for small-scale police work in the Eastern Mediterranean bodes ill for the future of a fully developed long-term foreign policy whose implementation will demand billions of money, and much more than money, from the American people.

These arguments are really decisive. So long as the American Republic is constituted as it is to-day, a consistent policy of deliberate imperialism is out of the question. No doubt from time to time there will be imperialist overtones—some of them deliberate, far more of them unconscious—in American policy. It would be difficult to have a mood of willingness to pursue any active policy, in a country where speech is so unbridled, without a lot of foolish things being said, and some done. But these imperialist overtones are unlikely to go very far or last very long. The prospect is that American policy will continue to fluctuate between a mood of activism, mainly liberal and well-intentioned but with a verbal top-dressing of aggressiveness, and a mood of wholly idealistic indifference to the rest of the world—and if this is a true forecast, the rest of the democratic world may even come to welcome the periodic reappearance of imperialist talk in Washington. The real choice is not between General MacArthur and Mr Henry Wallace, but between President Truman and President Coolidge. Already since 1945 such a fluctuation has taken place. The mood which followed the end of the war, and which encouraged the United States both to end Lend-Lease from one day to the next and yet to support international action through the United Nations and Unrra, represented the triumph of the liberal isolationist mood liberal in its support of international action but isolationist in its tendency to see in international institutions a complete substitute for American policy. Now a new mood is apparent, for which Mr Molotov is uniquely responsible. Russian diplomacy has succeeded in goading the United States into an unwilling realisation that perhaps it must itself, in terms of its own

strength and manpower, do something about the outside world. But it would be rash to say how long it will last. The only certainty is that the fluctuations will continue.

Yet it is possible to discern under this flowing and ebbing tide a steady rise in the line of the tide mark. After each phase of active diplomacy, the Americans do not fall back to quite so deep a trough of isolation, and each new period of activity carries them further up the rocky and unwelcoming shore of world politics. Statesmen and administrators and liberal men of affairs all over the country are at work to try to establish between the upper and lower mark of these shifting tides a foreign policy which combines the idealist and the active wings of American thought, to produce a policy in which America's great strength is used in an honestly internationalist and not an imperialist fashion. It is on the success that these

Keep Left

THE Annual Conference of the Labour Party that opens at Margate on Monday is only the second that has been held since the party's unexpected triumph at the General Election. The Bournemouth Conference last year was, in the main, a victory celebration and a very good time was had by all. This year's conference will be a soberer affair. The fuel crisis has thrown the Labour Government at least partially on the defensive in the country. And in the last twelve months some rifts have appeared to disturb the perfect harmony of the Parliamentary Party. But, unless the preliminary indications are very misleading, it would be a mistake to expect any fireworks at Margate. The note of jubilation has gone; but the Labour Party is still fairly well pleased with itself, and believes that this pleasant emotion is still shared by a majority of the electorate.

How long this complacency will continue, however, is another question. The Margate Conference roughly represents the watershed of this Parliament, and it is altogether probable that the two or three years immediately ahead will be far more difficult for the party than the past two years have been. Both internal and external troubles are clearly coming. Internally, the Party faces a let-down of excitement. The programme of legislation is well on the way to completion. By the end of the present session, only one more major party measure, the Steel Nationalisation Bill, will still be in prospect. For two or three more sessions, with this one exception, Parliament will have to concern itself with minor matters which will not excite the passion of party loyalty, or with administrative performance, at which it is already clear that Labour Ministers do not shine as brightly as they do at the legislative marathon. There is nothing that holds a party together so well as the rapid-fire enactment of measures long dreamed of and unanimously approved within the party. There is no morale-builder to equal the regular recurrence of opportunities for singing "The Red Flag" in the division lobby. But this stimulus is about to be removed, and the internal quarrelsomeness of the Parliamentary Party will inevitably increase as a result.

Moreover, it is at least possible that the party will feel itself increasingly on the defensive towards the electorate. The Socialists are probably allowing themselves to be misled by their remarkable record of losing not a single seat at a by-election in nearly two years. The fact is that very few of the Labour seats that have been defended at by-elections have been seats that the Conservatives could possibly win, even in one of their good years. The marginal Labour seats are mainly held by healthy young men who neither die nor get appointed to fat jobs. The electoral tide almost invariably flows between elections against the incumbent Government, the actual performance of politicians in office so rarely coming up to what, on the hustings day, they have led the electors to expect; and the available indications,

men have that the strength of America depends. Their task can be aided or greatly impeded by the amount of intelligent and constructive support and counsel they receive from their colleagues in the other democratic communities. Those democrats in England who scream at the Americans that they are imperialists, capitalist reactionaries, and would-be aggressors no doubt imagine that they are helping to bring about a "democratic," "progressive" American policy, presided over by Mr Henry Wallace. What they are actually doing is helping to persuade America to retreat within its own borders, to bolt the doors, turn its back, and set itself to organise a purely self-sufficient American economy. They might well be asked to pause and consider whether this is what they really want—to be left alone in a world given over to power politics and in which Soviet Russia will be the greatest Power.

though they are neither very numerous nor very conclusive, suggest that, in spite of the by-election record, this Government is no exception. In any event, whatever may have happened up to date, there is clearly likely to be quite enough economic trouble in the next twenty-four months to give the Opposition a chance. The Labour Party will feel itself less and less reassured by the loyalty of the organised workers and more and more impelled to care rather more than a tinker's curse for the views of the rest of the community.

For internal and external reasons, alike, therefore, the Labour Party faces some awkward decisions—not at the Margate Conference, but soon after it is over. And it so happens that both sets of questions—both those of party strategy and of public policy—are likely to present themselves as a conflict between the right and left wings of the party. There will, for example, certainly be a fight over the programme for the next election. It is all a question of the interpretation that is put on the electors' intentions at the General Election two years ago. If you believe that they—enough of them to give the party a Parliamentary majority—deliberately and consciously gave a "mandate" for the party programme, then presumably you think they will be pleased by the prompt decisiveness with which their instructions have been carried out, and you will offer them a second instalment of the same story. But if you take the more sceptical view that the decisive two million—the margin between victory and defeat—were not so much voting positively for Socialism as negatively against the Tories, then you conclude that they have had about as large a slice of a programme they never really wanted as they can swallow without being scared off. That, presumably, is one of the reasons why the party managers (who are always on the side of caution) have rushed the programme through in two years, so that the rest of this Parliament can be spent in soothing the nerves of the volatile, but decisive, middle vote.

Infinitely more important than these moves in the game of politics, however, is the similar dilemma that is rapidly approaching in the public policy of His Majesty's Government. The shadow of the impending dollar crisis is getting blacker week by week. Inexorably, three fateful propositions are hardening into facts. First, the American and Canadian credits will be exhausted long before the end of 1948. Second, there is no possibility of British exports being by then large enough to make the country self-supporting. And third, any reduction of imports from hard currency countries to the level that Britain will be able to pay for in 1948 will produce very great popular hardship and widespread industrial dislocation. Shall the Government try to borrow more dollars, without any assurance whatever of getting what they ask for, but with the certainty of getting it only in return for a solemn re-affirmation

—at the very least—of all the pledges, political and economic, expressed and implied, that were given last time? Or shall they face the rigours—which might be intense—of doing without dollars, other than those few that they can earn? Shall the Government seek to maintain the present level of consumption and industrial activity at the cost of a public declaration of dependence on America? Or shall they seek independence at the cost of lower rations and higher unemployment? Shall it be capitalist Lend-Lease (if they can get it) or hairshirt Socialism?

It is a cruel dilemma for a Labour Party to face. It is reasonable to guess that the majority of the Cabinet would vote, however reluctantly, for at least trying the Lend-Lease solution. But many of the backbenchers may be tempted to insist that there is a third course, one that will avoid both economic crisis on the one hand and the necessity of soliciting a political and economic alliance with capitalist America on the other. This is the doctrine that is put forward in the pamphlet with the significant title of "Keep Left" which was published by fifteen backbenchers a few weeks ago*. The pamphlet is well worth examination as the first extended exposition of the views of the "rebels" within the party.

It is a curious document, partly no doubt because of the composite nature of its authorship. It starts with a statement of the dilemma facing the country which is both forceful and correct. It would be difficult to improve upon the clear posing of the alternatives with which this part ends—either to cut imports or to borrow more dollars or to balance the accounts in 1948.

How are we to do it? All the great issues of modern British politics are involved in the answer to that question.

But, the reader's expectations having been aroused by this introduction, he is immediately plunged into the old barren recital of what a mess the Labour Government inherited. This part is clearly the work of Mr Michael Foot, whose pen is rarely dipped into any non-corrosive liquid. It is full of rancour and contains the most astonishing distortions of fact; though it is couched in the language of offence, its purpose would appear to be the defensive one of explaining away failures.

To this there succeeds the economic section—presumably, to judge from its obsession with the virtues of Scientific Manage-

* "Keep Left." *New Statesman and Nation*. 1s. It is stated that the pamphlet is the work of Mr R. H. S. Crossman, Mr Michael Foot and Mr Ian Mikardo and is endorsed by the other 12 signatories.

† Since the pamphlet will clearly be much quoted in the months to come, it is worth while—though it is a digression from the main argument of this article—to demonstrate the quality of some of the "facts" presented in this part. For example, in support of the thesis that the collapse of capitalism is at hand, it is stated that

"the slump of 1929 was different. After previous slumps, the system recovered and touched new peaks of productive power. This never happened after the slump of 1929. Right up till her (sic) entry into World War II, American production in mining and manufacturing never reached the pre-1913 level. . . . In most countries, including Britain, recovery from the worst slump years was dependent on rearmament. . . . Our leaders of industry and the successive Governments which reflected their outlook vainly hoped and prayed for a return to the unclouded days of 1913. They did little or nothing to put our house in order. They wasted twenty years."

The truth is that the output of American manufacturing industry ("value added by manufacture"), which was \$9.2 billion in 1914, was \$24.7 billion in 1939, the rise in prices in the intervening period having been only about 10 per cent. The index of industrial production, which was 110 in 1929, was 113 in 1937. (These figures are taken from a book bearing the signature of Mr Henry Wallace.) For Great Britain the estimates of national income by Mr Colin Clark (himself once a Labour candidate) can be taken. They show that real net national income in 1935, long before there was any rearmament, was 19 per cent higher than in the worst slump year and actually 9 per cent higher than in 1929. Over the whole decade 1929-39, including the slump years, the rate of increase in real national income per head was at least as fast as the average of the nineteenth century. There was plenty that was wrong in the 1930s, but critics of the Tories only weaken their case by resorting to malicious prevarication.

ment, the work of Mr Mikardo. For raising production to the level necessary to balance the international accounts by 1948, Mr Mikardo has four prescriptions. The first is "an extended and tighter system of materials controls designed to divert materials, and hence employment, from inessential to essential purposes." The second is "preventing inessential industries from increasing their existing staffs without licence." The third is a policy of enabling workers in different industries to get different supplies of consumer goods, and subjecting them to differential taxation. The fourth is a policy of applying differing rates of profits tax to different industries, according to their essentiality, in order to "ensure that as workers moved to the essential trades, the capital for their machines and equipment would move with them." There are many things that could be said about these four proposals; but two must suffice. First, even if the administrative nightmares they would cause could be overcome in a few weeks and the policies could be fully applied by, say, the autumn of this year, can any man in his senses imagine that the quantitative effect they would be likely to have would be enough to dispense with the need for more dollars in 1948? Even if they would do some good, would they do several hundred million pounds' worth of goods to export in their first year? Yet, apart from more nationalisation and "a wide and whole-hearted extension of industrial democracy," no other remedy is suggested. Secondly, it will be noticed that each of these recommendations involves a new, tighter and more arbitrary form of economic control. If Mr Mikardo's intention had been to prove the Tory thesis that Labour economics, being based on a refusal to face the facts of life, but a desire to prevent them from emerging, can only resolve its contradictions by erecting an ever more elaborate and frustrating apparatus of detailed control—if this had been his intention, he could hardly have done better.

Finally, (after a lucid interval on demobilisation) there is Mr Crossman on foreign policy. It is the familiar formula. There are the usual wild statements ("nothing could long delay the advance of the Red Army to the Atlantic Coast" . . . "The French are bound to the USSR as closely as we are bound to the USA"). There is the usual irresponsible mixture of insults hurled at American policy with demands that America shall provide large sums of money, without conditions. There is the usual patronising belief that the great deluded mass of American citizens are anxious to respond to a lead from Socialist Britain, which is to be given by "boldly standing up to the US Administration and putting forward its own Socialist proposals at every conference." Above all, there is the old conviction, from which the steady disproof of events has never been able to make Mr Crossman waver, that Britain has only got to make ringing declarations of faith in "democratic Socialism" for "100 million allies" to spring out of the ground to its support, in peace or war. The only change since 1940 is that the figure is now getting on into the billions.

If there really were a policy of the Left which would rescue the British people from the very painful economic dilemma with which they are faced, and would simultaneously absolve them from the necessity of taking sides in the new balance of international power—if there really were such a policy, it would be folly to oppose it merely because it was painted red, or involved doing daring, extreme things. But there is no such policy. Both in its domestic economic aspects and in its foreign political aspects, it dissolves on examination into hot air. The Right Wing of the Labour Party may be fuddled and bumbling, but at least its feet are still on the rocky ground of unpleasant facts. If there were any prospect of the Margate Conference deciding to "Keep Left," one could only despair of the commonwealth. Except, of course, for one comforting reflection—that there could be no surer way by which the Labour Party could commit electoral suicide.

University Progress

VERY little that was new was added from the Government benches in the debate on the universities in the House of Lords last week, but Lord Lindsay of Birker, who initiated the debate, asked some very pertinent questions, which need urgent consideration now that the expansion of the universities is getting under way, and before the new shapes they are working out become set and unchangeable. He asked whether some of the expansion should not take place in new universities, instead of only in existing ones; if some new types of university should not be encouraged rather than the existing models reproduced; if there was not a place for more institutions of university status but of a more specialised kind, like the German *Handels-hochschulen*; if the schools were producing enough boys and girls of the right type to permit a doubling of numbers in the universities without a lowering of standards, and whether there was an adequate demand for them once they had passed through the universities. To answer these questions he proposed that an independent Government Committee should be set up, to review university policy as a whole, and to draw together the piecemeal recommendations which have been made in a whole string of specialised reports on scientific, medical, teaching, dental, oriental and other matters.

During February, 1946, three articles in *The Economist* discussed the future number of graduates which the nation required to meet its need for scientists, executives, and professional men and women and the methods by which the necessary expansion of the universities, which was estimated to involve a doubling of the number of students in the next ten years, could be achieved. These articles appeared before the publication of the Barlow report (Cmd 6824) on the nation's needs for scientific manpower, but the report largely confirmed the estimates made in these pages. Before the publication of the Barlow report it was known that many universities regarded a large expansion of numbers with many misgivings, and that their development plans were much more modest than would be required to secure a doubling of numbers. But during the summer of 1946 a transformation of outlook took place which to the outsider might appear almost revolutionary. Few could now reproach the university authorities with timidity. The Government too has accepted the financial implications, which are on their side of the bargain, in a spirit of courageous generosity and have increased the grant to the universities to six times its pre-war amount. The stage is, therefore, set for a really bold and far-reaching development of university life to meet the needs of a nation whose future depends upon the quality of its citizens.

During the past year the University Grants Committee has been busy considering the development plans of all the uni-

versities. Unfortunately its statistical report will not be published until the autumn, and detailed comprehensive figures are therefore still lacking. But it is nevertheless possible to obtain fairly full details from the various universities individually, and to obtain a general picture from the Chancellor of the Exchequer's statement on March 10th and the Lord Chancellor's statement last week about the size of the revenue and capital grants over the next five years. From both these sources the evidence is extremely encouraging.

Before the war there were some 50,000 students at British universities: for the year 1946-47 there are 66,000, but this increase of 30 per cent masks a very much more impressive increase in certain universities, particularly in the "civic" universities. It is generally agreed that neither Oxford nor Cambridge should carry out an expansion of anything like the same proportions as the other universities, and that London University has special difficulties at the moment owing to more serious war damage than any other university. But the numbers at Cambridge are almost exactly what they were before the war—round about 6,000—the numbers at Oxford have increased by 20 per cent—from 5,000 to 6,000—and those at London University by 12 per cent—from 13,100 to 14,700. By the end of the decade Cambridge University hopes to reach 7,000, Oxford to remain at its present level and London to reach some 18,000. Since these three universities, which before the war accounted for half of the total number of students, are thus planning an expansion of less than 30 per cent, the main burden of the post-war expansion has fallen on the rest. Their response has been good: numbers at Bristol have risen from 1,000 to 1,750, at Manchester from 2,500 to 3,400, at Birmingham from 1,500 to 2,500 and at Edinburgh from 3,200 to 4,200—to quote only a few examples. The development plans at the first three universities envisage an expansion to 2,500, 5,000 and 4,000 respectively before the end of the post-war decade, and the proposed increase in numbers at some of the university colleges is even greater proportionately. Yet in spite of this very satisfactory response, Mr Dalton's statement in March showed that when all the plans are added together the universities have felt unable to attain a total figure of more than 88,000 by 1956-57, a figure which is well below that proposed by the Barlow Committee, and very much lower than the 108,000 proposed by the Parliamentary and Scientific Committee last December.

The reasons for this relatively unambitious target are not far to seek. No one knows what is the optimum size for a university which possesses a large non-residential element, but it is probably round about 5,000, and this figure cannot be achieved

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comfortably even in a decade by the smaller universities and university colleges. Indeed in certain cases, such as Reading, which must be largely residential, a building programme which could provide hostels or colleges for such a huge increase, is beyond the bounds of present possibility. And even if it were possible, it is doubtful if it would be desirable. Reading University already plans to quadruple its student population in ten years and almost entirely to re-create itself in a near-by park of 250 acres. No one could accuse such a plan of timidity or lack of vision. It is difficult to resist the conclusion that if Oxford and Cambridge increase by only some twenty per cent, an increase to a total of 100,000 students cannot be achieved without the creation of at least one new university and a large expansion of London University, perhaps by splitting it into several separate parts. There is no fundamental reason why an area of 10 million inhabitants should not have four or five different universities of fairly reasonable size. The existing nuclei are already largely independent in academic affairs, but are still bound by administrative links.

It is easy to see why the University Grants Committee has been content to accept the universities' own estimates. The peculiar relationship between the Government and the universities is such that the Committee is largely dominated by what the universities and that loose but important unofficial body—the Committee of Vice-Chancellors and Principals—suggest. It could never compel London University to break itself up against its will; neither is it prepared to go against the advice of the Vice-chancellor's Committee that it is better to concentrate resources in the existing institutions than to dissipate limited reserves of personnel and materials on entirely new ones. Yet it is not so certain that the rejection of the idea of an entirely new university, or university college, is altogether wise at this stage. There is at present an outburst of interest in the creation of new universities. Carlisle, Inverness, Lancaster, Lincoln, Bradford, Huddersfield, Norwich, Stoke and York are all showing interest, with varying degrees of soundness, in the idea of starting on the road that leads to a local university. Clearly all these requests cannot be granted, but it would equally be lacking in vision to reject all if additional foundations are going to be required before long. The enthusiasm is there now: it may be difficult to revive five or ten years hence, and it would be better to permit a modest beginning in say two of the centres now, than to flog a discouraged movement later.

The passive acceptance by the University Grants Committee of the universities' own recommendations throws into relief two major issues which will have to be faced before either the question of total numbers, or the best ways of achieving them, can be satisfactorily settled. The first issue is that of ascertaining as reliably as possible the real requirements of the nation for different kinds of scientific, technical, professional and managerial skill. The second is the evolution of a more satisfactory method of planning and guiding university development, without introducing unnecessary rigidity or interfering with the essential independence of the universities themselves. On the first issue the nation is known to be undermanned in all these fields, but no one really knows how many physicists, or metallurgists or electrical engineers the country ought to have; much less what are the requirements for statisticians, economists, social science workers, historians or linguists. Certain professional bodies have made their own estimates, almost certainly on the conservative side: the Ministry of Education has made its estimates for teachers, and the Good-enough Committee attempted an estimate for doctors. But neither the Hankey Committee nor the Barlow Committee tried to break up the global requirements into detailed specialities, nor were even the global figures of the Barlow Committee

firmly based on reliable statistics. They were at best intelligent guesses—inevitably so, since only a detailed and comprehensive inquiry could yield anything more reliable.

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In the absence of such statistics the University Grants Committee is unable to say to the universities that the nation requires so many chemists or university-trained business managers, and that their proposals do not attain this target. Nor can the universities themselves say whether they are over-expanding or under-expanding particular departments in relation to the demand for the graduates they will be sending out from them. There is, for instance, considerable apprehension in some quarters that the current popularity of the social sciences is going to result in far too many young social scientists appearing on the labour market. This may or may not be true, but the crux is that no one knows.

It would be Utopian to imagine that it would ever be possible to produce any exact estimates—the field is far too vast and the pattern far too fluid. But some very useful guidance could be derived from an inquiry, or more probably several inquiries, into the demand for different kinds of knowledge and skills, which would at least provide the rough proportions between the different types of graduate needed. In the scientific and professional fields it ought to be possible to get near enough to the mark to prevent the universities from producing twice as many radio-engineers and half as many mining engineers as the nation needs. The Coal Board have indeed made their estimates and were prepared to negotiate with the University Grants Committee to obtain an increase, but were asked to deal with each university directly and separately—an excellent example of the limited views of its responsibilities the UGC takes. On the Arts side, estimates are more difficult, for the ultimate utilitarian purposes of the various degrees are much less defined. But apart from the demand for teachers it is fairly clear that the largest field for the future employment of non-technical graduates is in business. A start in assessing the demand has been made by the Manchester Joint Research Council, which carried out an inquiry among local firms into their future demand for technical and non-technical university staff. This inquiry, which yielded illuminating results, should now be repeated all over the country, and it would appear that the Ministry of Labour is the body to conduct it, accompanied by a proselytising campaign by the Ministry or the University Appointments Departments or the new Institute of Management to persuade business firms that they need the men of imagination and breadth of vision, which the universities are supposed to breed. Until these requirements and estimates are drawn up, all plans must necessarily be made in the dark.

The second major issue is that of the method by which university development can best be planned and guided. This very important subject will be reserved for a subsequent article.

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NOTES OF THE WEEK

Six Months to Think

The tone of Mr Bevin's speech on foreign affairs last week should have silenced prophecies of his departure from the Foreign Office. Repeating that the Moscow Conference had left him "neither pessimistic nor optimistic," he declared that he would go on working for agreement with the Russians in the hope of an eleventh hour and fifty-ninth minute settlement. If finally he had to say "Well, it cannot be done," then the Government would "have to review the whole of their policy." That is a very weighty and significant promise. In the face of it, it was somewhat unfair of Opposition speakers to complain—as doubtless others will complain at Margate this week-end—that British foreign policy is unconstructive.

In the immediate future the ability to make a constructive contribution to Europe's future lies almost entirely with the Americans; the power to make the Foreign Ministers' conference work lies largely with the Russians. Until Mr Bevin is certain about the long-term intentions and powers of Mr Marshall—who is now immersed in his papers—and about the short-term intentions of Mr Molotov, there is little that he can do on the wider issues. The next six months before the November meeting in London is rather a time for studying the implications of a change in British policy: the effects of a decision that the four Powers cannot work together, that Germany must remain divided, Austria occupied, the peace treaties unratified. Those are the worst things that are likely to happen in present circumstances.

Clearly Mr Bevin must have alternative policies in his pocket when November comes. But it is irresponsible and inaccurate to state—as do his critics in the Labour Party—that those alternatives are clear and easily achieved. Proposals for European union—whether political or economic or both—bristle with unexamined difficulties, as the Belgian and the Dutch can prove from their negotiations for the Benelux Customs Union. French own negotiations for the single western German federal state adherence to any plan for a single western German federal state cannot be taken for granted; nor for that matter can a French decision to follow Britain and the United States in a split with the Russians. Assumptions have to be made about the world economic developments of the next two years on which even the experts disagree. It is a time to combine intensive research with a careful watch for any opportunities to improve the atmosphere in which the November conference will meet.

Much that has been in the Foreign Secretary's mind is made clear in the twopenny pamphlet called "Cards on the Table" which has just been published by Transport House. It gives an admirably clear and crisply argued analysis of the difficulties which have faced British policy since Labour came to power. The party trumpet is blown only quite faintly against the main theme of Russian intransigence and American unawareness. It is most refreshing to find such cool, factual treatment. "Cards on the Table" makes "Keep Left" look very amateur and ill-informed.

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Diplomacy in Public

Disappointment with the results of public diplomacy is now general. Mr Bevin expressed it strongly in the House of Commons last week, was supported by Mr Eden and would probably be applauded by most British journalists who have covered the last three meetings of the general public in the detailed record of very little value for the general public in the detailed record of the Ministers' set speeches, and what should be negotiation becomes more like a wrestling match, reported round by round. Statesmen are tempted to talk over the heads of their colleagues to their supporters and critics at home, or even to those interested masses of Germans and Japanese who will applaud any champion who may appear. As Mr Bevin put it, it is impossible to "think aloud" without having the thoughts pinned down in the next day's headlines. Some better way should be found of running the London meeting in November.

The Council of Foreign Ministers was originally intended to be a kind of international cabinet, a special diplomatic instrument, not to be confused with the Security Council. As such it has as much right to keep its proceedings private as has the British Cabinet. One can imagine the embarrassment, confusion and bitterness which would result from detailed reports of what goes on in No. 10 Downing Street. This analogy is sometimes challenged on the ground that members of the British Cabinet are all of one mind and party on fundamental things, that as

they have to function as one body everything should be known about their agreements and nothing about their disagreements. But the conception underlying the Council of Foreign Ministers was—and should remain—the same, until it is proved invalid; it is that the four Foreign Ministers represent war-time allies, united in their determination to settle the problems created by their common enemies in the war. The Council was not intended to become a forum for debating all policy issues arising between them.

Mr Bevin thinks that the November conference will be "probably the most vital in the world's history." If so, the damage that premature publicity might cause to delicate negotiations should be guarded against. The Americans are hardly likely to take the initiative in doing so; their news agencies will bitterly oppose a return to the original plan of issuing agreed communiqués and nothing else. The Russians, who were from the first opposed to daily and detailed press conferences, will quite rightly say "we told you so." It surely lies with the British, as hosts to the next conference, to work out and propose some new method of keeping the public informed and of binding the world's press to greater discretion and less inquisitiveness. If the British and American news agencies could come to a gentlemen's agreement on leaks and contacts, the rest of the press would probably gladly accept communiqués and occasional press conferences in place of the exhausting daily hunt for four sets of clues to the news.

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The TUC and the "Economic Survey"

The Trade Union Congress's Report on the "Economic Survey for 1947" has to its credit a clear-headed assessment of necessities and a willingness to recognise their immediate cost in increased or prolonged austerity. Coal is the first necessity—not the 200,000,000 tons of the White Paper target but 250,000,000 as a reasonable medium-term objective and 220,000,000 as a minimum. To attain that minimum, better conditions, increased recruiting, foreign labour, and the other steps outlined in the White Paper are commended, but these, the report claims, must be supplemented by a really concentrated drive for more equipment; the engineering industry must be "mobilised, toolled and operated" to that end, home production must be supplemented by imports, and exports of equipment must be stopped entirely. To make the coal, once mined, effectively useful, electricity output must increase, and for this the same urgencies apply; an increase in the production of generating plant, imports if possible, and a suspension of all exports. As a third priority, transport must be improved both as an aid to industry in general and because of its key importance in fuel distribution. This programme of priorities will bear hard on the balance of payments; the curtailment of exports and the increased imports must, therefore, be matched by greater exports and lesser imports of less immediate necessities. All this sounds very logical and coherent. But is the TUC quite sure that it is not merely theoretical? Just how, this year and next, are 250 million tons of coal to be mined? And is it really sensible to talk of expanding exports and yet to ban two categories of goods in which British exporters still have an advantage? And what exactly are the unessential imports that can be cut?

It is, however, difficult to quarrel with the Report's observations on manpower in general and on the distribution of workers between industries, as far as they go. But they are strangely vague on those special "restraints" and "encouragements" by which movement from less to more necessary occupations should be expedited. This question is the central crux of planning in a free society, the dilemma of any social-democratic government; in all the world there is no body better qualified than the TUC to solve it; one can only, on the strength of this Report, hopefully, but doubtfully give them credit for having perhaps some ideas in store. No credit, however, can be given on the Report's treatment of production per head. The incontrovertible Government statement that "the nation cannot afford shorter hours of work unless these can be shown to increase output per man year" is objected to on the extraordinary ground that it will "prejudice the pursuit of claims for a shorter working week" by putting the onus of proof on the claimants. Where else, one wonders, should it be? This is not the voice of industrial statesmanship but the whinnying of Low's noble but bone-headed steed.

Planning Bill Third Reading

The Town and Country Planning Bill received its third reading in the Commons on Tuesday, with a not unexpected vote of 297 in favour and 126 against. There was very little said in the debate that was fresh. The majority of Opposition speakers were content to go over old ground and repeat their complaints on the lack of opportunity given for discussion. However, the Minister himself was conciliatory enough. The major points he dealt with were, first, his acceptance of the criticism made in Committee of the Government's original plan to "weight" the grants to be made towards the redevelopment of war damaged areas. Local authorities of these areas will now be given grants on an equal basis. Next, he confessed to alarm at the anticipated shortage of planning staffs with experience and promised to do what he could to remedy that. This was coupled with the interesting statement that the universities are to be brought into the training of men and women for positions in the planning departments of local authorities. They can so clearly supply both the instruction and the background needed to convert the technically trained architect or surveyor into a man broad enough to balance all the aspects of planning.

The other Government concession was that announced by the Parliamentary Secretary at the end of that debate, the production of a device, clumsy but it is to be hoped effective, to relieve those who contemplate improvements in existing agricultural cottages of the damping effects that the immediate imposition of a development charge would have. The Minister was at his weakest in his attempt to explain away the ability of other Government departments to ride roughshod over development plans, and Mr H. G. Strauss very properly reminded the Minister of the case of the Post Office and White Horse Hill. It is not to be expected that every Cabinet Minister will be energetic enough to tour the country to inspect the acts of vandalism committed by his department. But Mr Silkin declined to step into the breach.

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London Phoenix

Details have now been published of the final report of the joint planning consultants for the reconstruction of the City of London. The consultants are Dr Charles Holden and Professor W. G. Holford, and their report was considered by the Court of Common Council on Thursday. As might be expected, coming from such a quarter, the report is detailed, sensible and a very fine adjustment between all the conflicting claims that, in the case of the City of London, inevitably cry for precedence. Is there to be any paramount consideration? Should traffic, or the need for office accommodation, or the claims of antiquity, or even the reverence due to St Paul's, dominate the plan? Fortunately none of them does.

In the compass of the space available it is impossible to do justice to the many facets of the plan, but some points do stand out. It is good to see that at last it is proposed to give St Paul's Cathedral its proper setting. The main stream of traffic in Ludgate Hill and Cannon Street will be diverted to slightly nearer the river, so that the approach to the Cathedral from the West will not be enmeshed in traffic problems. A new approach from the river on the South is to be made (culminating in a grand vista of the Bankside power station, St. Silkin's, from the south front of St. Paul's?), this to be expressly reserved for ceremonies that should restore the river to its old place in London life. Even the North-East aspect is to be made more open. Sir Christopher Wren should turn in his grave with pleasure.

On the side of practical considerations, the report is equally clear-sighted. A standard of office density is advocated, based for the first time on the floor space in each building used by the office population. The standard suggested is that the working floor space in any building should not exceed four times the ground area the building covers. A new day-lighting code is recommended, and the report, with considerable courage, criticises the bad design, in this respect, of many of the new buildings put up in the City between the wars. Finally, the report even suggests, tentatively, a date on which reconstruction should start. Civil engineering operations could begin in June, 1948, and building operations in April, 1949. With a building force of 500 men at the outset, growing to 5,000 by 1965, the report envisages substantial progress in ten years and completion of the whole gigantic task within 30 years. Inevitably any plan for the City of London must be a compromise. It is difficult to see that the compromises embodied in this report could be bettered if work is really to be started within the lifetime of the present generation.

Operation Breadbasket in 1948?

In his report to the House of Commons, Mr Bevin was able to announce better news of the administrative structure in Germany. General Robertson and General Clay have agreed that the authority of the German bi-zonal agencies shall be strengthened and the details of the new arrangements are in process of clarification.

Since both the move of the agencies to Frankfurt and their acquisition of new powers make a reconsideration of the two zones' administration inevitable in any case, might it not be wise to go a step further and ask at this point whether in fact the new arrangements will meet the administrative crisis which next winter will almost certainly bring? In particular, will it cope with a food crisis which, on the present estimate of world harvests, is likely to be as acute as the present shortages and may even be worse? If this question is squarely faced now, there is time in the next months to find the answer. Many problems in Germany have been mishandled owing to insufficient longterm planning, particularly in the purchase, allocation and distribution of food. Nine months before the crisis line is not too soon to lay down the principles of the proposed supply operation.

One point is surely clear. To ensure a sufficient ration to the big towns in the British zone—the food problem is basically this—more draconian measures, not less, will be needed to ensure local deliveries and to safeguard local distribution. It is equally clear that no German agency, however its powers are strengthened, is going to accept responsibility for greater ruthlessness. Since this is the case, the answer to next winter's food crisis is probably not to blame or threaten the German authorities (as Military Government has done very vigorously this week) but simply to make the collection and distribution of food a military operation, under direct Allied control in which the German officials act as agents, not independent authorities. There is probably no other way to avoid a grim repetition next year of this year's breakdown.

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The French and Their Food

Everybody in Paris is talking about food. There is no immediate threat of famine, and undernourishment in the working class is nothing new; but the difficulty of bridging the gap until the next harvest, without reducing the scanty bread ration, threatens trouble in Paris. In many other parts of France, prefects have decreed that allocations shall fall to 200 grammes (eight ounces) a day, scarcely half of the consumption before the war, when there were many alternative foods to be had.

The public were not expecting another bread shortage this year; the unpreparedness is due, say the Communists in the Chamber, to "the Socialist and American illusions" of the Food Minister. The Government have admitted that they deliberately misled the public, in order to prevent hoarding; now they have reversed, on a spectacular scale, the policy of official optimism and are building up the impression of crisis. An emergency collecting committee, under patronage of the President of the Republic and of leaders of the Catholic, Protestant and Jewish communities, is imploring and exhorting recalcitrant farmers to bring in their grain. A nation-wide press and radio campaign is driving home the unpalatable fact that, while equally pressing claims for food are crossing the Atlantic from other countries of Europe, the French will have to depend during the lean months on tapping their own reserves, known to be stocked in large quantities in the scattered barns of wary peasant proprietors.

The Prime Minister has assumed personal direction of food supplies, a task of which he has already had unhappy experience during his term as Food Minister in the de Gaulle administration. He has made a favourable impression by intervening in the Assembly and assuming full responsibility for the food situation, the blame for which critics have put on individual ministers. Paris flour mills, which threatened to make things worse by a sit-down strike, were requisitioned under the law until July, and the strikers were threatened with penal action. Ingeniously combining firmness and kindness, he brought the men back to work after a pause of three days, refusing them pay for time not worked, but paying them double rates for the three subsequent days.

M. Ramadier's enemies on the right have chosen this moment to launch a strenuous campaign against state controls. It is being received enthusiastically, not only by exasperated traders, but also by all income groups which can afford "parallel" prices

and resent being forbidden to pay them. The Communists, doubtless with an eye on the coming municipal elections, have joined the chorus of protest against *dirigisme* and have issued a quaint directive to members, urging them to recruit for the party from all ranks, "even if they do not share our philosophic conceptions." On Monday, tens of thousands of Paris shopkeepers gathered at the Vélodrome d'Hiver to denounce state interference, and a number of picturesque riots against food officials are reported from the countryside.

Food controls have certainly failed to check scandalous inequalities; never has Paris offered such succulent pastries at 40 francs a piece as in this week of bread crisis. But a return to complete freedom would not improve matters. The freeing of meat and eggs brought them back into the shops, but prices rose sharply. Even if this rise is temporary and might, in the long run, increase production and reverse the trend, the immediate result over the whole range of foodstuffs would be the collapse of M. Blum's policy of restoring the franc by forcing down prices and freezing wages. Such a collapse would mean the end of the four-year plan, which some antagonists of the present régime would probably view with equanimity.

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Entente in Africa

Very wisely the Foreign Office and the Quai d'Orsay are allowing their African experts to work together in the field and at a high administrative level. On Tuesday a conference on problems common to the African territories of Britain, France and Belgium was opened in Paris with an assistant under-secretary representing the Colonial Office. Their discussions on matters ranging from sanitation and irrigation to soil conservation and diseases of cattle are intended to lead to more permanent arrangements. Joint organisations will be set up in Africa by which decisions can be taken at short notice. At the same time British and French experts have been meeting at Dakar to discuss common use of communications and other services in West Africa. There the natural outlets to the sea from French territories are in the British coastal enclaves and there is a clear case—now that the alliance with France is firm—for recognising the natural unity of these West African possessions. Presumably Portugal and Liberia will come into the picture later.

The general objective is the technical one of creating the conditions in which African living standards can be raised. More particular objectives may be the co-ordination of economic policies to assure a steady market for African products, some general agreement on educational—if not political—policies, and the exchange of views on administrative problems. Immediately important is the fact that French governors and high commissioners have been assured by their Minister in Paris that liaison with the British and Belgians has full official backing; presumably Mr Creech-Jones has given similar assurances to British officials. There seems to be no reason to read deeper strategic and political trends into this new effort at co-operation; it is obvious that, if British and French policies tend towards closer economic and defence arrangements in Western Europe, their African possessions will have an important role to play. The importance of West Africa to Commonwealth communications was vividly shown during the war.

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Equalising the Rates

Mr Dalton's reference, in his speech at Bishop Auckland last Sunday, to his plans for the future of local government finance can only be regarded as a shadow of events to come, obscure in its details as shadows commonly are. The present burden of rates on local communities has grown since the end of the war and in some areas is now oppressively high. Existing legislation will bring some reduction next year, by removing the cost of out-door relief and of health services from the local budget—a reduction financially satisfactory to local authorities but still leaving many of them regretful that local control of an essential local service has gone. Authorities, too, will benefit from Mr Dalton's other plan to relieve them of the burden of high-interest loans. Accordingly, rates should tend to fall next year and Mr Dalton apparently proposes to take the opportunity provided by the reduction in outgoings of all local authorities to augment the income of some. At the moment, all local authorities receive a block grant from the Treasury. The basis on which the block grant is calculated is the rateable value of the whole area of the authority but that calculation in each case is weighted by two additional factors, the incidence of unemployment in the area and the number of children of school-attendance age, so that

authorities which have heavy unemployment and a large child population are specially favoured.

Mr Dalton apparently proposes to make yet another adjustment in the block grant. In future it seems the block grant will not be paid to those authorities whose rate poundage is below the average for the country and what is saved there will be paid, in the form of an addition to the present grant, to those authorities whose poundage is above the national average. But whether this division into sheep and goats will be as clear-cut as this has not yet been revealed. Will the grant be shaded in the case of authorities whose rate poundage is just above or below the average? Few will object if a borough with a rate poundage of 8s. receives no block grant in the future if its savings, in expenditure offset its loss of income, but the authorities—and there are many—whose poundages run at about the mean are still in the dark.

It is to be hoped that the new Dalton plan, trumpeted as it was, is no more than a stop-gap. Some day some government will have the courage to tackle the whole problem of rating and valuation, particularly as this new plan, once again, encourages deliberate under-assessment of property by the local authority. Chaos is not really removed by spreading its effects more evenly. Mr Dalton has produced, just before the party conference, another red patch to sew on to the old blanket but no one should be short-sighted enough to think that the blanket is thereby rendered any the less threadbare.

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The Manchester Scheme

The proposals for a complete reorganisation of local government in the Manchester area, under which county boroughs would be eliminated and a new populous county, with smaller authorities under it, would be brought into existence, are making headway. The idea has been voluntarily inaugurated by 27 local authorities of all types (except that Lancashire County Council was not represented) who have appointed a committee to prepare a scheme for submission to the Local Government Boundary Commission. The Boundary Commission is extremely interested. Its own investigations are covering only a comparatively small and unsatisfactory area around Manchester. But the scheme of the local authorities' committee envisages a "Manchester County" of much better size. It would include 76 existing authorities, including 7 existing county boroughs, and its population of 2½ million would be rather larger than Middlesex, while its area would be a good deal larger. This is the right sort of new authority for a conurbation and its environment. The county boroughs within it, including Manchester, would, of course, lose their status and there have been suggestions that all the lower tier authorities in the area—demoted county boroughs, non-county boroughs, urban districts and rural districts—might all profitably exercise the same or very similar functions. Moreover, many of them would be amalgamated into larger units, while perhaps Manchester itself might be split up into several authorities.

The new county would be a closely-knit and well integrated unit, mainly urban but with a rural fringe. It would be quite unlike other counties, except perhaps for Middlesex and the County of London; and it might be the starting point for a radical reform of local government, at least in the main urban areas. So the Boundary Commission believes, for it has now suggested the possibility of creating a similar new urban county in the Black Country, which would absorb among other authorities the five county boroughs of Dudley, Smethwick, Walsall, West Bromwich and Wolverhampton, and have a population of one million. Better still it might centre on Birmingham and have a population of over two million. The main alternative to this policy—in the Black Country, as in Lancashire—is the creation of a solid block of county boroughs which would absorb all the urban and rural districts between them. This view is naturally taken by the county boroughs themselves, who variously suggest that the whole Black Country should be divided among seven, six, four or even one county borough.

For the Manchester area, at any rate, the "New County" solution is more promising than the county borough solution. But it is only so, generally, if the idea is translated into practice with sufficient boldness. The new counties need to be—although the word is disliked in local government circles—minor regional authorities; and nothing would be worse than a sort of parochial regionalism. The whole idea is to create major units of local government which are effective and democratic. This requires that the new kind of county should cover a reasonable area; should possess considerable financial authority and independence; should reabsorb as many as possible of the functions—such as hospitals—that are now being filched from local government; and

above all that it should—unlike the proposals now mooted in Manchester—be directly and not indirectly elected.

Films Abroad and at Home

The Rank organisation, headed by Mr J. Arthur Rank, is continuing its battle to establish the place of British films in the world, and to ensure that it is a fair one. An interest in a circuit in the West Indies has been acquired. An agreement was made recently with Czechoslovakia under which a satisfactory minimum of British films will be shown in that country each year. And now comes the news that Mr Rank is to establish a circuit of 50 cinemas in the major towns in the United States, to be devoted to the proper display of this country's products.

At the moment, such an announcement may be regarded more as a shot fired in the battle of nerves than as a step likely to have immediate practical results, but clearly such a step would not even have been contemplated if Mr Rank, and presumably some American supporters, were not convinced that there is in fact a commercial future for British films in North America. Perhaps of all the independent monopolies operating in this country the Rank organisation has most to be grateful for to a Socialist President of the Board of Trade; on the other hand, the Board of Trade (and the Treasury) have equal cause to be thankful to Mr Rank for his energy and persistence and, above all, for his ability to operate a monopoly which gives such remarkable artistic freedom to those working within it. But perhaps the most sensible thing said was the statement attributed to an American impresario, that if British films were not allowed to earn dollars in the United States, how could Britain pay dollars to see American films.

This month has also seen the publication of the report of the Cinematograph Films Council on proposed reforms in the quota system under which British films are by statute assured of some place in circuits in their own country. The proposals are mainly technical and suggest that the actual level of the quota should in future be fixed from year to year after joint consultation between the authorities and the industry. But as an appendix to the efforts of British films to establish themselves abroad, the figures of foreign films shown here are of interest. In the year ending September 30, 1946, the aggregate length of film shown in performances in Britain was 46,903 million feet, as compared with 46,095 million feet in the previous year. Only 20.96 per cent of this total was of British films, as compared with 19.75 per cent in the previous year. British films have still a long way to go to recapture their home market.

In the Wake of Truman

The Brazilian Supreme Court has disallowed the appeal of the Communist Party against a recent majority decision of the High Electoral Tribunal declaring the Party illegal. Thus after only a year and a half's legal existence the Communists are again being driven underground. In their short life above ground they have, nevertheless, made remarkable progress. In the congressional elections in January last year they polled some 500,000 votes on a total electorate of about 7,500,000—and this within a few months of regaining legal existence. In the field of organised labour their success was so rapid and comprehensive that when, in alliance with the Labour Party, they founded the Workers' Confederation of Brazil (CTB) it was declared illegal, being considered too strong a threat to the official labour policy.

The new constitution of last September, however, which provided the opportunity for such a spectacular advance in labour matters had other and more damaging clauses. These were soon used to call into question the whole legal position of the Communist Party. In particular, full freedom to engage in party politics was not given to parties "opposed to democratic government." To democratic ardour against the Communists nationalist feeling added the charge of subservience to foreign interests. And in January, just before the State elections, the attacks became so sharp and were made by such high authorities—including both the President and Minister of Justice—that many people thought the elections would be postponed and the Communists declared illegal then. But the elections were held and the Communists again registered considerable gains. The campaign against them was intensified. In April the Communist Youth Party was banned for six months. Then the Communist headquarters in the State of Alagoas were closed down. And now the Party is outlawed.

Brazil, however, is not the only Latin American State where

anti-Communism has been growing in recent months. In January a state of siege was declared in Paraguay, due to disturbances caused by "anarchists collaborating with the Communist Party," and almost immediately the Communists were outlawed. In the middle of March a civil war broke out, which still continues. This was said to be due to "Communists and *Febreristas*" (militant right-wing Nationalists). And in Argentina only this week influential demands for an investigation into the country's Communist Party have been made. But more important was the response of the *Apristas*, the main Peruvian Party, to the Truman Doctrine at the end of March. Its executive attacked the Communist fifth column and declared its full support of the American campaign. Recent strikes in nitrate mines have been blamed on Communists, and (partly perhaps with an eye on the trade negotiations with Argentina) strong action is not unlikely. In Chile strong action (again rumoured to be in response to Argentine pressure) has already been taken, the Communists being removed from the Cabinet in the middle of April. But in Chile, as in Brazil, recent elections had shown a disconcerting increase in Communist strength, and it is most unlikely that these repressive actions will reverse the trend even though they prevent its expression.

Jugoslav Five Year Plan

The draft Five Year Plan which was brought before the Yugoslav Federal Parliament at the end of April is an ambitious document. By 1951 production of coal, coke and iron ore is to be double that of 1939 and electricity output is to be increased four times. Special attention is paid to agriculture. One of the main arguments used by the Plan's spokesmen in favour of developing heavy industry was that Yugoslavia would then be able to produce at home the equipment required to mechanise agriculture. It is hoped to produce in 1951 nine times more ploughs than in 1939. By the same date production of artificial fertilisers is to be five times the pre-war level, and industrial crops and fodder are to be more than doubled. Some 400,000 hectares of marshes are to be drained and 400,000 hectares of waterless land irrigated. The plan also refers to the need to increase labour discipline and to establish "norms of production" in the factories.

The consumer is not forgotten in the plan. Consumption of textiles and shoes is to be double that of 1939. The volume of goods in retail trade in 1951 is to be double that of 1946. Large numbers of new schools, hospitals, libraries and museums are promised. Press and radio comment stresses the intention to abolish ration cards and coupons at some time in the future.

Jugoslavia certainly needs a programme of reconstruction of this kind. During 1946 UNRRA saved millions from starvation, and provided transport and equipment which made good at least a part of the ravages of German occupation. In particular, the number of lorries and tractors supplied exceeded that which the country possessed before the war. But Yugoslavia has not only to repair its losses but also to build for the future. Already in the '30s its most pressing problem was rural over-population, which caused permanent under-employment and poverty among the majority of the peasantry. The standard of living of the Yugoslav people can only be raised by radical improvements in the methods of agriculture, development of specialised crops, public works (roads, irrigation and drainage), and new industrialisation. And even in ideal conditions such a policy could not quickly produce results.

What is less clear is how the Yugoslavs hope to obtain the equipment required for this plan—especially electrical and agricultural machinery. Agreements have been made with Czechoslovakia and Switzerland, but it remains to be seen how much they will provide. Since the shooting down of American aircraft last summer Yugoslavia's relations with the United States have been bad, and the hate campaign against Britain has not abated. Marshal Tito's speech to Parliament on the Plan celebrated Yugoslavia's "liberation" from foreign capital, which he alleged in the past made profits "several times" larger than the capital invested. Rhetoric has always been popular in Yugoslavia, under every sort of political regime, but it has never yet sufficed to build power stations or fill bellies.

Prisoners of OZNA

Among the many digressions of the Foreign Affairs Debate was the exposure of a somewhat acrimonious dispute which has arisen among Members of Parliament about the Parliamentary Delegation, numbering eleven persons, which visited Yugoslavia in November, 1945. It seems that Mr Stokes recently circulated

to Members a statement alleged to have been made by a former Yugoslav political prisoner to the effect that when the British Parliamentary Delegation visited the prison in which he was confined, all the prisoners were put in the cellar and told to keep quiet on pain of death, while their places in the cells were taken by men of the OZNA, the Yugoslav secret police, who then answered the questions of the visitors. This story called forth an indignant protest from certain of the Delegates, who at the time of the tour gave Tito's government a public testimonial on the good treatment of its political prisoners—a testimonial of which it made the fullest propaganda use.

This is a pretty little controversy and it is easy to see why it has aroused some violence of feeling, for if Mr Stokes's account is accepted the delegates are made to look utterly ridiculous. However, they have made themselves ridiculous enough by their own line of defence, even if the Stokes version is rejected as the invention of an unscrupulous *émigré*. Mrs Manning states in her contribution to the dispute that "we had complete freedom to discuss, sometimes in French, sometimes in English, sometimes through an interpreter in Serbo-Croat, with any prisoner we liked, any point we liked. Prisoners were completely frank with us, sometimes critical—especially of their detention while evidence was being collected—but not one prisoner had any complaints to make about treatment or food or conditions; *au contraire*, they seemed annoyed at some of the statements which had appeared in the foreign press and which seemed to them to reflect upon the civilisation of their country."

Even on the assumption that the prison inmates who talked thus were real prisoners, and not OZNA substitutes, what possible value can such interviews have if there is no guarantee of protection against reprisals for those who complain against their gaolers? Investigation of prison conditions is a notoriously difficult matter even in normal times in countries where civil liberties are most firmly established and there are strong legal safeguards against the torture or murder of prisoners. In Yugoslavia, as even the admirers of the Tito regime must admit, there was a pre-war tradition of police brutality and subsequently a ferocious civil war from which a revolutionary government emerged; it is hardly likely that in these circumstances prisoners would have had no fear of their captors. The Zillies may believe that the OZNA would not hurt a fly unjustly, but that is what they have to prove by refuting massive testimony to the contrary, including that given in the recent State Department Note about the imprisonment in Yugoslavia of certain individuals claimed as American citizens. To rely on talk with prisoners without recognising the possibility that they may be speaking under intimidation, is simply to assume what it is intended to prove.

Wool Tangle at Geneva

The news from Geneva remains depressing. The date has passed when the back of the tariff negotiations should have been broken, allowing the delegates to pass to their second task, that of debating the latest version of the charter of the International Trade Organisation and of negotiating an interim agreement incorporating some of the crucial sections of that charter. The delegates are now, in fact, devoting much of their attention to this debate, but this is largely because talks on the tariff side have reached something of a deadlock. The main reason for this is to be found in one single commodity, wool. This one item now appears to dominate tariff talks. The importance which has been given to it is not misplaced. On the American side, discussion of the excessively high protection given to wool will show more clearly than anything else the relative strength on the one hand of the specific vested interest, especially where it has powerful pressure groups behind it, and on the other, of the glib and no doubt sincere generalities concerning American economic foreign policy that emanate from the State Department. On the Dominion side, wool is equally crucial. It represents the principal commodity for which additional markets could be found in the United States as consideration for some dismantling of imperial preferences. The position is sufficiently serious to have caused Mr William Clayton, head of the US delegation, and Dr H. C. Coombs, head of the Australian delegation, to fly back to their respective capitals for further instructions.

The news on the US wool tariff situation remains somewhat confused. The American offer to the Australians, New Zealanders and South Africans in Geneva was to bind the present tariff on wool imports into the United States at its present figure, which is equivalent to a duty of 65 to 75 per cent *ad valorem*. The shattering effect of this offer was then aggravated by news of the Robertson Bill before the Senate which would increase wool duties by 50

per cent, raising them to a range of 110 to 125 per cent. The story of this Bill goes back to a measure introduced by Senator O'Mahoney last year to provide a price-support plan for wool. When this measure was before the Senate Agricultural Committee it was diverted to the corresponding House Committee with a suggestion that provisions about import control and the imposition of an import fee might be added to it. As it emerged from the House Agricultural Committee the Bill provides for an import fee of not more than 50 per cent *ad valorem* over and above the existing tariff to be imposed by the Secretary of Agriculture if he finds that imports of wool are interfering with the price-support programme. The substitution of the word "fee" for "tariff" is held to exonerate the bill from all protectionist taint. The State Department is now fighting hard to have the measure dropped, but the wool growers' lobby is an extremely influential one and appears determined to have this legislation debated in Congress. Until this episode is safely out of the way, and indeed until the United States find themselves able to do something better than insist on the maintenance of the present excessive tariff on wool imports it would be wise to view the proceedings at Geneva as a performance of somewhat academic interest.

Education for Management

The long-awaited report of the Urwick Committee, now published*, raises all the interesting questions it contains about management in parentheses and answers none of them. The dull questions about the teaching of management in technical and commercial institutions, it answers sensibly enough, but the range is limited and of interest mainly to the nineteen professional bodies who are concerned wholly or partly with training managers in their various fields. The value of the report to the general reader lies in its revelation of the inadequacy of any knowledge about management generally—the numbers of those carrying out managerial functions, the ladders they have climbed to reach positions of responsibility, the future demand for managers, the facilities available for training them, and the experience of training gained elsewhere, notably the United States, which has devoted a great deal of attention and resources to the study of this question.

The trouble has been that the committee who framed the report under the chairmanship of Colonel Urwick were representative of professional and educational interests and they found themselves confronted with problems which were mainly commercial and industrial, with which they were not competent to deal. There is certainly scope for co-ordinating the curricula of the bodies carrying out training, and as the result of the committee's work, these organisations have agreed to co-operate. But the really big question is what can be done to improve the quality, and perhaps the numbers, of those managing the business affairs of the country. It is debatable how much about management can be taught by theory, and any movement which attempts to make managers into a closed professional clique is to be strongly opposed. But if the committee's estimate that there are some 400,000 to 450,000 people engaged in managerial functions in this country is anywhere near correct, this is a sufficiently large number to justify more attention than has hitherto been given to them. The committee suggest that the proposed new Central Institute of Management, which would operate under the auspices of the Board of Trade, should turn its attentions to acquiring the missing information. This is a most sensible suggestion.

De-requisitioning

So many people have personal grievances about the requisitioning of land and buildings by Government departments—whether it be house, office or treasured beauty-spot—that an inquiry by an impartial committee into the processes of de-requisitioning is of general interest. The report published by the Select Committee on Estimates deals with the problem under three main headings—the release of (1) factory and covered storage premises, (2) residential and non-industrial premises, (3) land. On the first they conclude that the rate of release has been satisfactory: on the second they have some hard words to say about the heavy and increasing demands for office buildings

* Education for Management, H.M.S.O., 6d.

† Release of requisitioned property. H.M.S.O. 3s. 6d.

from the civil departments, and express the rather innocent view that to cut these demands might have a favourable effect on reducing the size of the civil service; on the third they are very critical of the service department's failure to decide on their plans for training, since this delay is seriously holding up the release of land.

The following figures show the very great decrease there has been in property held by the Government since the end of the war.

	1946	Dec., 1946
Non-industrial property—holdings.....	96,566	16,784
Industrial and storage premises—sq ft.	220,000,000	30,000,000
Land—acres.....	12,000,000	2,500,000

The big user of industrial space is the Ministry of Supply, but the target for releases was nearly reached by the end of 1946, and was thereafter mainly delayed by the effects of the weather on the transport of stores from buildings due for release. The demand for office accommodation is a much more serious problem, particularly when it freezes flats and houses needed for normal housing purposes. The Committee recommend that housing should be given priority over all other purposes and that such accommodation should be released from its use as offices. But it is easier to say this than to put it into practice, for whatever doubts one may have about the value of many of the functions performed by civil servants, there is no guarantee that the dislocation caused by officeless civil servants would be the lesser evil. Slum conditions in Government departments are already causing their own delays and difficulties. In this connection the Service departments' record is good, since they have reduced their holdings by more than 94 per cent, whereas the civil departments had reduced their holdings by only 52 per cent by the end of 1946. There is no real solution until the total of accommodation is increased by new building.

Letters to the Editor

The Capital Budget

SIR,—The capital account tentatively presented in your issue of April 26th gives ground for alarm, by reason of the high total of Government sponsored items, leaving little margin for other industrial outlay.

I may assume that your readers are of one mind in holding that to balance our external account before the American Loan runs out should now be our supreme objective. In the hurry and scurry of the last months before this crisis comes upon us, it may be well to let our minds dwell upon a point of theory. It seems that we are drifting without a plan; this absence of plan may be in part at least due to lack of intellectual clarification.

The external deficit in any period is necessarily exactly equal to the excess of domestic capital outlay over domestic saving. Consequently if we plan to have capital outlay considerably in excess of anything likely to be yielded by domestic saving, we are in effect planning to have an external deficit. That, I suggest, is what we are now doing. We are deliberately planning not to avoid an external deficit, but to incur one. Is this generally recognised?

There are only two ways out that are logically possible: one to increase saving (decrease consumption) by the required amount, the other to curtail capital outlay. The former is not practicable at this stage. You may cut off further commodities from the consumer by administrative act; but his purchasing power will flow in elsewhere, and thus maintain the present volume of national effort tied to his service.

It is said that only an increase of output per man can save us. This is no doubt supremely important for various reasons, but on the most optimistic assumptions is not likely to solve this particular problem. If increased output is accompanied by increased earnings, it will contribute little to the external balance (only to the extent that the extra earnings are not spent).

What can and should be done is to cut the capital outlay drastically. It is particularly important to cut planned capital outlay. This should be cut so as not only to eliminate the external deficit, but to allow an ample margin wherewith to re-fill the industrial pipelines and make up arrears of maintenance, since these last are likely to have a quick effect on output.

This means that the building programme should be drastically curtailed, big constructional work be suspended, and modernisation plans be looked at most critically and only encouraged where

Shorter Notes

The National Service Bill petered out into the tamest of last thoughts in the Report stage on Wednesday. Perhaps the all-night sitting last week had drained the critics of all their vigour, for they had kept up a very sustained fire during the committee stage. The only aftermath of any significance in the political field is the renewed rumblings of the trade union side of the Parliamentary Labour Party, who protested at a meeting the same day against the indiscipline of those who voted against the second reading of the Bill. Fortunately they were overruled.

If the House of Lords are intending to stage a big fight on the Transport Bill they are certainly reserving their thunder. The second reading passed with little incident and few clues of where the main attack, if it is to come, will be launched. Perhaps their Lordships have been so overcome by the danger of having to sit after dinner that all the fight has been drained from them. Could any arrangement be more calculated to even out the relative strengths of Government and Opposition?

The Lord Chancellor's speech in the House of Lords opposing the Liberals' Preservation of the Rights of the Subject Bill can only be described as a piece of staggering impudence. He condemned the Bill as a mere manifesto, "ill-considered, ill-digested, and ill-drafted"; to which Lord Reading replied, charitably leaving out the epithets, that the translation of manifestos into Bills had been the House's sole job for months. Speaking for a Government which has produced the Transport Bill, the Electricity Bill and the Town and Country Planning Bill, in each of which the guiding principle has manifestly been "get the Bill through first and draft it later," he would have done better to choose almost any other line of attack.

the new machinery will amortise itself in two or three years. To secure the necessary total reduction, defence expenditure will probably have to be severely reduced also, the saving to the Exchequer being retained as a budget surplus.

The external problem is not insoluble, not even stupendous, given vigorous action on the right lines. Thus, if all those due for release from the Forces this year (or an equivalent number) were harnessed to work for exports, our problem would be solved. The only way to get them so harnessed is to eliminate rival demands for their services. If this were done, many material shortages would also automatically disappear.—I am, etc.,

Christchurch, Oxford

R. F. HARROD

Sweet Rationing

SIR,—May I make the following comments on Mr Sinclair's letter last week?

I did not suggest "that an increase of one ounce per week on the present ration would be sufficient to meet demand at the present price levels." I stated that in my view rationing might be dispensed with at the new price levels with possibly only a small increase, say one ounce, on the ration. When I made my speech, I mentioned that new price levels corresponding with the new prices of raw cocoa were under discussion. Those discussions have now ended, and increased chocolate prices have been announced. It was with these new prices in mind that I made my statement.

Whether 5 ounces will suffice to end rationing is dependent on a number of conditions, and, to put the matter in its proper perspective, it is useful to go back to the position in 1924. In that year the average price of chocolate and confectionery was 5½d. per quarter pound. The average consumption was 4½ ounces per head per week, which was costing the public just over 6d. a week.

By 1938, the average price of chocolate and confectionery had dropped to 3d. a quarter pound. Consumption had risen to 7½ ounces, and thus the public was spending just under 6d. a week, say 1s. 9d. a month. When the new selling prices came into effect on May 26th, the average price per quarter pound will have risen from the pre-war 3d. to 8d. At these prices, a 5-ounce ration will mean 10d. a week, or 3s. 4d. a month; almost twice the pre-war 1s. 9d.

The question, therefore, is whether two-thirds the pre-war quantity of confectionery at almost twice the cost will be all the public is prepared to buy. In considering this question, it must be remembered that since 1939 the public has learnt to spend more, in some cases much more, on tobacco, cigarettes, drink and films. These habits will be difficult to change, and will compete with chocolate and confectionery more than they did before the war for the consumer's 3s. 4d.

It will make a considerable difference whether the extra ounce is given while other commodities such as clothing and household equipment are still in very short supply, or is given when they are becoming available to the public in more adequate quantities. The more closely a 5-ounce ration is timed to coincide with such increases, the more likely is it to satisfy public demand.—Yours faithfully,

L. J. CADBURY

Cadbury Bros., Bourneville

Frenchmen and their Social Services

SIR,—In connection with your correspondent's article of May 10th which I have just received, readers may be interested to hear of a strike in protest against the new legislation which took place in Grenoble about four weeks ago.

The commercial classes, shopkeepers and business people in general staged a one-day strike against their rate of contributions fixed at 250 francs a quarter, which they consider far too high, especially in comparison with what the workers pay. All shops and restaurants were closed, people being warned the day previous to lay in provisions over two days. The only shops I saw open were those distributing milk to the children.

The university students who are also having to pay this contribution, admittedly far too high for the average student, also went on strike, the professors being faced with empty lecture-rooms, since pickets were placed round the entrances to the university buildings to stop any students wishing to attend. The students' union did not carry all its members with it when deciding the strike.

I think I am right in saying that in the United Kingdom anything of that type of unfairness as far as students are concerned would be the subject of a question in the House and a peaceful settlement rather than agitation of the kind staged here. Links between Deputies and their constituencies seem to be of an entirely different nature from in the United Kingdom.—Yours faithfully,

D. C. CARNER

Faculté de Droit, L'Université de Grenoble, France

Agreement to Separate?

SIR,—Your article on May 17th calls for more than one comment. The truncation of Bengal will deprive the eastern half of Pakistan not only of the Calcutta industrial area, but also of the coalfields in western Bengal, the loss of which may have even more damaging consequences.

A second point, often overlooked, is the extent to which long established allocations of industrial functions between Hindus and Muslims may affect the economic problem. If, as a result of partition, Hindus tend to migrate to Hindustan and Muslims to Pakistan, the resulting economic dislocation will be more serious than is, perhaps, generally realised.—Yours faithfully,

Larchfield, Churt, Surrey

GEOFFREY BRACKEN

Bonus Issues

SIR,—Have you not withdrawn too far in face of Mr David Eccles's challenge? The argument that a bonus issue of, say, one share for every share held is merely a paper transaction which leaves each shareholder with two certificates where previously he held only one, but with the same interest in the same assets as before, is valid if the bonus issue is an issue of shares of the same class as those carrying the right to the bonus. But when there is a bonus issue of preference shares to the holders of ordinary shares, there is the material difference that the shareholder can sell his bonus shares without sacrificing any part of his interest in the equity. True the equity will have diminished in value, but (unless the rate of the preference dividend is unnaturally high) not by more than it would have diminished if the nominal amount of the bonus issue had been distributed in dividend. When the subject of the bonus issue is not shares at all but debentures, the position is completely transformed, as a debenture-holder is a creditor of the company. By selling his bonus debentures the holder does not part with any of his interest as a shareholder, and the company may even redeem them within a few days, the redemption money being capital.

There are probably more ingenious methods of evading sur-

tax by means of bonus issues, but the above does not, I think, call for much ingenuity.—Yours faithfully,
13 Old Square, Lincoln's Inn, W.C. 2

Drive for Generating Plant

SIR,—With reference to your Note, page 727, of your May 10th issue, the *Monthly Digest* states that the output of hydraulic turbines and steam turbo-alternators (above 10,000 kW) was under 1,000,000 kW in 1946. This presumably includes export. The load shed by the Central Electricity Board on January 30th last was approximately 2,000,000 kilowatts, which means that we were that amount short which must be made good before we can have an adequate supply. If it is to be made good in four years, it will require 500,000 kW a year plant to be produced. The normal increase in demand is about 10 per cent a year, and the obsolescence 5 per cent. Based on a present available capacity of 10 million kilowatts, these two items require 1,500,000 kilowatts a year. The export business should be about 750,000 kilowatts annually. These figures add up to 2,750,000 kilowatts a year. In view of this, it is difficult to see the justification of your statement that a (assumed) production capacity of 1,500,000 kilowatts a year is "ample." If my figure of 2,750,000 is correct, it would mean that the monthly deliveries would have to be at the rate of 3½ per cent a month, of orders outstanding, against 1 per cent a month attained last year.—Yours faithfully,

C. C. GARRARD

"Tintagel," 135 Rectory Road, Sutton Coldfield
[Our estimates were based on the need to fulfil the Central Electricity Board's programme of about 1,000,000 kW of generating capacity a year between now and 1950, not on the capacity which it would be necessary to install in order that all electricity consumers could take their full supply of electricity in 1947 and 1948 without either load shedding or adjustments in working hours.—Ed.]

Census of Production

SIR,—I have been greatly interested in the correspondence on the subject of the recently postponed Census of Production. While I agree wholeheartedly with the necessity of obtaining the requisite information for the purposes of Governmental planning, I do not think that the Department concerned used sufficient forethought in the way it set about collecting that information. In fact much can be done to make the task bear less heavily on the business executive whose lot it is to fill in the forms.

Modern businesses do, as Mr Barna affirms, keep records which could readily be used to supply the figures required and there is no insuperable difficulty in arranging the accounting of a firm to provide for this. The trouble which your previous correspon-

From The Economist of 1847

May 22, 1847.

Some weeks ago, actuated, no doubt, by an earnest desire to alleviate the sufferings of the country under the present great scarcity of food, Her Majesty, among other private regulations relating to the consumption of the household, ordered that no bread should be used in the Palace, but that known by the name of "seconds." Her Majesty's example was quickly followed by various members of the nobility; for we learn, that in one morning, a baker in the neighbourhood of Grosvenor Square, received orders from five noblemen to supply only "seconds" in future to their establishments. The example then set has rapidly descended to the middle classes.

The practical effect has been, that so great a demand has existed among the millers for "seconds" of late, that the true relative price of the two qualities has been disturbed; the poor man's loaf has been raised higher, in proportion to the best loaf, by the unintentional competition of Her Majesty—and the nobility of Grosvenor Square—with the weaver of Bethnal Green. On last Monday we find that while "best household flour" . . . was not raised in price, a rise of two shillings a sack took place on "seconds" . . .

The difference, therefore, between the price of the flour generally used by the rich and that used by the poor is now only about four per cent, while in ordinary times it is fully ten per cent. So that in place of the poor being benefited by the intended sacrifice made by the rich, they are actually injured.

If Her Majesty were to set the example of ordering beer to be used in the household made chiefly from sugar, which is now extremely cheap and abundant, it would have the twofold advantage of economising the use of grain for the poor, and of adding largely to the public revenue.

dent, Mr Stuart, had in mind was, no doubt, the fact that the idea of the Government Department about what information is vital is not exactly the same as the idea of the business man, with the result that records are kept by methods differing considerably from the methods which would readily give the statistical data required by the Census of Production.

On this point I write with feeling since I have, as recently as February last, spent two weeks of valuable time reconstructing material from my firm's records in order to satisfy the questions of the Chief Statistical Officer. Also add to this my chagrin when, after posting the appropriate form complete, the postponement was announced.

Surely, and this is the point I wish to make, the Government statisticians could take the "practical man" into confidence and announce well beforehand what type of data was wanted—then the business executive could make preparations accordingly, keeping currently details of the information required, instead of having to "job backwards" as was the case in which I was involved.—Yours faithfully,

HAROLD E. COLE

97 Lea Bridge Road, Leyton, E.10

Books for Austria

SIR.—There must be many, not only professional scholars, who feel an anxiety to give what present help they can in the task of restoring the stricken centres of learning on the Continent so that each can again make its special contribution to our culture. This is to draw attention to the urgent need of scholars and students in Austria, particularly in Vienna. Those of us who have recently visited Austria have been deeply impressed by the range and quality of what Austrian scholars are already doing under very adverse conditions, and by the eagerness of their desire—after eight years of politically imposed isolation—to regain contact with the work of scholars in the Western world. Their intel-

lectual isolation is such that they lack the means even to discover what work has been done and what books have been published outside Austria since 1938, still less to procure any learned publications of which they may happen to hear word. The need is especially pressing in the humanities and social sciences, where valiant attempts to renew a great tradition and to shake off the effects of long Nazi censorship are frustrated by want of the barest minimum of literature required for renewed integration with Western scholarship.

The signatories of this letter are trying to organise a collection of the more important books and periodicals bearing on the humanities and social sciences published in this country since 1938, and to arrange their transport to the Austrian National Library in Vienna. Some, we hope, may be obtained from authors and others with copies to spare; but funds will also be needed to purchase expensive standard works and, more particularly, certain bibliographical reference books if Austrian libraries are to be enabled to learn what they have missed for eight years. We beg, therefore, through the hospitality of your columns to appeal to your readers for books and money for this purpose. Books for transmission to Vienna may be sent to Professor F. Saxl, Warburg Institute, University of London, Imperial Institute Buildings, S.W.7, marked "Austrian Book Committee"; cheques or money orders to the Treasurer of the Committee, Dr. Georg Tugendhat, Adelaide House, London Bridge, E.C.4, crossed "Coutts and Co., Austrian Book Committee," or direct to the bankers, Messrs. Coutts and Co., 440 Strand, W.C.2.—Yours, faithfully,

H. I. BELL, BEVERIDGE, G. N. CLARK, WALTER DE LA MARE, CAMPBELL DODGSON, T. S. ELIOT, GEORGE FRANKENSTEIN, F. A. HAYEK, H. F. JOLOWICZ, LINDSAY OF BIRKER, O. E. NIEMEYER, EDNA PURDIE, F. SAXL, CHARLES K. WEBSTER, DOUGLAS WOODRUFF

Books and Publications

New Zealand Labour Relations

"Report on Industrial Relations in New Zealand." By A. E. C. Hare. Published on behalf of Victoria University College, Wellington, New Zealand, by J. M. Dent and Sons, Limited, and Whitcombe and Tombs, Limited, Wellington, 1946. 370 pages and index. 10s. 6d.

DR. A. E. C. HARE, Research Fellow in Social Relations in Industry, Victoria University College, has examined the legend that New Zealand leads the world in enlightened industrial legislation and relations, and finds, not only that a new and improved Factories Act is urgently needed, but that "most of the industrial life in New Zealand is yet hardly touched by the greatly improved methods of management which are being worked out overseas." This is of particular importance, since "there has been a mushroom growth of manufacturing industry (in the Dominion) in the last six years, which has brought about an industrial revolution, and has had the most far-reaching economic and social consequences on the life of the country."

In its claim for enlightened labour legislation, New Zealand has largely relied on the Industrial Conciliation and Arbitration Act as a method of settling industrial disputes. In this connection Dr Hare reports that "the Act has shown itself to be an instrument for the regulation of wages well adapted to the social environment of New Zealand. . . . It appears, however, that the Act does not promote voluntary negotiation, and that it has in various ways retarded the growth of discussion of common interest. Though providing an adequate means of wage regulation, the system of compulsory arbitration has not brought about the development of good industrial relations. . . ." The *ad hoc* judicial machinery for conciliation and arbitration has largely deprived the Department of Labour of responsible functions in respect of conciliation work. This, and other factors (for example, the Department itself has no function with regard to employment through labour exchanges) results in an inadequate factory inspectorate and conciliation service.

Other matters discussed in the report include the management of labour, trade unions, organisation of employers, strikes, and methods of consultation. The examination of New Zealand conditions is prefaced by a 60-page section on "The General Problem of Industrial Unrest," and concludes with 36 pages of detailed Recommendations. There is, in addition, a technical appendix on the distribution of personal income in New Zealand. The whole forms a valuable document on contemporary industrial

labour conditions in the Dominion, providing a useful reference for those interested in similar problems elsewhere.

One minor criticism deserves attention: it appears that Messrs Dent have imported supplies of the book direct from New Zealand and have added a label on the cover which refers to the author's studies in a "colonial environment." Such an epithet is likely to cause deep offence.

History and Politics Mixed

"British Trade Unions." By N. Barou. Gollancz. 271 pages. 7s. 6d.

MANY years have passed, as Dr Barou modestly reminds the reader, since the Webbs published their classic works (and, like most classics, unobtainable) on British trade unionism. A good deal of information and discussion has appeared since then, in bits and pieces, and it is a real service to have packed it all together in a handbook of this size. Generations of students will doubtless bless Dr Barou around their midnight oil. Not, however, for saving them the trouble of thinking; for, whatever his competence as a compiler, his ideas of trade unionism run in a regrettably narrow groove. Trade union policy has always tended, he seems to suggest, towards the goal of socialism on the Russian model—a goal sometimes seen darkly, but always present at the end of the road. Could he not, perhaps, have provided a little more analysis of the actual historical variation in union ideas on the control of industry, which scarcely supports his case, and of the recent reaction to experience of the problems of planning and nationalisation? And is it quite so certain that the best way to encourage voluntary organisation and local initiative throughout the country (p. 219) is to shift, through nationalisation, more and more responsibility to the national level? Trade union ideas, again, are today in a state of flux; it would have done no harm to admit that there is at least equal progress, for much the same reasons, on the side of management. Progress on the management side has indeed gone further and faster; the very limited interest of the vast majority of trade unionists in the bulk of what Dr Barou has to say was shown most startlingly in the almost complete lack of resistance to the slump in joint production machinery at the end of the war, at a time when the trade unions could have held the country to ransom, and some, like the miners, did.

He rightly argues that a planned economy, in any sense of the word, requires a great deal of co-operation ("Only in this way can discipline become enjoyable") from the planned.

in his lyrical enthusiasm for the Labour victory in 1945, he might have borne in mind that co-operation may be discouraged by treating 52 per cent of the electorate as if it did not exist. It is too much to expect left-wing writers to treat the basic issues of trade unions as beyond politics; but need they always prejudice their case by misrepresentation and political abuse?

Railway Achievement

"L'Année Ferroviaire—1947." By a Group of Directors of the French Railways and Airlines and Officials of the Ministry of Transport. Plon. Paris. 225 francs.

"L'Année ferroviaire (the Railway Year)—1947," published under the auspices of the French nationalised railway company, the SNCF, is a collection of highly authoritative articles and of comprehensive statistical material on the present state of the French railways, packed into a single small and readable volume. The Director-General of the SNCF, Monsieur Lemaire, who introduces it, explains that it is designed to be the first of an annual series whose object will be:

The publication of all information on the railways which may be of general interest to the public and of use to financiers, economists, engineers and sociologists.

The result is a curious medley. The first half of the book contains a series of articles, varying from a technical report with photographic illustrations of different types of French and foreign engines, contributed by Monsieur Yves Legrand, chief engineer of the SNCF, to a vivid and dramatic descriptive piece on night-work at a main railway junction, by Monsieur Roger Vercel, under the appropriate romantic title, "Nocturne."

The most impressive story which the book has to tell, covered principally in the chapter by Monsieur Roger Besnard, a high official in the French Ministry of Transport, but referred to in most other sections, is of the recovery of the French railways since 1944, which certainly deserves to rank among the greatest achievements of post-war reconstruction in the world. Monsieur Besnard traces the story of the railways from their almost total paralysis at the liberation, when more than half the lines and almost one thousand stations were out of action and over two thousand bridges and aqueducts destroyed—to say nothing of the immense losses in rolling stock—to their present state of prompt and punctual efficiency. Commenting on this recovery he declares:

THE WORLD OVERSEAS

Eastern Europe in 1947—I

Communists and Nationalism

(By a Special Correspondent)

SINCE the middle of last century Eastern Europe has been the world's storm-centre of competing nationalisms. This is partly explained by ethnical and historical facts. At least fifteen distinct national groups are squeezed together in a comparatively small region bounded by the two giants, Germany and Russia. In many districts two or more nationalities are inextricably mingled together. Such natural boundaries as exist (Carpathians, Danube, Vistula) seldom coincide with ethnical limits. It is thus inevitable that there should be frontier disputes. It is also inevitable that small nations which for centuries were ruled by alien conquerors (Austrians, Turks, Russians) should be extremely sensitive about their national independence.

But nationalism in Eastern Europe, especially in the last twenty years, has been more than this. It has been preached with the fanaticism of a religious dogma. East European school-children have been brought up to believe, not only that their nation has the right to its own independence, but that it is entitled to rule over its neighbours. The "freedom to oppress" is the most cherished possession of the nationalist. Almost every East European nation at some time in its history had an empire extending far beyond its ethnical limits (which in any case were not considered relevant in the feudal and dynastic ages). Some (Serbia and Bulgaria) were ephemeral; others (Poland and Hungary) lasted for centuries. But, in the 20th century, nationalist schoolmasters and text-books represented each of these empires as the natural territory that their respective nation should occupy.

The people of France, confronted with so fine an achievement from the first public service to be nationalised (the SNCF was created in 1937), cannot fail to draw hopeful conclusions.

The book also contains interesting material on the progress and plans for modernisation, and notably for extending the electrification in French railways, by which it is expected annually to save three million tons of coal. It will be recalled that internal transport, of which the railways are the most important branch, ranks among the six basic industries which should command priorities in the allocation of capital and investments according to Monsieur Jean Monnet's Five-Year Plan. Beyond the immediate programme, however, the writers refrain from speculating on the future of the industry. As one of them points out:

The example of Monsieur Thiers, who did not believe that railways had any future, invites us to prudent reserve.

The Director of Air-France, Monsieur René Briand, contributes a useful study of the co-ordination of rail and air transport, and it is regrettable that there is no parallel chapter for rail and road, which economically, for the present at least, is so much more important.

The second part of the book contains conveniently presented factual and statistical information on all aspects of the French railway industry, along with tables comparing it with foreign railways, which might have been more useful had it been possible to obtain the figures for later than 1938.

Shorter Notices

"Coal." By D. R. Grenfell, M.P. Gollancz. 8s. 6d.

This book falls between two stools. As a political tract on coal mining it is made out of date by the nationalisation of the coal mines. (The text of the Coal Industry Nationalisation Act takes up the second half of it.) As a post-nationalisation analysis of the coal industry's problems it can hardly be said to scratch the surface. There are references to the high quality of British coal, but none to its current poor quality for some uses. The problem of coal for export is dismissed with the phrase that "while we must not assume that the British coal industry is to be permanently relieved of the obligations to send coal abroad" there is no hope of returning to the position of 1913. Key issues such as increased mechanisation and the concentration of manpower on efficient mines are given equally inadequate treatment.

Correction.—It is regretted that in the review of *Economics of Migration* last week the author's name was spelt Isaacs instead of Isaac.

Soviet policy recognises the existence of different languages and cultures, and regards attempts of majorities to force their nationality on minorities as wrong, stupid and bound to fail. The Soviet Union has perhaps the most centralised government that has ever existed but, provided that its citizens obey the State and Party authorities, they will suffer no discrimination on national grounds. Press and literature are subject to the same censorship in all parts of the Union, but what the censor passes may appear in any language. Most observers seem agreed that nationalist persecution, the curse of Eastern Europe, has really been ended in the USSR.

Old Feuds Buried

East European Communists have always been proud of Soviet nationality policy, and urged its adoption in their own countries. During the war they had the chance to try in the Balkan countries. While the Axis Powers incited Croatian "Ustashi" to massacre Serbs, and Serbian Chetniks to take revenge on Croatian peasants, Tito and his Communists preached unity of the Serbian and Croatian peoples against a common enemy. The courage of the Partisans, the obvious bad faith of the invaders, and simple commonsense combined to popularise Tito's programme; and already two years before the final victory, even in areas where massacres had been particularly bad (for instance, western Bosnia), Serbs and Croats were fighting side by side in the Partisan ranks against the combined enemy forces of Germans, Italians and Croatian and Serbian quisling nationalists. Hardly less striking was the collaboration between the Yugoslav Partisans and those of neighbouring countries. The Yugoslavs helped the small but growing Bulgarian Partisan movement throughout the spring and summer of 1944. Allied arms supplies were (with the approval of Allied HQ) shared with Bulgarian guerrillas, who found refuge and a training base in Yugoslav territory. There was also close co-operation with the more powerful Albanian (LNC) and Greek (ELAS) guerrilla movements. As far as possible military operations were co-ordinated, and bands retreating from enemy attack in one country were given assistance in the next. It was found that the Balkan nations, whom their ultra-nationalist former rulers had always claimed were hereditary mortal enemies of each other, could be loyal friends in a common struggle. High hopes were born.

The collapse of Germany led to the establishment in most of Eastern Europe of governments more or less dominated by Communists. In the first months after liberation there was one striking common feature of the policy of most of these governments—an attempt at reconciliation with neighbour nations.

There were, of course, some exceptions from the beginning. Far the most important were the Germans. The mass expulsions from Poland and Czechoslovakia have created a major European problem. Yugoslavia, Rumania and Hungary, each of which had German communities numbering 500,000 to 800,000, also decided in principle to expel them. The decisions have, in fact, not been

fully carried out, and may never be, but there has been a fairly thorough expropriation of German property.

The other officially unsolved national disputes affect fewer people, but are of some importance.

First is the Polish-Czechoslovak quarrel over Teschen. The area is of great economic importance to the Czechs, who also remember that Poland acquired it with the help of Hitler in 1938. The Polish Government is keen to have it because, being very sensitive to the charge of lack of patriotism for its surrender of the eastern provinces to the USSR, it feels bound to back every possible "national claim." According to the additional protocol to the recently signed Polish-Czechoslovak treaty, territorial disputes will be settled within the next two years. Meanwhile, relations have undoubtedly improved.

The second is the Czechoslovak-Hungarian dispute. The Slovaks wish to expel most of their Hungarian minority and to denationalise those who remain. They argue that for centuries the Hungarians made Slovaks into Magyars, and that now the small Slovak nation must increase its numbers by absorbing some tens or hundreds of thousands of Magyars. Slovak nationalism grew very strong during the six years of "Independence," and the Czechs are unwilling to attempt any moderating influence on the Slovaks, whose intolerance they are glad to see diverted away from themselves.

The Threat to Greece

The third case is the relations between the South Slav states and Greece. The war-time hopes of all-Balkan co-operation were shattered in the fighting between the British troops and ELAS in December, 1944. The Yugoslav and Bulgarian Communists see in the nationalists who have dominated Greece under the various governments of the last two years their mortal enemies. They consider Greece an outpost of aggressive western imperialism directed against them. They claim that the considerable Slav minority in north-west Greece is being persecuted. The Greek nationalists for their part fear Slav and Albanian pressure on their long northern frontier between Corfu and the Maritsa, which cuts off, and in places by a very narrow strip, the people of the northern Balkans from the Mediterranean. They fear an old-fashioned imperialism directed at Salonica. Whatever the rights and wrongs, this is less a nationalist dispute than an ideological and strategic problem, the importance of which has been enhanced by the proclamation two months ago of the Truman Doctrine.

In the rest of Eastern Europe, however, much progress has been made towards national reconciliation. Relations between Yugoslavia and Albania, Yugoslavia and Bulgaria, Bulgaria and Rumania, and even Yugoslavia and Hungary, seem better than ever before. Within Yugoslavia itself a federal system based on the Soviet model has made possible great progress towards the removal of national discrimination. Even the Macedonians, the most oppressed of the South Slavs, now have substantial home rule. Within Czechoslovakia the right of the Slovaks to equal status with the Czechs as a nation, promised at the time of the Slovak rising of Banska Bystrica against the Germans in the autumn of 1944, has been established, and seems to be genuinely accepted by most Czechs.

Perhaps the most interesting attempt has been Rumanian-Hungarian reconciliation in Transylvania. This is the work partly of the Rumanian Communist leaders and partly of the non-Communist Premier Groza, who has always held the view that Transylvania is the home of both nations, which must live together in friendship. The present regime has not stopped at fine words, but has given the Hungarian population many more schools than it had under the old regime, its own university, and almost complete control of the bureaucracy in regions where Hungarians form a majority. Unfortunately, reconciliation has not gone as far as seems at first sight. The present government is for general reasons unpopular with the Rumanian population, and their discontent often takes the form of accusing Groza of unduly favouring the Hungarians. On the other hand, the Hungarian population objects to the fact that Hungarian



interests are officially represented by Hungarian Communists who represent a minority. The Hungarians also fear that if the present Rumanian Government should be replaced by one truly representing Rumanian opinion there would be a revival of nationalist persecution. Thus, though practical improvements have been achieved, it cannot be said that either nation yet likes or trusts the other.

Transylvania and the Yugoslav Federation, the most conspicuous successes of the new regime, both illustrate the weaknesses as well as the merits of the Soviet type of policy. One cause of discontent nationalist discrimination, is removed, but its place is taken by another centralised Communist Party dictatorship, to

The Russians and Palestine

ON May 14th the United Nations Assembly heard Mr Gromyko expound the Soviet view on the Palestine issue. His speech had sensational ingredients. It gave a pleasant surprise to Zionists and a shock to Arab politicians. Mr Gromyko began his statement by asserting that the mandatory system of administering Palestine had not stood the test of events. He quoted at length Mr Bevin and the findings of the Anglo-American Commission and made the most of figures of the expenditure of the Palestine Administration, in the light of which the mandatory system appeared to have degenerated into an ineffectual police régime. He referred to one fiscal year, that of 1944-45, in which nearly \$18½ million were spent on maintaining "law and order," while the total expenditure on social services and education was \$5,000,000. But the really startling part of his speech was that in which he dealt with the aspirations of Zionism:

It is well known, he said, that the aspirations of a considerable part of the Jewish people are associated with the problem of Palestine and its future organisation. This hardly requires any proof. . . . During the last war the Jewish people experienced exceptional calamities and sufferings which defy description. . . . In the territories where the Hitlerites ruled, the Jews were almost completely exterminated. . . . The total of the Jewish population so annihilated is approximately six million. . . . Past experience, especially that of the Second World War, has shown that no single state in Western Europe proved capable of rendering the Jewish people the necessary assistance in defending its rights and its very existence. . . . against the Nazis. . . . This is a grave fact, but it should be admitted as all facts should. This. . . provides an explanation of the Jewish desire to create their own state. It would be unfair to refuse to reckon with it or to deny the right of Jewish people to the satisfaction of that aspiration.

Of the four possible solutions to the Palestine problem: an Arab-Jewish State with equal right to both nationalities, partition, an Arab State in disregard of Jewish rights, or a Jewish State in disregard of Arab rights, the formation of an Arab-Jewish State—said Mr Gromyko—would commend itself most strongly to the Soviet Government. But the intensity of feeling between Palestine Jews and Arabs might be such that the Soviet Government might support partition, if the creation of a bi-national state were to prove impossible.

The reason why Mr Gromyko's statement created such a stir is clear: it really meant a radical departure from the attitude towards the Arab-Jewish feud officially maintained in Russia ever since the Revolution. For nearly thirty years the Soviets showed hostility towards Zionism. Very early in the 'twenties all Zionist groups and organisations were banned in Russia. For a time, the Left Poale-Zion, a grouping that tried to combine Communism and Zionism, was still tolerated; but it, too, was soon forced to give up all activity. Quite a few Zionist leaders were exiled to Siberia or imprisoned. Even the non-political, "cultural" blend of Zionism, based on the teachings of the Hebrew philosopher Akhad-Haam, who saw in Palestine the spiritual rather than the political centre of Jewry, was treated rather harshly. Jewish attempts at reviving the Hebrew language were suppressed, even when they took a purely literary form. Zionism and "Hebrew-ism" were treated as a brand of counter-revolution. The excesses of the anti-Zionist policy were to a large extent due to the zeal of the so-called Jewish Section of the Communist Party, which was in this respect certainly *plus léniniste* than the Party. A few of the Russian Bolshevik leaders had indeed, viewed with some sympathy the Jewish attempts at the revival of the Hebrew language; and Lunacharsky, the "godfather" of the great Commissar of Education, was the godfather of the famous Hebrew theatre "Habimah" which later left Russia for Palestine. But, in the end, the "Jewish Section" prevailed against the pro-Hebrew sentiments of a Lunacharsky, because anti-Zionism was undoubtedly more congenial to the Bolshevik outlook.

which must of course be added economic misery resulting from the war. Both the moderate and the extremist opposition seize every opportunity of directing discontent into nationalist channels by ascribing all hardships to deliberate oppression by Russians. The USSR, they argue, is using small cliques of paid quislings to attack, not the privileges of a ruling class, but the national existence of the East European peoples.

The success or failure of the nationality policy of the Soviet regimes will in fact depend on the policy pursued by the Soviet Union towards the East European states.

[In our next issue we will publish a continuation entitled "Russia, Pan Slavism and Nationalisation."]

The Bolshevik Party had two motives for its anti-Zionist policy. The Second Congress of the Comintern (1920) proclaimed the support of the Communist Parties to the anti-imperialist movements among the colonial and semi-colonial peoples. The national or nationalist aspirations of the Arabs were treated sympathetically as an important aspect of the anti-imperialist revolution. In the context of that policy Zionism automatically appeared as the enemy of Arab emancipation or, what was even worse, as "the agency of British imperialism" in Palestine. Even the fact that the Arab movements were more often than not led by highly reactionary Effendis did not shake Communism in its belief that it was bound in duty to take the side of Arabs against Zionism. So much so, that in 1929 the Arab war against the Jews was hailed as a great revolutionary event by the Comintern, including the Communist Party of Palestine, in which Jewish Communists played a predominant role.

The other motive which accounted for Soviet hostility was that Zionism tended to divert the masses of Jewish workers in Eastern Europe from the class struggle on the spot. As recently as last year, Mr Stalin himself repeated that charge in an appendix to the second volume of his "Collected Works," saying that "Zionism is a reactionary-nationalist tendency that has its followers among the Jewish bourgeoisie, intelligentsia and the most backward sections of the Jewish workers. The Zionists strove to isolate the Jewish working masses from the common proletarian struggle." The vision of a Jewish home in Palestine was seen as an escapist mirage competing among Jews with the much more real ideal of Socialism. Zionism was said to reflect Jewish distrust in Socialist Revolution which was committed in advance to overcome anti-Semitism and to grant the Jews complete equality in their native lands.

The survivors of European Jewry must now feel that the Jewish distrust in the ability of the European Left to deal effectively with anti-Semitism, the distrust of which Zionism has been the exponent, has been all too tragically justified. "Common proletarian struggle" was unable to save the six million Jews that perished in Hitler's gas-chambers and death camps. Mr Gromyko's words about the inability of "a single state in Western Europe" to defend its Jews sounds like a frank endorsement of the Zionist pessimism about "humanitarian and freedom loving" Europe. Mr Gromyko spoke about Western Europe. It may be assumed that what he had in mind was Europe to the west of the Curzon line.

As to the Soviet Government itself, it can rightly claim to have been the only Government in Europe that has done its utmost effectively to save the lives of its Jews—in 1941 it gave them priority facilities for evacuation from the provinces threatened by the advance of the Nazis. But the fate of European Jewry has given a shock even to Russian Jews, who have enjoyed complete equality with other Soviet citizens; and it is probable that under its impact Zionist dreams and longings have revived even among Russian Jews. All the same, it is doubtful whether, in spite of its changed attitude, the Soviet Government would allow any revival of Zionism in Russia itself, let alone any emigration of Russian Jews to Palestine. This would amount to a confession on the part of the Russian Government of a failure to deal with the problem of nationalities, a confession for which there seems to be no justification in the facts. However, the new Governments in the countries of the Russian zone have not pursued the anti-Zionist policies to which the Communist parties of those countries had been committed. While they have called on their Jews not to rush away in a panic and have invited them to stay put, they have not, however, placed any obstacles in the way of Jewish emigration. Nor have they banned Zionist parties or groups and Zionist political activities.

The other motive behind Soviet anti-Zionist policies—

sympathy with "Arab emancipation"—has now apparently also lost some of its validity. True, Mr Gromyko was very careful to avoid giving offence to Arab susceptibilities. He tried hard to strike a balance between Jewish and Arab claims. But whoever has been responsible for formulating the new Soviet approach to the Palestine problem—it could hardly have been any authority lower than the *Politbureau*—must have been aware that the policy expounded by Mr Gromyko would arouse little enthusiasm among Arab politicians; that it would tend to weaken rather than enhance the Soviet influence in the Middle East, especially because the Arab leaders had expected Soviet Russia to remain true to its old and uninhibited anti-Zionism. It is impossible to say just how clearly the implications of this new policy have been grasped or worked out in Moscow. But at Lake Success, Mr Gromyko certainly gave the impression that in their present mood the Soviets did not care much about the repercussions of their policy among the Arabs—that they were not at all anxious to play the Arab card in the present diplomatic game. Russian policy is, of course, unstable; and the directives upon which Mr Gromyko spoke to the United Nations Assembly may well be reversed for one reason or another. But for the time being it looks as if Russia was effecting an ideological retreat from the Arab Middle East, a retreat which logically supplements its virtual political withdrawal from Northern Persia.

Trade Unions in the British Zone

[BY OUR CORRESPONDENT RECENTLY IN BIELEFELD]

THE persistent food crisis in the British zone has brought the German trade unions to their most testing time and, in the rapidly moving situation, it is clear that they are playing a decisive role. Hitherto, the union officials have exerted a restraining influence over the workers, and have both preached and practised a policy of co-operation with the British authorities. The present mood of the populace is such, however, that checks and restraints can be of very little avail. Only an improvement in food supplies and the clearing-up of the administrative confusion can bring any change.

At Essen last week-end the Ruhr trade unions put forward a seven-point programme for far-reaching measures of economic and administrative reform, and for dealing with the food situation. They have shown signs of a constructive attitude which is very welcome in a Germany rapidly—to use the unions' own phrase—"drifting towards disintegration." But the programme can also be regarded as in the nature of an ultimatum that, unless steps are taken along the lines they propose, trade union co-operation in reconstruction would be withheld. Non-co-operation would have serious consequences, and would no doubt be regarded by the British as "the most unkindest cut." The unions have been allowed every possible freedom to develop their organisation, and there is a lot to be said for the view that protests should properly be directed against German, rather than British, authorities. The unions, conscious of their key position, may be seeking a trial of strength.

Of their present influence there can be no doubt. The trade union movement in the British zone, having passed through the teething stage, has been emerging as one of the few healthy organisations in the anæmic body politic of Germany.

The recent conference at Bielefeld, establishing the central *Bund* or Federation, showed that the unions are anxious to profit by past experience and to sink internal differences in order to achieve a united movement.

A United Movement

The Federation comprises twelve industrial groups (metal, building, mining, timber, food, textile, chemical, printing, public service, transport, music and agriculture), and covers a total membership of about two million. There is thus obviously a large field of trade union recruitment among the zone's eight million industrial workers. Industrial unionism has been accepted as the basis of organisation, and this has inevitably given rise to difficulties. Both the clerical workers and the railwaymen have sought to maintain their individual identity. A compromise solution is being worked out for both groups, but there are bound to be disputes over demarcation and "poaching," so familiar to the British trade union movement. Another possible source of difference is the extent of authority which the *Bund* is to wield over its constituent bodies. The general idea is that the individual unions will be

autonomous on industrial matters, but that the *Bund* will have authority over general policy.

The structure of the trade union movement is designed to secure the democratic rights of the individual trade unionists at every level. Each union will be organised on the basis of a local group, with a regional association and an association executive elected at the annual congress. Every trade union in a district will be represented on a local or *Kreis* committee—somewhat on the lines of British Trades Councils. Above these *Kreis* committees there will be regional or district councils, whose areas will be laid down by the Federation executive.

Each trade union will appoint one member to a Federation Council (unions with 200,000 or more members being allowed an additional representative). The Council, which must meet at least every three months, will be generally responsible for policy, and will act in most respects as the equivalent of the TUC General Council. The actual day-to-day work will be done by the Federation's executive, elected biennially by the Federation Congress.

The objectives both of the individual trade unions and of the Federation have been set out in a draft constitution, which was accepted by the Bielefeld Conference. In both cases the industrial and non-political aims of the unions are stressed, and it is stipulated that no distinctions of race, religion, party or sex shall be allowed. While the main emphasis is on what are regarded as trade union functions proper—the protection of labour standards and the negotiation of agreements on wages and working conditions—some more positive aims are included. Thus the trade unions are to co-operate in social and economic improvements, in the furtherance of Works Councils and in the "democratisation" of the national economy and the "rooting out of National Socialist and reactionary elements."

Similarly the constitution of the *Bund*, as well as covering purely organisational points, includes the aim of "ensuring for the workers an equal voice in the control of economic and social policy . . . and their participation on a basis of parity in all existing and future economic corporations."

Partnership in Industry

The extent of workers' participation in industry is one of the burning issues in Germany to-day. The idea of workers' control still has many advocates, particularly among the older type of trade unionists, but the more modern idea of partnership is taking root. The controversy centres on the functions of works councils. A quadripartite Law (No. 22 of April, 1946) allows the establishment of works councils in individual enterprises, and suggests in broad terms their composition and functions. They can, it is stated, negotiate collective agreements, participate in social and welfare matters, investigate grievances and—these are the controversial issues—submit proposals for the improvement of production and "co-operate in the prevention of all war production" and in denazification.

Different interpretations have been given to this law in the different zones. In the Soviet zone, Works Councils have been compulsorily set up; in the British zone, they have been "encouraged." The trade unions in the British zone have drawn up a model constitution, and have in many undertakings secured the employers' agreement on their terms which are certainly far-reaching. They include, as well as matters affecting wages, welfare and working conditions, provision for regular reports from the management on production progress and programmes; they stipulate that the council shall have access to the firm's books, and should be consulted on all questions of staffing and promotion.

It is not surprising that some employers should have only agreed reluctantly to what some must have regarded as the signing away of their managerial rights. In some cases, their refusal to agree with the trade union terms has led to strikes.

Support for Socialism

The union claims are not confined to Works Councils, but apply to the policy-making bodies in the zone generally. The resolutions passed at the Bielefeld conference cover a wide range of economic and political issues. They call, for example, for the immediate socialisation of the basic industries, beginning with coal and steel; for a halt to the dismantling of factories which could be put to peaceful purposes; for land reform, with a complete purge of the food administration and stricter measures to ensure deliveries from the farms; a speeding up of the return of prisoners of war; and, in general, for a sharper definition of German administrative responsibilities and a centralisation of authority. The programme of the Ruhr trade unionists is on the same pattern as that adopted at Bielefeld. The trade union

leaders have exercised considerable restraint on wages, and this has helped to keep the price-wage structure stable. But the workers' pressure for higher wages is beginning to make itself felt. Low wages have not hitherto been a burning issue, because of the extent of barter rather than money exchange. However, as soon as reform of the currency is tackled and as soon as more production can find its way into the normal market, instead of the black or "grey" market (i.e., barter between factories and farms) the low purchasing power of the German worker will be sharply felt. Equally, while the coal shortage is keeping most industries running at short time, the length of the working week is an academic point. The miners have agreed to work a six-day week, to meet urgent production needs, but sooner or later they are bound to follow the example of the British miners in seeking a five-day week.

Siamese Prospects

[BY A CORRESPONDENT]

IN the flux of Far Eastern affairs, Siam holds a unique position of which much could be made both by the Siamese and the British. The country faces political, economic and population problems not unlike those of its neighbours, but by good fortune attenuated to a degree which spares it that condition of chronic crisis familiar to China, India, Indo-China and, to a lesser degree, Burma and the Dutch East Indies. There is no population problem; in a territory roughly the size of France and containing little unexploitable land lives a population of between 16 and 19 million. It is growing rapidly; in 1929 it was 11½ million, in 1937 (the last census year) 14 million, in 1940 an estimated 14½ million. But it cannot yet be described as pressing on the means of subsistence.

Siam has been spared the experiences either of prolonged and embittering foreign tutelage or of chronic internal strife. Its independence, like China's, was saved during the period of European imperialist expansion by the mutually frustrating rivalries of the adjoining Powers, Britain in Burma and France in Indo-China; its smaller size and less elaborate governmental structure was less vulnerable to the effects of a breakdown in tradition, and there are no acute communal differences as in India. The remote jungle tribes of the north do not clash with their more advanced fellow-citizens of the plains and seaboard, and religion (Hanayana Buddhism) is the same for all. A concession system, benefiting European nations, similar to that in China, was abolished in 1936; and Siam's nearest approach to revolution was the practically bloodless *coup d'état* of 1932, which substituted constitutional for absolute monarchy.

Even the second world war touched Siam comparatively lightly. With Japanese backing, the Government of Songgram successfully claimed from France the cession of substantial frontier territories in Indo-China, and subsequently, after a few gestures of resistance, found itself providing the Japanese with a strategic base and supply area, and forced to declare war on Great Britain and the United States. Although Great Britain retaliated in kind, the United States was realistic enough to ignore the declaration altogether, merely breaking off diplomatic relations. The Siamese part in the war was kept as small as possible. Although Bangkok and the Siamese railway system in general suffered from allied bombing, and the economy endured the usual distortions and requisitions, the tight-rope willingness of Siam's statesmen averted the more acute effects of co-prosperity.

The experience of Japanese occupation on the one hand and the traditional concentration of Siam's internal trade in the hands of its one substantial foreign minority, the Chinese, has had the effect of directing whatever xenophobia exists against fellow-Orientals rather than against the West. The ambition of Siam's leaders—of the democratic Juang Nowasarat as well as of the somewhat totalitarian-minded Songgram—has been to westernise. Some manifestations of the westernising policy have had a fantastic, almost Erehwonian, character. But at present the more rational intention prevails of absorbing whatever western ideas and techniques can be harmonised with Eastern tradition, while holding firmly to native culture and religion. Almost symbolic of Siam's attitude to these two factors in her national life is the equipping of her magnificent and flamboyant *Wats*, or temples, with wireless sets.

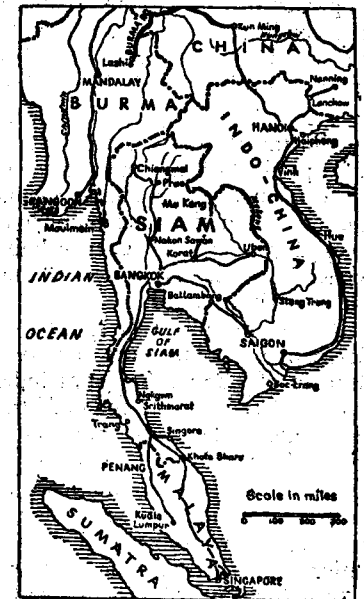
The immense post-war economic difficulties have not passed Siam by, but the country has suffered to a comparatively mild degree. The staple production—rice, rubber, teak—suffered from Japanese requisitioning of draft animals, from the breakdown of transport and from the cutting off of normal markets; and her

finances suffered acutely from being tied up to the eventually insolvent Japanese war machine. But there has been no post-war famine, and the depreciation of the *baht*, or tical, though severe, has reached nowhere near the astronomical figures of the Siamese dollar. The official sterling rate for the tical (originally a gold standard currency valued at 11 to the pound) is now 40, and there is a probability of a further devaluation to 60; while side by side with the official rate, whose use is virtually limited to government import transactions, there flourishes a grey market, unofficial but officially recognised, in which the sterling rate is about 84. Siam's currency problem being due more to lack of goods than to an adverse balance of payments, the government are pursuing a vigorous import policy to meet its need in textiles, machinery and means of transport of all kinds.

Chances for British Trade

Many of these needs must be met from low cost Oriental sources; Indian textiles, for instance, can replace Japanese as the Lancashire product is unlikely to do. Out of the total Siamese population not more than a million or so are in the market for modern Western consumer goods. But for the capital goods needed to set in train Siam's overdue industrial progress, to rehabilitate and extend her road and railway system, to modernise her cities, she looks to Britain and America. British goods enjoy the reputation of reliability; British deliveries have been more punctual, and British prices, partly by reason of transport costs, are generally lower. But American advertising is overwhelmingly more aggressive, and it is only from America that novelties, as distinct from familiar lines, can be obtained. The Siamese are reported to prefer British to American cars; the petrol shortage is acute, the roads are narrow, particularly in the cities where the most car-owners are to be found, and the small engine and short wheel base of the light British car make it popular. There is also an apparently inexhaustible demand for British bicycles. But the major demand is for capital goods; rice mill and wood mill machinery, tractors, mining tools, refrigerating plant, road-making machinery, rolling stock and marine engines—90 per cent of Siam's present transport being by water. There is into the bargain a demand for expert advice and a readiness—due to the comparatively happy political experiences mentioned above—to grant concessions to foreign capital, particularly for mining licences.

Siam's own resources for foreign trade fall into two fairly well-defined groups. The staple exports—rice, teak, tin and rubber—are all, by the treaty of 1946, under control by licence. The last three may be freed before long, but rice, in view of the severe food shortage throughout the rice-eating countries, is likely to stay controlled. By the same treaty, Siam agreed to turn over its entire rice surplus to the organisation allocating rice between the various consuming areas, at first free, as reparations, later at an agreed price. In the second group are the minor, as yet little developed, but rapidly increasing export products—wolfram, antimony, jewels and semi-precious stones, spices, gums and lacquers, and copra, with a possibility of cotton and tobacco as the paramount need for rice cultivation diminishes. This field particularly commends itself to the merchant-adventurer type of private enterprise, especially as part of a two-way, export-import traffic. The development of Anglo-Siamese commerce, both in the expansion of old lines and the development of the new, should be favoured by the conclusion in the near future of a new commercial treaty to replace that of 1937. The greater importance attached to Anglo-Siamese relations was marked last year by the promotion of the British Minister in Bangkok to the rank of Ambassador. Altogether, with uncertainty, disorder and hatred of white men rampant through so much of the East, Siam offers a pleasingly clear prospect of mutually advantageous development and progress, always providing that present opportunities are not neglected.



up an abnormally large mass of persons 65 and over, and at a time when society has not yet relearned methods of making these years at least partially productive for more of them.

Care for needy and kinless old people in institutions was common in the 19th century, on the model of English workhouses and private almshouses. There remains a widespread system of local public workhouses (known by a variety of names) and about 1,500 private almshouses (known mostly as "old people's homes"), many of them run by religious sects, and taking selected old people at cost, for what little they can pay, or without charge. Most have long waiting lists. However, few new ones are being built now. Only a couple of hundred thousand people live in almshouses and workhouses together.

The current growing point in institutions for the aged is what is called in America the "nursing home"—a private boarding house run for profit, specialising in the care of convalescent and elderly persons. Old age pensions have enormously increased the numbers of such nursing homes, and the end is not yet. Some are well run (and expensive), some are abominable exploitations of poverty and helplessness. States and municipalities are beginning to regulate and inspect them, which is some help. State and Federal governments are under constant pressure to liberalise the pensions, which is more help.

But economics is only part of the problem. The basic grievance of the aged is loss of the honoured status they enjoyed in agricultural civilisations when they were rarities. What they need most is useful work within their capacities, and loving grandchildren (or their moral equivalent), near enough to be some good to them, yet from whom they can escape when weary.

Recovery of patriarchal status is less likely than the evolution of a new status of respect and affection, with less proximity than of yore, but more than there often is now. The block of flats specialising in the elderly, the light-housekeeping quarters within a flat or house, the "mother-in-law house" at the end of the garden—these are some of the experiments that are finding increasing favour among specialists, though as yet but little used.

And problems of old age are becoming a fashionable specialty in both medicine and sociology. Books and articles in quantity aspire to a place beside Cicero's *De Senectute*. Within the past year the learned journals *Geriatrics* (Minneapolis) and *Journal of Gerontology* (Springfield, Illinois, and St. Louis) have made their debut. Columbia University's College of Physicians and Surgeons has started a medical research project on aging, and the University of Chicago a sociological one. Popular as well as professional interest is rising. Perhaps, after all, the best is yet to be.

American Notes

The Portal Decision

The business community is surprised and gratified by Mr Truman's decision to sign the Bill outlawing all past and most future claims for portal-to-portal pay (that is, pay for time spent on the employer's property, walking to and from the machines and preparing for work). In the future, suits will be allowed only when sanctioned by contracts or industrial custom, and may not be filed more than two years after the "work" is completed. In approving the Bill, the President insisted that the need to relieve business of a potential burden running at one time as high as \$6 billion was greater than the risk, urged by the unions and the Secretary of Labour, that the loose wording of the Bill might endanger the wages and hours provisions of the Fair Labour Standards Act. But he sweetened the pill for Labour by suggesting that with the portal uncertainty cleared away, it was time to consider extending minimum wage standards to groups not now covered, and raising the minimum wage from 40 to 65 cents an hour. He also took the unusual step of appending his own interpretation of ambiguous passages in the Act, a statement which can hardly be ignored by the courts which will soon be construing it and testing its constitutionality.

Mr Truman's decision in this case is no guarantee that he will be equally co-operative when the Labour Bill arrives on his desk, but it does suggest that he is far from being the political captive of Labour. It is now virtually certain that the Labour Bill which will emerge from conferences between the two branches of

Congress will be much more like the Senate version than the Draconian measure passed by the House. Among the Senate conferees is the very able freshman from New York, Senator Ives, who played such a prominent part in obstructing the most controversial of Senator Taft's "stiffening" amendments. Mr Hartley, the author of the House Bill, has already indicated that he will sacrifice the ban on industry-wide bargaining and the provision allowing private employers to secure injunctions against strikers.

This display of sweet reasonableness is not primarily designed to deprive Mr Truman of the grounds for a veto, but to assure the two-thirds majority in the Senate needed to override a veto. With the Republicans enjoying only a six-vote advantage in the Senate, the influence of such progressive Republicans as Senators Ives, Morse, Aiken, Tobey, Lodge and Thye can, on occasion, be very much greater than their numbers suggest. On the Labour Bill, they are, in effect, imposing a veto on the excesses of their own party. Indeed, their successful revolt against Mr Taft's ban on industry-wide bargaining is taken as the first solid evidence of a split on broad policy inside the Republican ranks.

Retail Trade

A modest setback in retail trade during March is now being accepted as further evidence of a turn in the business trend. The fall reported was confined to non-durable goods, with sales in durable types showing little variation, so that over the first quarter of 1947 total volume showed little change from the level reported for October-December, 1946. Dollar sales for March at \$8.6 billion were still 15 to 16 per cent above those of a year ago.

This news confirms trade reports of a considerable contraction in wholesale demand from retailers during recent weeks, a trend which has been confined, of course, in the main to non-durable goods, although certain jewellery and hardware items have been included. So uneven, indeed, has been turnover in retail trade during the war years and the immediate post-war period, that retailers must, in any event, expect some unsettlement at this stage, coupled with a decidedly more selective attitude on the part of consumers.

The dollar volume of retail trade in recent years is shown in the table below:—

	ANNUAL SALES (in billion dollars)			
	1939	1941	1945	1946
All retail stores	42.0	55.5	76.6	96.7
Durable goods	10.4	15.6	11.5	19.0
Non-durable	31.7	39.9	65.1	77.7

Through the war years, in fact, consumer expenditures for goods and services of all types rose steadily to a peak of \$127 billion for 1946, the latter level representing an advance estimated at 20 per cent over 1941, even when allowance is made for the changing price structure. Through the war years, however, the dollar volume of retail trade was considerably below the pre-war relationship with disposable incomes, and not until 1946 was the pre-war pattern re-established.

For that year, however, sales of non-durable goods were far above the level suggested as "normal" by pre-war experience, while the scarcity of durable goods still found reflection in sales below pre-war rates in relation to national income trends. With business activity sustained at a high level, therefore, it seems fairly certain that retail trade should be maintained at a relatively high volume, since such goods as automobiles, household equipment, hardware, building accessories and furnishings will take up the slack created by the satisfaction of accrued demand for foodstuffs, apparel and general merchandise. Any general uncertainty concerning trade, however, will almost certainly find an early reflection in sales for this type of goods, and while there is no present evidence of any slackening in demand for automobiles, there may well be considerable hesitation in the trades that depend on the building industry.

Mr. Benton's Mirror

Wherever the Congressional economy axe has fallen, there have been anguished wails of "Woodman, spare that tree!" But despite slashes at prized and essential public works for the Western states, the near-elimination of the government's statistical and research services, and cuts in "safer airways" funds, no economy has aroused so much controversy as the decision of the House to uphold its Appropriation Committee in refusing \$31 millions for the State Department's International Information programme. This refusal was based on the fact that the House

failed last year specifically to approve Mr Benton's "mirror-like" projection of the United States to foreign countries.

To prevent any interruption in the broadcasts known as the "Voice of America"—which have just been extended to carry Mr Marshall's and Senator Vandenberg's voices to the Greek people—Representative Mundt has introduced a Bill conveying the required Congressional approval. It has been vigorously supported by Mr Marshall, who urged that it was hard for Americans to realise how misunderstood they were abroad, and by Mr Acheson, who pointedly observed:

What a colossal folly it would be to spend vast sums abroad without telling people what we are doing. There is not much point in trying to do good by stealth.

The opposition is made up both of those who are opposed, root and branch, to any government information policy which trespasses, however remotely, on the preserves of private enterprise (the United Press and the Associated Press still nourish their old hostility under the guise of devotion to a free press) and those who, while they reluctantly approve the end, feel that the present Office of International Information is ineffective, extravagant, and "riddled with Reds." The total of \$31 millions is microscopic compared with past and projected American investments abroad. Mr Marshall's prestige, and the evident need not only for piercing the iron curtain, but for supplementing the rather bizarre versions of the "American way" exported by Hollywood and parts of the American press and radio, make it almost certain that some way will be found of getting at least part of the programme through the Congressional needle's eye. Another project, originated by Mr Benton, and now supported by Mr Marshall, is the creation of a foreign broadcast "radio foundation" to be sponsored jointly by the government and the seven major radio companies.

Mr Walter Lippmann suggests this week that the Voice of America will be effective abroad and supported at home only when it is given a clear and convincing script by Mr Marshall. This is an over-simplification, for under the American system Mr Marshall's powers to create and carry through a foreign policy are very much slighter than, say, Mr Bevin's. But unquestionably the confusion over information policy reflects the much greater confusion over foreign policy. The mist on Mr Benton's mirror is not all of his own making.

The Third House of Congress

(From our US Editorial Staff).—The Congressional Directory of the 80th Congress, first session, lists a Senate membership of 96 and a House membership of 435. The directory of persons registered under the Federal Regulation of Lobbying Act numbers 745. There is a similar contrast between the economic status of this third house of Congress and that of the two older bodies. Senators and Congressmen get \$12,500 each, plus the extra \$2,500 expense money they allowed themselves last year, making a total of \$15,000 a year. Top lobbyists do far better: Mr Purcell L. Smith gets \$65,000 a year and M. Stephen M. Walter \$25,000 (with an additional \$26,000 from 13 individual firms) to represent the National Association of Electric Companies; others in the top dozen, with salaries ranging from \$18,000 to \$45,000, to say nothing of expense accounts, represent the Cane Sugar Refiners, the Hawaiian Sugar Planters, the US Beet Sugar Association, the United Fresh Fruit and Vegetable Association, the Independent Petroleum Association, the Motion Picture Association, the Air Transport Association, the American Plant Food Council, the Association of American Railroads, the National Association of Manufacturers. Two of the twelve were members of the 79th Congress—one served on the House Appropriations Committee and the other as Majority Whip; a third used to be Director of the Office of Marketing Services, while a fourth was Solicitor of the Department of Agriculture.

The organisations which these and other lobbyists represent claim loudly that only a fraction of their activities consist of trying to influence legislation, but even a fraction of a declared quarterly expenditure that approaches a million dollars, with ten organisations spending more than half of that amount, seems likely to have some effect—at least when equal and opposite pressures do not kill each other off. For every lobbyist does not represent big business. Among the ten heaviest spenders were the National Rural Electric Co-operative Association, devoted to advancing the development of public power projects, the Civil Rights Congress, fighting the cause of minorities, and the Conference of American Small Business, working for anti-trust enforcement as well as for restrictive labour laws.

While Washington supports the greatest concentration of lobbying talent, this is only half the story. The pressure boys' real technique, behind their well-staged appearances at public hearings

in the Capitol, their large cocktail parties at the Statler Hotel and their small dinners in Georgetown, is summed up in a letter by the present president of the Association of American Railroads to the general counsel of one of its member firms, exhibited by the Justice Department in a current anti-trust case: "All of us have long recognised that the only effective way to influence Congressional action is to convince the influential men in each Congressional district that the public interest and the interest of the railroads coincide." The inference is clear that amounts spent under the auspices of the Association in Washington are heavily supplemented, locally, by constituent firms.

Steel for Automobiles

The recent news that the Chrysler Corporation had been forced to suspend production of leading models for a period of ten days, mainly because of shortage of sheet steel, is yet another example of the way in which industry is still hampered by the present famine in basic metals.

Material and metal shortages, including a serious shortfall in supplies of both tin and copper, now form the automobile industry's most critical problem, since any large-scale labour dispute for some way ahead is now remote following the general wage settlement for an increase of 15 cents an hour. Labour disputes had a crippling effect on production in 1946, when output of all types of vehicles was no better than 3,100,000 by comparison with the 1941 level of 4,800,000 and the 1929 record of 5,300,000.

Current shortages of materials are especially unfortunate because the winter months of even production enabled the industry to step up output to a recent level of more than 100,000 units weekly, a rate that would enable it to attain a 1947 output of not less than five million passenger cars and trucks. The attainment of this output, however, will demand continuous operation at, or near, recent levels, and while some metal shortages may be corrected, it seems reasonable to presume that a general easing of the position must now await a general setback in industrial activity, which will in turn affect the demand for automobiles.

A great deal has been heard in recent months about "consumer resistance" to higher car prices. Obviously, the rise in costs and prices must have forced some prospective purchasers from the market, but trade reports continue to assert that demand continues at a very high level, and that the industry has order books which should ensure full operations for quite a long time ahead. Here, again, demand may be affected by the present situation, since manufacturers generally have been proceeding on the assumption that rising productivity would cushion the quite substantial wage concessions recently granted, and that no fresh advance in prices would be needed to sustain profit margins.

The industry will not, of course, escape without damage from any more general trade recession. From 1937 to 1938, for example, output fell from 4,800,000 to 2,500,000. It is estimated, however, that the lapse from normal output in recent years has brought the average age of registered automobiles to nearly nine years, against a pre-war figure of not much more than five. Since there is little evidence to suggest that the passenger car is losing ground in terms of competitive outlets for consumer incomes, there is confidence in the longer-term future, whatever may be in store for the remainder of 1947.

Shorter Notes

The British Ambassador has delivered a protest to the State Department against the inflammatory advertisements on Palestine financed by the extreme Zionists appearing in the American Press. The latest of these is a letter from Mr Ben Hecht, the Hollywood scenarist, in which he states: "Every time you blow up a British arsenal or let go with your guns and bombs against the British betrayers, American Jews make a little holiday in their hearts." It adds insult to injury that contributions toward the funds that these advertisements are designed to support are apparently regarded as charitable donations and exempted from taxation.

The war control agencies will vanish on June 1st. Rent controls will be in the hands of the Federal Housing Expediter, the remnants of price control go to the Department of Agriculture, and subsidy payments will be made by the Reconstruction Finance Corporation. Material allocations will be made by the Department of Commerce. These moves will liquidate the Office of Price Administration, the Civilian Production Administration, and the Office of War Mobilisation and Reconversion.

THE BUSINESS WORLD

The OFS Goldfield—I

A FEW days ago, Sir Ernest Oppenheimer cut the first sod of the Welkom Gold Mining Company in the Orange Free State, and, with appropriate ceremony, predicted that the output of the projected Free State mines would eventually reach £50 million annually. To appreciate the present position in the OFS, it is helpful to glance first at the historical background. Just about ten years ago, serious gold prospecting in the region looked like petering out. Over several decades, recurrent bursts of prospecting activity, based on the various theories of great gold-bearing deposits of the Witwatersrand series in the general direction of the Vaal River, had all ended in disillusionment. In the middle thirties good borehole results obtained by Western Reefs in the Klerksdorp neighbourhood, to the North of the Vaal, led to a good deal of work in areas further south, down to a point about 16 miles north of Odendaalsrust. Nearly all this work, however, was fruitless and the results were even discouraging to further effort. Except for a narrow strip on the Vaal River controlled by Western Reefs Limited, no payable reefs had been located by the end of 1937 and the main result of the boreholes put down was to emphasise the thickness (5,000 to 8,000 ft.) of the layer of Ventersdorp lava underlying the whole area. The existence of the Witwatersrand series beneath this great cap had been confirmed; but—as has been true of thousands of square miles of Witwatersrand territory, where vast fortunes have been lost in fruitless prospecting—the accumulated evidence showed that, although gold-bearing strata existed, they were very deep, unpayable as to grade and much broken by faulting. Moreover, the characteristic “pay horizons”—e.g. the Main Reef series—of the rich 70-mile outcrop of the Rand proper were either absent or present only in degenerate form.

How nearly right were the negative conclusions of the later thirties is shown by the fact that almost all the areas considered interesting in 1937 have since been abandoned. Western Holdings Limited was formed in that year mainly to acquire a group of participations in various OFS areas under exploration by leading houses, but all of them proved abortive. The company's spectacular rise to fame and fortune owes its origin to some directly owned long-shot options in the Odendaalsrust region, in the vicinity of a once unknown farm called St. Helena, situated a good way to the south of the Vaal River region. Minor positive results had been shown in this area but it is open to doubt whether it would ever have been considered worth while to sink money in boreholes so far south had not the Union Corporation found that a geophysical prospecting apparatus—the Eotvos torsion balance—gave recordings from which could be deduced the points where the lava cap was relatively shallow. To the expert, the principle seems simple enough, being based on the fact that the Ventersdorp lava exercises a lighter gravitational pull than the surrounding deposits. Some remarkable readings given by this apparatus led to the acquisition of further option rights in the St Helena area and indicated the siting of the historic St Helena No 1 borehole.

When this borehole revealed the existence of gold-bearing conglomerates at moderate depth, it led to a systematic drilling

campaign, aided by further geophysical prospecting.* All the leading South African mining houses extended their activities, and, when results in the St Helena region discovered two economic ore horizons—which came to be called the Leader Reef and the Basal Reef—a rash of boreholes rapidly extended over most of the Northern Orange Free State. The spate of borehole results which has showered on the mining and investment worlds in recent years is apt to leave the uninitiated with the impression that something resembling a vast dinner plate of gold-bearing strata, much of it showing payable values, underlies the whole area. In fact, in the words of the authors of the paper referred to in the footnote,

... thousands of square miles [have] been tested by judiciously located boreholes, but as yet no new promising mining areas have been found further than 17 miles from Western Holdings' first strike, and none of the later discoveries has so far succeeded in locating the Witwatersrand beds at such shallow depths.

It may be noted at this point that it is in the vicinity of the original St Helena strikes that the daughter company, St Helena Gold Mines Limited, is now sinking the first OFS shaft which is down to a depth of over 200 feet and should meet the gold-bearing horizons at about 500 feet before long.

Prospecting during the war years did not make much headway, but in the year following the end of hostilities a number of really significant discoveries put beyond all reasonable doubt the existence of a large, commercially exploitable field. It may be significant, however, that work in the past twelve months has achieved little—apart from the phenomenally rich strikes in the Western Holdings-Blinkpoort area—beyond a more precise delimitation of the future mining areas, while negative results have virtually ruled out some of the much canvassed “prospects,” such as the African and European Block 8 and portions of the areas covered by the Free State Development Company. On the work done so far, it is fairly generally agreed that the basis has been established of nine to ten important mines, so far as boreholes can provide evidence. They are all located roughly on a north-south axis running through the town of Odendaalsrust, and the mining layout is roughly indicated by the accompanying chart. The areas will be discussed individually in a subsequent article.

Broadly, the underground formation dips from west to east from the sub-ore crop (i.e. the westerly limit near which all the projected mines are situated); as the formation deepens towards the east, the Leader and Basal Reefs, which are expected to provide the greater part of the exploitable ore, seem to disappear or become unpayable. Limited quantities of payable ore to contribute to the output of mines working the two chief reefs may also be taken from two other strata—the “A” and “B” reefs, two minor horizons not yet clearly identified. Even in the established areas, however, the ground is often much faulted, and this, together with the existence of the overlying granite cap, may well pose some considerable technical problems in the

* The story is given with great wealth of technical detail in a paper by Messrs. Frost, McIntyre, Papenfus and Weiss published in the September, 1946, issue of the *Journal of the Chemical, Metallurgical and Mining Society of South Africa*.

course of development on the reef. The problem of ventilation will be considerable, because, owing to the lower conductivity of the rock compared with the Rand, temperature will rise steeply at depth.

The projected mines consist of the following:—

- (a) St Helena—first in the field with shaft sinking.
- (b) The three Welkom areas 1, 2 and 3, making up part of the area formerly known as African and European Block 7 (in the portion of Block 7 lying further east, the reef seems to dip steeply). Shaft sinking on No. 1 lease area will begin this year.
- (c) Western Holdings Second Lease Area.
- (d) Blinkpoort.
- (e) Two (and possibly three) mines to be located in the Free State Development territory round Odendaalsrust.
- (f) One or two mines to be sited in the Wit Extension area.

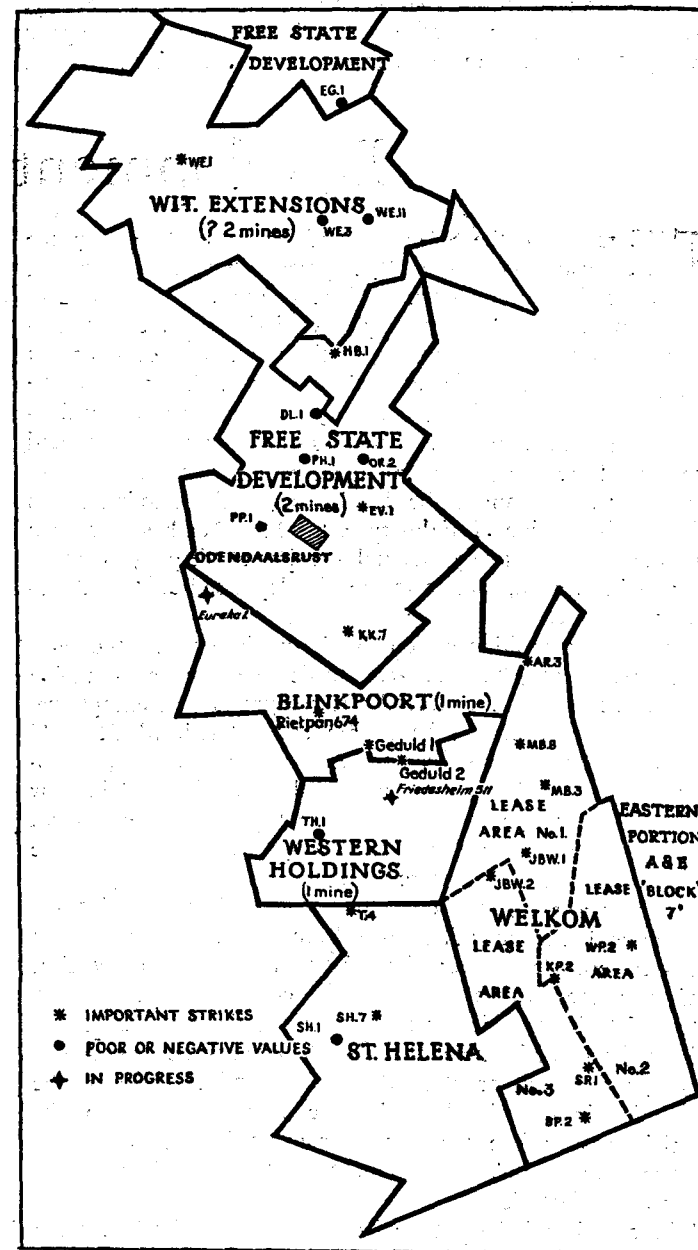
The Union Corporation took the lead in the sequence of events which led to the discovery of the area, and this group retains control of St Helena and also has a substantial interest in Western Holdings, as well as a number of other participations. But the Anglo-American Corporation, by a series of moves, of which acquisition of control of African and European was perhaps the most important, has attained the position of major finance house in this field—all the leading houses are, of course, represented. The Welkom group, Western Holdings, Blinkpoort and presumably Wit Extension mines will be under the technical and administrative control of Anglo-American, which is represented directly or indirectly in almost all OFS ventures of consequence. Free State Development is under the control of Johannesburg Consolidated.

It is too soon yet to reach any conclusion about future milling capacity or effective crushing grades. But, on present indications, the expert view is that most of these mines should support a plant of 150,000 tons per month, indicating a total capacity of the field, so far as can be supposed at present, of say 20 million tons per annum. Blinkpoort is a rather smaller property, though much above average richness, while the two big Free State Development mines in the immediate vicinity of Odendaalsrust may be planned on the basis of 200,000 tons per month—following the policy of Johannesburg Consolidated on the Rand (e.g., Randfontein) of using big units.

As regards grade, there are no indications as yet except the notoriously misleading results of boreholes. It is, however, always diverting to guess—and, of course, tentative assumptions about grade have to be made before shaft-sinking is justified. As a working hypothesis, liable to be upset at any time by some new strike, informed opinion reads the signs on roughly the following lines: St Helena and the two Free State Development mines referred to above, 5 to 6 dwts.; the Welkom group, and Wit. Extensions 6 to 7 dwts.; Western Holdings Second Lease area and Blinkpoort, above 10 dwts. Interest in these two last-named properties is intense in view of the unprecedented strikes on the farm Geduld 697, on the boundary between the two properties, seen against the background of boreholes on the neighbouring Freddie's ground to the north and Welkom No 1 to the east. Geduld No 1 borehole, showing 1,252 dwts. over 18.4 in. on the Basal Reef, was naturally written down as a rather amazing fluke, but the result assumes a different complexion in the light of the two important strikes announced in recent months. Geduld No 2, 4,000 ft. distant to the SE of Geduld No. 1, gave 1,904 dwts. over 6.58 ins.; and Rietpan No. 2, 6,000 ft. to the NW, gave 124.8 dwts. over 8.7 ins. All mathematical probability now points to an exceptionally rich deposit in this area, and the eyes of the mining world are on the progress of the hole now being drilled about a mile to the south—Friedscheim No. 511, which, though now stopped for a brief period owing to a mechanical defect, should before long reach a depth at which the Basal Reef intersection might be made. A negative result here would have but limited local significance; and,

while the man in the street is toying with the chance of another fabulous value, the technical observers are more concerned to gain further confirmation of the regularity of the structure.

It is clear that, whatever natural problems may be met in the course of exploitation, the new field has had, or has in prospect, great advantages over any mining region developed in the past. Geophysical prospecting not only guided the location of boreholes but will also help in siting shafts; close relationships between the controlling houses have permitted a give-and-take policy in dividing up claim areas so as to ensure the most logical divisions: a-1 siting of the mines; and modern underground layouts are being devised to maximise operating efficiency. Many costly errors in the development of the older portions of the



Rand are thus being avoided. But a similar advance is being shown in the policy of the authorities in the general development of the area. They, too, have behind them the experience of the early days of the Rand. The Union Government is to introduce legislation providing for control of use and sub-division of land in the area, and an interim controlling authority has been appointed in conjunction with the provincial administration. The mining areas are situated in a hyper-endemic plague region and the Department of Health is taking steps to prevent rodent infestation and the growth of conditions likely to foster trouble. More positively, an Act has been passed providing for the con-

struction of a railway line from Whites to Odendaalsrust which will be the urban centre for the mines. This line is expected to come into operation by the end of this year. Water is being provided for by the construction of a pipe-line by the Government from the Vaal River to a reservoir from which the mining companies will draw their supplies. This supply is planned to be available in 1949, and in the meantime the moderate needs of the companies during the earlier stages of development will be provided by pumping surface water by diesel engine. To meet the situation in later years, when large-scale operations should be in full swing, the Government is considering raising the level of the Vaal Dam and laying a second pipe-line.

The recruitment and housing of natives for mining—and, not less important, for urban and ancillary activities generally—have received wide attention. Sir Ernest Oppenheimer at the 1946 meeting of the Anglo American Corporation emphasised the great saving of unskilled labour in the mines which can be effected

by mechanisation, pointing out that it is the older mines of the Rand, which are gradually dropping out, that require comparatively the greatest number of natives. He foresaw that, if mechanisation is applied to the fullest extent, the industry will become less dependent than it is to-day on a plentiful supply of unskilled native labour. However, because of the supply problem alone (i.e., housing, feeding, etc.) it will apparently be necessary to continue to rely on the compound system for a large part of the native labour required, although the creation of native villages is envisaged as a long term aim. The recruitment of European labour will also take time and care, but will be eased by immigration. By and large, inasmuch as the labour requirements will increase largely only when the main shafts have been sunk, there is sufficient time to lay plans well ahead. This gives a reasonable assurance that commercial exploitation of the gold-bearing deposits will at least not be seriously impeded by labour shortage.

Development Area Policy

THE report of the Select Committee on Estimates on the administration of the Development Areas is a timely, if somewhat limited, document. The committee was not concerned with the broad principles of industrial location, and such issues as the effectiveness of the Government's policy of "steering" rather than compelling new industry into the Areas, the use of building licences to encourage new development, the improvement of amenities and communications and the type of areas to be scheduled, are not considered. Its main purpose was to examine the detailed day-to-day administration of the Distribution of Industry Act. This Act has now been in force for nearly two years, and a review of the progress made in bringing new industries to the old depressed areas is therefore opportune.

The present position is, frankly, disappointing. As the committee points out, "the progress made in factory construction gives some cause for concern." It recognises that exceptional difficulties and shortages have been encountered, which could not have been foreseen when the Act was passed. But, if progress is measured in terms of actual "jobs found" in new industrial enterprise, compared with total potential employment to be provided in the Areas, there would certainly seem to be very real cause for concern.

By March 31, 1947, 3,257 people—1,368 men and 1,775 women and 108 juveniles—had been found employment in factories provided under the Distribution of Industry Act. This compares with a total potential employment of 242,100 intended to be provided in schemes under the Act. Over half this total potential employment is scheduled to be provided in new factories built or planned since the end of the war; the remainder in factories built by the Commissioners for the Special Areas before the war, in converted Royal Ordnance factories and other Government factories and war-time "standard" factories.

The actual and the potential employment in the four main Development Areas, is shown in the following table:—

	No. of Factories	Actual Employment				Potential Employment
		Men	Women	Juveniles	Total	
North East	11	511	536	11	1,058	72,200
West Cumberland	5	109	94	52	255	8,900
Wales	18	555	777	...	1,332	81,300
Scotland	8	193	368	45	606	72,700
Wrexham	42	1,368	1,775	108	3,251	235,100
South Lancashire	...	...	...	...	...	5,200
	...	...	...	...	...	1,800
	...	...	...	...	...	242,100

Another indication of progress can be seen in the trend of the unemployment figures. These relate to the Ministry of Labour Region, which are wider than the scheduled areas, but in every case the bulk of the industrial population is contained in the Development Area. The national level of unemployment in mid-April was 423,759 or 3 per cent of the total insured population; in the London, South Western and Midlands regions the proportion was only 1½ per cent. In the Development Areas, however, it was much higher. For Scotland, the unemployment total was 76,948 and the proportion 4½ per cent; for Wales it was 55,095 (7½ per cent); and for the Northern Region, 49,730 (5 per cent). By comparison with pre-war totals, these are encouraging figures. But the contrast they present with the rest of the country is disheartening. The full employment which rules elsewhere has obviously not invaded the former depressed areas.

Contrary to earlier expectations, the slow progress towards the employment targets does not seem to be attributable to reluctance on the part of new industry to settle in the Development Areas. The inducements offered by the Government in terms of factory space and financial aid are proving effective in attracting firms, and in many districts, there are more applicants for entry than can be accommodated. There is a danger, however, that the slow building progress, by compelling firms to wait in any case before they can start production, may lead them to defer their plans altogether, until building supplies become more generally available and they can build on a site of their own choice, rather than on one selected by the Board of Trade.

The delays in factory construction are, of course, wholly due to the universal shortage of building materials, particularly steel and timber. But the evidence given before the Select Committee suggests that, even within these physical limitations, progress has been hampered by inadequate co-ordination, lack of clear directives, and insufficient planning of the most economic and effective use of the limited supplies of materials. There also appears to be unnecessary duplication of effort between the Board of Trade and the trading estate companies. It is difficult to see, however, how some overlapping could be avoided, in view of the Government's decision to concentrate new employment in the trading estates, making the Board's trading estate companies responsible for local administration as the Board's agents. The committee's own suggested solution is that the companies should receive block grants, and should be given wide discretion, subject only to control on general matters of policy.

Another criticism which may be pertinent, but is somewhat

academic in the light of Government policy and the accomplished facts, concerns the conversion of Royal Ordnance Factories into trading estates. In some cases, the buildings may be highly suitable and conveniently situated. In others, they have been built for specific warlike purposes and are not readily adaptable for individual factory units for peace-time production, while they were located for defence reasons and are remote from centres of population. There is obvious justification for the committee's suggestion that the use of Royal Ordnance factories deserves fuller investigation. In the meantime, however, they are providing a nucleus for industrial development which otherwise would be long-impaired by the acute shortage of factory space.

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The problems of the Development Areas will perhaps be seen in better perspective if related to the specific issues which have been arising in one of the areas—the Northeast coast. Fundamentally, the Development Areas face the same problems. They all depend, basically, on the prosperity of their heavy industry, whatever measures may be taken to provide a "cushion" of light industry. For an indefinite time, unemployment in the mines will present no problem, but measures to rationalise and raise the efficiency of the mines, shipbuilding, iron and steel and heavy engineering must in time create an unemployment problem. Already, on the Northeast coast, the elimination of surplus shipbuilding capacity on the Tyne and Wear is creating a pool of unemployment. In all areas, the chief problem is to provide work for the male unemployed, and to encourage the industries which will employ men rather than women. The tendency so far has been to attract light engineering and consumer goods industries mainly employing women. There is, admittedly, a large potential field of women's employment: before the war, women in the northern region were only 12 per cent of the insured population compared with 22 per cent for the country as a whole. Even so, it has been necessary to tell firms wanting to settle on the Team Valley estate that they can do so only if they will employ men.

Of the Development Areas of Scotland, South Wales and the Northeast coast, prospects for the Northeast area are the most encouraging. That does not mean that the area faces no real

difficulties, but its present level of unemployment is not regarded as unduly serious. In March, at the end of the fuel crisis, the figure for the whole Northern area, including Cumberland and the North Riding, was 69,614. Owing to the proximity to the coalfields, the Area did not suffer from fuel shortage or from the same need to shed electricity load as in other industrial areas; but production was inevitably dislocated as a result of the interrupted flow of supplies from the affected areas, and building was virtually at a standstill.

Two aspects of the Northeast Development Area can be regarded as reassuring. First, although most of the employment which is being provided on trading estates is in the production of light consumer goods, there are developments which are definitely related to the needs and character of the basic industries. A factory producing mining machinery on the Team Valley estate is working round the clock to supply the needs of the Northern coalfields. There are hopeful developments in the electrical industry and in the chemical industry. Teesside, now included in the Area—though formerly excluded from the old special area—will benefit not only from the plans for expansion of Imperial Chemical Industries, but from the attraction of firms whose activities are related to the production of chemicals.

The second factor is that industrialists, trade unionists and local interests generally have shown a remarkable degree of enterprise and cooperation in furthering schemes for industrial development. The activities of the North Eastern Development Association have undoubtedly been useful, not only in making factual surveys on which to base development plans, but in carrying out these plans.

Altogether, in the Northeast coast region, there is some reason to hope that the development plans can be brought into effect within the next twelve months and unemployment kept within manageable proportions—given a reasonable supply of building materials. That, of course, is a fairly large assumption, but it may be that, as a result of the Select Committee's report, higher priority will be given to schemes for factory construction in the areas. At this stage, unfortunately, it is difficult to be at all optimistic about the Development Areas of Scotland and Wales.

Business Notes

Drafts on the Dollars

The dollar problem continues to dominate the international scene. Comments on it have come this week both from Mr Dalton and Sir Stafford Cripps. The Chancellor disclosed that of the \$500 million drawn by Britain on the US loan in the first quarter of this year, \$70 million was required for purchases for the British zone in Germany; and Sir Stafford Cripps, in a speech to the National Federation of Women's Institutes, gave a stern warning—"when the dollar loans are exhausted, as they will be before very long, unless we increase our exports we shall have to cut imports to two-thirds of what we are now importing, and the effect of this on our food supplies would be disastrous." and the effect of this on our food supplies would be disastrous." The figures show a record level of imports for that month, while the geographical analysis discloses a larger trade deficit with hard currency countries in the first quarter of this year—£116,400,000, compared with £109,000,000 in the previous three months.

The accelerating rate of British drawing on the US line of credit can be seen from the table in next column.

The weekly rate of drawings has been steadily increasing to £16 million, this latest figure being calculated on the assumption that the next instalment of £50 million will be drawn on or about June 10th. Mr Snyder has announced from Washington that by June 30th, £487½ million of the line of credit will have been withdrawn, and, on this no doubt well-informed assumption, the timing of the remaining £50 million instalment may be tentatively placed in the first or second week of June. At the latest rate of

withdrawals, the remaining £500 million would last for about 31 weeks from the date of the next drawing, so that the whole credit would therefore be exhausted by the first few weeks of 1948. That may be too alarming a view to take—though it seems to be borne out by the latest indica-

	Amount Drawn	Weekly Average
	£ million	£ million
1946		
July 15th to Dec. 31st	150	6.3
1947		
Jan. 4	50	
Feb. 22	25	
Mar. 15	50	9.6
First quarter	125	
April 5	50	
April 26	62½	
May 14	50	16.0
April & May	162½	
Total	437½	
Unutilized portion of credit	500	

tion of the hard currency deficit. Within the next few weeks, however, the Government must surely take drastic measures to save hard currency expenditure on current payments. There is also a chance that the terms of trade may begin to move in,

Britain's favour, though recent hopes of a crumbling of farm produce prices in the United States have been disappointed again in the last few days. Against these favourable factors it must be assumed that the extension of "expendability" of current sterling after July 15th will cost something more than "expendability" is costing to-day. On present indications, therefore, the Government should base its plans on the assumption that the dollars will, for all practical purposes, have given out in the first quarter of next year—just as British industry may be emerging from its second fuel crisis.

There have been many rumours that plans are already afoot for raising a second loan from the United States. The rumours are probably as true as those that the British General Staff has plans for waging war against a number of countries with which this country is now at peace. That kind of planning is, or should be, part of the normal routine of "preparedness" and the experts at the Treasury, the Bank of England and the Foreign Office would be very remiss if they saw no further ahead than the first quarter of 1948 in planning the foreign exchange ways and means situation. But to proceed from this to an assertion that there is an intention to embark on early negotiations for another dollar loan is to step well beyond the range of probability. There appears to be no such intention. It seems probable that in high quarters the dollar problem is now conceived not in national but in international terms. That seems to have been the gist of Sir Wilfrid Eady's message to the Canadians on his recent visit to Ottawa and the understanding echo which it awoke in that capital can be gauged from the rapidity with which Mr Graham Towers, Governor of the Bank of Canada, decided to visit Britain to continue discussions of this common problem. If the dollar crisis is destined to overwhelm the greater part of the world in the latter part of the year, the answer to the emergency must be something more comprehensive than another dollar loan to Britain. Such a loan, in the prevailing circumstances, with sterling a convertible currency, would be merely funnelling an inadequate supply of US dollars into the large terrestrial dollar deficit, with Britain standing guarantor for the debt. That is not an attractive proposition—but neither is the alternative of a vicious tightening of British and other belts later in the year.

America and the Market

Until the end of last week the stock markets, at least in terms of price movements, had seemed oblivious to the dollar crisis, the evident troubles of industry, and the discrimination against equities contained in the budget. The rise in equities, which had been resumed towards the end of March, had by then carried the old index of *The Financial News* to within 2½ per cent of the post-war peak, a rise of over 5 per cent from the pre-budget level. This rise owed nothing to a change in the rate of interest, for the gilt-edged index was virtually unaltered on the period. The explanation is to be found neither in this nor in any narrowing of margins between the return on fixed interest and equity shares. The yield on the shares composing the index was 3.83 per cent at the bottom of the slump in mid-February, 3.80 per cent on the eve of the budget and 3.85 per cent a week ago. The operating factor has been the rise in dividends. It is more difficult, however, to justify the implied optimism, in assuming that these increases would be a permanent feature and basing a rise in values upon them.

It is a curious irony, too, that the turnaround in markets has come just at the time when there is a fair accumulation of evidence that the effects of the power cuts and the fuel shortage may be somewhat less marked than was commonly feared. The popular belief in market circles—and it may be well-founded—is that the long-expected setback is due in the main to developments outside British industry. The view is, of course, supported to some extent by the fact that the whole of the market, with the partial exception of the Funds, has weakened. There is at least a growing realisation that British industry, and the income of equity holders, can no longer be divorced from developments in the world at large. The rapid exhaustion of the dollar credits, the daily emphasis upon the many problems loosely associated with July 15th, the statement of the Chancellor on the sterling balances (produced with his usual flair for the theatrical), the talk of the end of the sellers' market, particularly in South Africa, and, most of all, the fall on Wall Street and the stories of an incipient American slump—all these have combined to awaken the market to realities. The selling so far is little more than profit-taking, although there is some evidence, in a diminished volume of enquiry, that it may induce a healthier attitude. The extent of the fall at its worst was some 2.2 per cent. At the moment it appears to be halted, but it will be surprising if, once

started, it is not carried to a point at which yields are more attractive than the present level of 3.92 per cent.

"Consolidating" Cheap Money

In all his references to cheap money now, Mr Dalton is careful to avoid forecasts of the "up-and-up" variety which were common form during last year's offensive. Indeed, in the debate on the Second Reading of the Finance Bill on Monday, he gave the clearest indication yet that the authorities have at present no intention to resume the pressure. Justifying his indifference, in the 1946 Budget speech, to the rising level of floating debt, the Chancellor declared that he was not dismayed by it—

because we were then carrying through the cheap money drive with the object of arriving at a basis of 2½ per cent long-term. We have got that. Later, we may advance towards other objectives, but at the moment we are consolidating the 2½ per cent long-term.

If we are in position to consolidate 2½ per cent long-term and also gradually to reduce the floating debt through a Budget surplus, then, indeed, we are getting the best of both worlds, and we are very well content. Therefore, we have now reached a point where a reduction in the floating debt is a very desirable subsidiary process to what we have been carrying on in the reduction of long-term interest rates. I hope that by the end of this financial year we shall have seen both a firming-up of the 2½ per cent long-term rate and also a reduction of the floating debt.

This very frank statement of policy does in fact align very closely with the interpretation which has lately been current in informed City circles. Nobody expected the authorities to take any extreme measures to try to restore the position which obtained before the fuel crisis, but equally nobody would be surprised if Mr Dalton tries to thrust out further minor salients whenever the opportunity arises.

Relief for Local Borrowers

In the meantime Mr Dalton is contenting himself with seeking out every opportunity to extol the benefits of his policy. The decision, recorded in a note on page 793, to relieve borrowers from the Local Loans Fund from interest charges in excess of 4½ per cent, is no doubt right and sensible, but the Chancellor really goes too far when he presents it as "a further practical example of the benefit to the nation of cheap money," and implies that this is a first-fruit of the ill-starred Local Loans conversion. The relief, affecting roughly £105 million of local authority loans, will cost about £15 million. With curious disregard of arithmetic, almost every Press report this week has implied that this distribution of largesse derives from the saving produced by the replacement of £429 million of 3 per cent Local Loans by 2½ per cent Treasury stock. In reality—as the official statement did admittedly reveal—the money comes from a surplus of £20 million accumulated in the Local Loans Fund, and merely including actuarial credit for the prospective saving. The power to disburse all but £5 million of this sum derives from the Finance Act of 1935, but the release was contingent upon the conversion of Local Loans stock. It is only in this remote and technical sense, therefore, that the concession can be said to flow from a cheap money policy.

The Chancellor was, of course, on somewhat firmer ground in claiming that, in the absence of cheap money, the level of Government expenditure, about which the Opposition complained, would have been even higher. In one sense that is a truism, but it is too often overlooked that the real savings from conversion operations derive only from reductions in rates of interest on securities effectively held by the public, as distinct from banks and Government agencies. The true saving from the operations of the past 18 months is certainly much less than will be shown in the Exchequer accounts, and even that has been achieved only by a strategy which compelled the Treasury to enable the banks to substitute high-yielding long term securities for floating debt. Mr Dalton, reversing the theory enunciated in last year's Budget speech, now regards reduction of the floating debt as "very desirable." It will be hard indeed to combine funding operations with adherence to the cheap money theories by which he has so far been guided—and harder still to reduce the overall cost of the national debt simultaneously.

Budget Accounting—A Plea for Realism

The Finance Bill debate itself was a real disappointment. The importance of the Bill inevitably resides in its detail, and examination of that awaits the Committee stage, to be taken after the recess. But this year there seemed a chance that the Second Reading would be made the occasion for worthwhile debate on a really vital issue—the role of financial policy in this post-war

economic crisis. The attempt to make it so misfired badly. With the return to peacetime techniques in Government finance—and to the tricks of subterfuge so beloved of Chancellors between the wars—discussion of the Budget is fast degenerating into nauseating wrangles about mere book-keeping. This week both Ministers and leading Opposition spokesmen became embroiled anew in fussy arguments about the unreality of Mr Dalton's surplus. It is so obvious, as *The Economist* showed a few weeks ago, that there is no surplus in any sense which can have economic significance, that the book-keeping definition is not worth further attention.

Yet realistic accounting is indeed a necessary pre-requisite of clear-headed policy. This week Mr Glenvil Hall, with a spurious air of pursuing lofty principles, echoed the attempt in the Budget speech to rely for a defence of its accounting upon the distinction between expenditure which does and does not create capital assets. The Treasury in fact never succeeds in drawing that line neatly, and no doubt it would be valuable to have it so drawn, just as it would be valuable (especially in this transition phase) to have a parallel set of accounts distinguishing plainly between recurrent and non-recurrent items—the two groupings would not, of course, be co-extensive. But the essential principle, which never seems to have been coherently stated in the House, is to divide the whole range of Government receipts and payments (whether above or below any of the possible "lines") between those which may be presumed to have "real" economic significance and those which are nominal or passive. The distinction in principle is very simple: the test is whether Government disbursements will or will not create (or be likely to create) a demand for goods and services on the part of the recipients, and whether Government receipts will or will not represent a curtailment of such demand. Admittedly, in a minority of cases the distinction will be conjectural, and also a classification which is right on a six months' view may not be right for a twelve. The lack of precision makes such a form an unsatisfactory substitute for the formal Exchequer accounts. But until the national accounts are presented on some such "economic" basis as this—in addition to whatever purely book-keeping statement the Treasury chooses to adopt—it will never be possible to relate the Budget to the national economy as a whole on the modern principles to which the Chancellor pays ostentatious but quite barren lip-service.

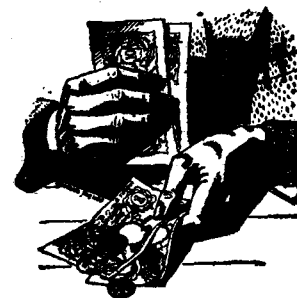
That "Scintillating Diamond"

Lacking such an approach as this, the Opposition this week inevitably became bemused in the book-keeping labyrinth. And the few good points made on the plane of high policy—such as Captain Crookshank's comment that, though borrowing might indeed be confined to creating capital assets, the Government might try to create more than could properly be financed by the savings available—were never driven home.

On the plane of detail, rather more progress was made; but only the Committee stage will clear up those "mysteries" which, Mr Glenvil Hall's confident statement notwithstanding, still remain in the Finance Bill. This "scintillating diamond" certainly has many more dull facets than the Member for Blackley perceives. But it is refreshing to find two prominent supporters of Mr Dalton assailing his pet policies. Mr Jay was "shocked to discover"—it is a belated discovery—that bank deposits have risen by £800 million in twelve months, and thinks the cheaper money policy ought to stop: his "advice to the Treasury would be that they should think a little more in future about the volume of bank deposits and a little less about the rate of interest." And Mr Diamond, though obviously embarrassed by Opposition approval, gave one of the best exposures yet of the stupidity and fallacies inherent in the bonus issues tax, even disputing the logic of the purely political motive which is the only conceivable reason for it. When a Government supporter can refer to the Chancellor as "Black Max of the Bonus Tax," city spokesmen for the Opposition must look to their laurels.

Brazil Sterling Talks

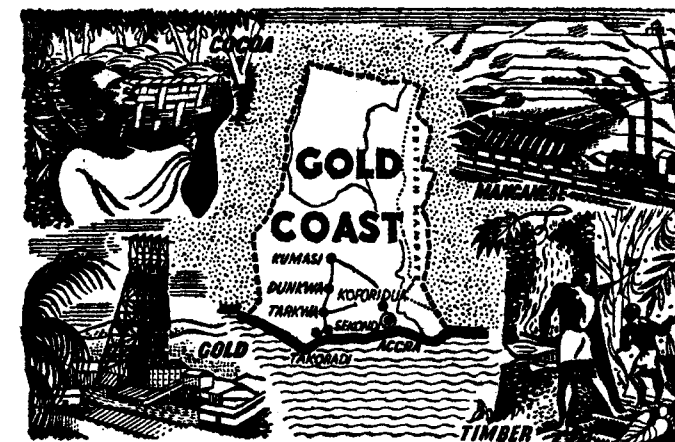
The discussions between representatives of the British and Brazilian governments on the problem of Brazil's sterling balances are drawing to a close. A fortnight ago the first objective was reached when Brazil undertook to resume quotations for sterling and to buy that currency. Since then the Bank of England has published a selling rate on Brazil and trade between the two countries has ceased to be hampered by the unwillingness of the Bank of Brazil to acquire additional sterling. When this agreement was made, it was confidently regarded as indicating considerable progress towards the second stage of the negotiation,



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namely the status to be given to Brazil's accumulated balances, amounting to about £65 millions, and the rate at which these should be liberated. Agreement on this point is about to be reached. It is still not certain whether Brazil will respond to the invitation of Mr Dalton to cancel part of her claim outright, but it is widely understood that a short-term agreement, probably covering the next five years, will envisage the liberation of about one-tenth of Brazil's accumulated balances over that period. Moreover, current accruals of sterling to Brazil will be freely expendable. Agreement on these points being reached, it is probable that Mr Machado, representative of the Bank of Brazil, will return home. That leaves unsettled the question of the sale to Brazil of British-owned public utilities and railways in that country. It is very doubtful whether discussions on this aspect of the problem ever reached any very concrete or precise stage.

The subject was bound to be mentioned in discussions of the future of Brazil's accumulated balances, but it is questionable whether Mr Machado had any power or authority to engage in detailed negotiations for the acquisition of these assets. The impression has emerged from the discussions that Brazil is at the moment a most unwilling buyer and would much prefer to have her accumulated balances available to purchase the new equipment and machinery which she needs. Rash and unfounded rumours about the detailed progress of alleged negotiations for the sale of these utilities had led to considerable speculative buying of the securities in question on the Stock Exchange. The corrective slump duly occurred this week when it became evident that there was no immediate likelihood of a sale and that the chief Brazilian delegate was returning without going into the details of such a deal.

Progress in Steel

A valuable and detailed account of the progress made to date with the iron and steel development plan was given this week by Mr R. M. Shone, of the British Iron and Steel Federation, in an address to the Royal Statistical Society. His figures bring together, for the first time and in a convenient form, the actual schemes submitted by the industry for the approval of the Iron and Steel Board. Some of the salient figures are reproduced below.

The British Iron and Steel Federation's plan, submitted last year to the Government, estimated a total expenditure of £168 million at 1945 prices for the industry's post-war development and modernisation programme. The whole work was to be started over a 5-year period and completed in 7½ years. So far, schemes to cost £140 million have been submitted in detail to the Iron and Steel Board. Approval in detail has been given to projects costing £90 million and these are now under construction, while a further £35 million has been approved to be spent on schemes which are temporarily held up by lack of materials. But, although the value of schemes submitted represents about 83 per cent of the original £168 million, a tonnage basis discloses—as the table below indicates—that only some 65 per cent of the actual schemes envisaged in the plan have reached this stage. Adjustments to the original plan and increased prices of equipment account for the difference between value and volume. Mr Shone, estimates that the whole plan will cost about £200 million at current prices.

	Total Schemes submitted by the Industry	Total in the Original Plan
Steel ingot capacity (tons).....	4,148,000	5,835,000
Blast furnace capacity (basic & hematite) (tons).....	2,775,000	4,750,000
Rolling mill capacity (tons)	3,700,000	5,450,000
Total.....	10,623,000	17,035,000

Examination of the schemes submitted shows that steel ingot capacity plans have reached 71 per cent of the original total, rolling mill schemes 68 per cent and blast furnace capacity 58 per cent. Priority has been given to those schemes which will yield quick benefits. And since expansion of steel capacity is an obvious pre-requisite of expansion in the later stages of production this probably accounts for the relatively greater progress in formulating detailed schemes for expanding steel ingot and rolling mill capacity. The 4,148,000 tons of steel capacity includes, for example, the new steel works at Margam in South Wales, the output of which will be necessary to feed the proposed new continuous hot-strip mill.

Dollar requirements for the whole scheme have also had to be revised upwards. Instead of the original estimate of £9 million of American equipment, as much as £15 million worth

is now required. This equipment must clearly secure a high rating among the claims on this country's limited dollar resources in order to increase the iron and steel industry's export potential. Failure to obtain American equipment on an adequate scale would put key sections of the programme back as much as four years.

April's Export Recovery

Exports from the United Kingdom during April, though obviously strongly influenced by the winter's crisis, showed a welcome recovery. The total value of £82.7 million was slightly higher than the March figure of £82.6 million, despite the effects of the Easter holiday. There were, however, slightly higher exports by Unrra and for the Naafi compared with last month. On the basis of 26 days as a normal working month, the trend of exports during the last nine months has been as follows:—

U.K. EXPORTS (£ Mn.)					
Aug., 1946 .. 78	Nov., 1946 .. 92	Feb., 1947 .. 82½			
Sept., 1946 .. 74	Dec., 1946 .. 90	Mar., 1947 .. 82½			
Oct., 1946 .. 87½	Jan., 1947 .. 88	April, 1947 .. 89½			

The volume of exports for April has been provisionally estimated as 98 per cent of 1938 volume. This is the same as March, but it shows an improvement over February, when the volume was only 92 per cent. Exports of machinery reached a record figure of £14.3 million and accounted for one-fifth of all exports of manufactures. The tonnage was 48 per cent higher than the monthly average for 1938. The chief destinations were the Soviet Union (which took 22 per cent of the total), British India, the Union of South Africa and Argentina. The second largest item was vehicles, which amounted to £11.5 million—a substantial recovery from the low level of February and March. Textiles showed a marked reduction, which was no doubt due, in part at any rate, to diversions of cotton yarn and wool tops to the home market in order to relieve the shortage caused by the fuel crisis. Re-exports for April amounted to £6.7 million, of which £2.5 million was accounted for by rubber (the largest single recipient being Italy) and £1.6 million by wool.

Imports during April reached the very high level of £147.1 million, exceeding the March figure by £17 million and the monthly average of the first quarter by £26 million. The value of retained imports (£140.4 million) was the highest recorded since July, 1920. Retained imports of food, drink and tobacco were the highest on record, and represented more than half of the total, whilst raw materials were the highest for 22 years. The main items in the food group were meat (£13.6 million), dairy produce (£9.9 million) and grain and flour (£9.7 million). Of the raw materials, seeds and nuts for oils totalled £12.2 million and raw cotton, including cotton waste, £9.5 million.

The April trade figures certainly explain the official anxiety about the balance of payments position. Large shipments of food came from the western hemisphere while exports still appear to be going mainly to soft currency areas. During the first quarter of the year the value of imports from hard currency areas reached £173.3 million or £3.6 million more than in the preceding quarter, while supplies from other areas fell by £9.6 million to £190.5 million. The United Kingdom continues to import nearly one-half of her supplies from hard currency areas compared with one-third before the war. Total exports to hard currency countries amounted to £56.9 millions—a rise of £1 million compared with the previous three months, while those to other countries fell by £13.2 million to £211 million. The British trade deficit with the hard currency areas has risen steadily over the past nine months, being £109 million in the third quarter of 1946, £114 million in the fourth quarter and £116 million in the first quarter of 1947.

The Voice of Wall Street

Mr W. Randolph Burgess, vice-chairman of the Board of the National City Bank of New York, spoke to the American Chamber of Commerce in London this week on some of the economic problems that face the United States, and in particular on the question of US foreign lending. Since the influence over US economic foreign policy is increasingly leaving Washington and returning to New York, the views of Mr Randolph Burgess, who is now the main spokesman for the commercial banks of the United States, deserve the closest attention. He recalled the beating which America took in her foreign loans after World War I, quoting, significantly,

"Neither a borrower nor a lender be
For loan oft loses both itself and friend
And borrowing dulls the edge of husbandry."

Finally, he turned to the experience of Britain in its hey-day as a foreign lender to provide a guide to the United States. In British experience he purported to find five secrets of sound foreign investment: Britain exported her men with her money and allowed no absentee landlordism about her investments; British banking and insurance followed and serviced British business; the Government stood behind the British trader and investor; the world was relatively free of restrictions on the movements of men, money and goods; in general, the investments were well chosen and profitable. At least one of these discovered secrets will come as a surprise to this country, namely the assertion that the British investor has in the past had the support of his Government. Save for a comparatively brief Palmerstonian episode it will be difficult to substantiate this claim. But surely Mr Burgess, in his search, missed the most important secret of all, and that which has most relevance to the United States to-day, namely that Britain was prepared to accept in goods and services from the rest of the world the annual service on her overseas loans. It has yet to be seen that the United States is ready to do the same, and some of the recent proceedings at Geneva are not of hopeful augury in this respect.

Mr Randolph Burgess was therefore decidedly cautious in his estimates of what the United States might lend to other countries. He saw considerable scope for direct investment by American business, but very little for open market bond issues to foreign Governments. The small and only moderately successful beginning which has been made with loans to Australia and Norway bear out this estimate. As regards the new official institutions, Mr Burgess emphasised that the International Bank would be "satisfactory management" and that its loans would be "prudently" made—a note of ominous restraint.

It was to America's domestic problems that Mr Burgess brought back the attention of his hearers, namely the \$260 billion to which the national debt had been "blown up," the budget of \$37½ billion which was "out of control" and at which Congress was now chipping away. He reminded the rest of the world that they ought to be as much interested in American stability, which he implied was being achieved by this chipping away, as in American loans. Mr Burgess anticipated an early decline in business in the United States. If his comments on foreign loans truly reflect American policy on this subject, his prophecy is certain to come true and on a somewhat more spectacular scale than that which he envisaged in his speech.

Second Five-Day Week

Coal output figures for the week ended May 17th show an increase over the previous one, the first five-day working week for the industry. Provisional figures, issued by the Ministry of Fuel and Power, show that 4,056,800 tons were raised, compared with 3,756,100 tons in the previous week and 4,108,300 tons in the week ended May 3rd, the last six-day week. The table below compares the tonnage of deep-mined coal raised, by regions, in the first two five-day weeks. It is quite clear that the improvement over the first week has been due to the end of the strikes in the Durham and Lancashire areas and to the recovery in Scottish output after the spring holiday.

	Week Ended 10th May	Week Ended 17th May	Change on the Week
	Tons	Tons	Tons
Northern	644,400	745,600	+ 101,200
N. Eastern	808,600	810,300	+ 1,700
N. Midland	719,700	715,900	- 3,800
N. Western	255,100	276,000	+ 20,900
Midland	362,200	360,400	- 1,800
Wales	463,000	462,600	- 400
Scotland	275,100	448,000	+ 172,900
Kent	28,600	28,500	- 100
Total of deep mined	3,556,700	3,847,300	+ 290,600

Absenteeism figures are now available for the first five-day week. Total absenteeism was 8.1 per cent, and of this only 3.2 was voluntary. In the week before, total absenteeism was 13.7 per cent. Over the same two weeks, output per manshift rose from 1.05 tons to 1.07 tons.

These results are encouraging, but if the success of the five-day week is to be judged, as it should be, on the industry's ability to increase coal output and not merely to stop it from falling, there is still a need for substantial improvement. The official target reduced to a weekly average lies about halfway between the figures achieved in the first and second five-day week. Next week will bring the Whitsuntide holiday week-end, and the summer holiday season is approaching. The five-day week figures

of production already show what inroads public holidays can make on the slender safety margin which exists if even only 200 million tons are to be mined this year. A greater effort is still required if a summer seasonal fall in output is to be satisfactorily cushioned. Mr Shinwell has asked for a further 250,000 tons a week. To achieve this extra tonnage, the industry will have to rely on increased manpower. Recruitment figures for March and April were encouraging, but men take time to train and time is short. The present indications are that this extra output might be built up—but only slowly as the year proceeds. It is to be hoped that substantial progress will be achieved by October-November, when industry's summer stock building period comes to an end.

Building Societies and Tax

A good deal of discussion has taken place recently about the possibility of a revision of the arrangement which the building societies have with the Inland Revenue for the payment of a special "composite" rate of tax on their profits—an arrangement which relieves shareholders and depositors of the societies from further liability to pay income-tax on the interest they receive. It can now be said that the whole position is indeed being reviewed by the Inland Revenue authorities in consultation with the societies, but some of the recent press reports are certainly premature and, even as forecasts of what might happen, are likely to prove wide of the mark. Although the first approaches to the problem were apparently made some months ago, it seems that no decision has yet been reached, and there is certainly no reason yet to suppose that the likely outcome may be an abandonment of the principle underlying the existing arrangement.

Under the terms of the agreement, the tax authorities are quite entitled to seek a revision, and it is easy to see why they should wish to do so. The arrangement naturally suits the building societies, but it is also a very great convenience to the Inland Revenue authorities, since it absolves them from the need to scrutinise for income-tax purposes the interest receipts of numerous building society members, many of which have total incomes falling below the exemption limit or taxable only at the reduced rates. The arrangement which substitutes a compounded rate of tax payable by the societies for the variety of rates which otherwise would be payable by individual recipients of interest should therefore be regarded less as an act of grace than as a commonsense business deal. As such, it was obviously intended to provide a composite rate—it is expressed as a percentage of the normal standard rate—which represented a reasonable approximation to the average of the rates to which the recipients would have been liable individually. If the underlying assumption was valid when the existing terms were agreed, it is most unlikely to be valid now, for the attractions which, as a result of this tax arrangement, building society investment presents to persons of above-average means have been accentuated by cheaper money. Surtax payers, in particular (though they are assessed to surtax on their "net" interest), secure an income-tax advantage which in principle is analogous to their benefits from holding savings certificates, but with the important difference that although building societies limit the amount of individual holdings, there are only practical limitations to the amount which an individual can place in the movement as a whole.

The authorities can quite properly proceed against this form of tax avoidance. It would be a pity, however, if the solution adopted were such as to penalise the genuine small savers which are the traditional basis of the building society movement. Any substantial increase in the composite rate—that is, in the proportion of standard rate payable—would have this effect, and yet could not wholly extinguish the differential gain by the surtax payer. If the authorities are pursuing only this fiscal objective, a more equitable approach would be to look to the income in the hands of the recipients and to put individuals with taxable incomes beyond a given level outside the benefit of the scheme. Though the extra administrative work involved in such a plan would be unwelcome, the authorities cannot have it both ways.

There is, however, some ground for suspicion that the fiscal motive is not the only element in the official approach. The Treasury, even before Mr Dalton's advent, has held curious views about the nature of savings, and shows more concern with specific targets and the precise form in which savings are held than with the real total of genuine savings. Now that interest rates have been cut on savings certificates, it may be that the authorities fear the building societies' competition with the National Savings Movement even more than they dislike their ostensible (but quite unreal) competition, via the large depositor, with gilt-edged. If

such ulterior, and quite illogical, motives were to play any significant part, it would scarcely be possible to devise an equitable solution, and the effects on the building societies might be regrettable.

* * *

Bank and Fund News

Interesting changes in the management of the Bank and Fund are in the news. From the Bank comes announcement that the British executive director, Sir James Grigg, is retiring and that his place is being taken by Mr Gordon Munro, the UK Treasury representative in Washington. Sir James was appointed for a period of a year, which has now expired. He may well have found the atmosphere of Washington somewhat too enervating for his boundless energy. He will find ample scope for his qualities when he returns to this country. The change in British representation of the Bank is of some general interest in that it represents another departure from the principle of full-time executive directors on both Bretton Woods institutions, since Mr Gordon Munro will continue to represent the UK Treasury in Washington and will no doubt find that task very nearly a full-time job in the difficult months to come. The time he would be able to spare for the Bank will not, therefore, represent more than a small part of his work. He will be assisted, as was Sir James Grigg, by Mr Maurice Hutton, who, besides being alternate executive director of the Bank, is head of the British Food Mission in Washington.

The large void left on the Board of the Monetary Fund by the departure of Dr Harry White is about to be filled, and reports from Washington suggest that the new US Executive Director will be Mr Overby, assistant to Mr Snyder, Secretary to the US Treasury. It is probable that Mr Overby also will give only part-time duties to the Fund and will retain his position at the US Treasury. If this new appointment is made, it will contradict rumours which have been assiduously circulated in Wall Street that Mr Eugene Black, US executive director on the Bank, would also fill the same role on the Fund. For some time past there has been a campaign waged by commercial bank interests in the United States to have the Bank and Fund merged into one institution, largely on grounds of economy. The case against such a merger, at least from the point of view of all countries other than the United States, is very strong, and it is reassuring in this respect to find that the thin end of the wedge will not have been introduced by appointing a common US executive director to both institutions.

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The Cement Bottleneck

The report of the Committee appointed by the Ministry of Works to enquire into cement costs became available just as this issue of *The Economist* went to press. It is now five months since the Committee reported to the Ministry, and the contents of its Report, at first reading, suggests that there was little cause to delay publication. After reviewing the operation of the price- and quota-fixing arrangements in the industry, the Committee considers that profits earned have not, on the basis of capital employed, been excessive and that the price system is not unsound.

Some of the difficulties which will arise when an overhaul of the price-system is considered are dealt with in the chairman's statement circulated with the report of Associated Portland Cement Manufacturers, Limited, details of which are given in the *Records and Statistics* Supplement this week. Owing to losses of output in the early months of this year—in the first quarter of 1947 total UK production was 1,108,000 tons, in contrast with 1,854,000 tons in the previous quarter and 1,226,000 tons in the corresponding quarter of 1946—the Associated group is quite unable to forecast how nearly this year's output will match demand. The extent of the cement industry's dependence upon fuel—principally coal—is well illustrated by the fact that 53 per cent of the company's works costs is accounted for by fuel and power. Fuel conservation efforts have reduced calorific consumption by 6.85 per cent by comparison with pre-war but these savings have been offset by a decline in the quality of coal supplies. As available stocks of cement are now equivalent to less than a month's consumption, shortages of fuel, labour or bags are quickly translated into shortages of cement for the building and construction trades and road-making. The Associated Portland Cement group hopes gradually to reduce its dependence on coal by means of fuel oil installations, but in the meantime the lower level of cement production may contribute to such an increase in unit costs that cement prices may well be forced up. The Cement Costs Committee considers that the time for a review of prices "may well

have arrived", but it is difficult to read a definite meaning into its statement that the subject should be studied "with reference to the future price level."

* * *

Morris Motors Recovery

Foreign sales of British cars are so important a mainstay of the export drive that Sir Miles Thomas's informative statement—on behalf of Lord Nuffield—at the meeting of Morris Motors, Limited, is of particular significance. The motor industry is, of course, severely hampered by shortage of raw materials, especially steel and iron castings, and the Morris programme for manufacturing agricultural tractors has had to be suspended. Labour troubles, however, have for the most part been quickly resolved, and there has been a most encouraging recovery of vehicle production since the fuel crisis. Production of cars is, however, still below the pre-war level. Sir Miles gave no figures of recent exports, but the April trade returns showed a further welcome recovery. In value, Morris exports for the second half of 1946 were 570 per cent above pre-war, but there are already signs of more acute competition, and it is clear that only a combination of high quality and low prices can ensure continued large sales of British cars overseas.

Arrangements have been completed for assembly of some Morris products in India, and good progress is being made with similar arrangements for Australia, New Zealand and South Africa. On the vexed question of motor taxation, Sir Miles favours a petrol tax combined with a small registration fee, which would, of course, favour a larger car; but he believes that the major difficulty arises from the general level of taxation, by impeding production and sale at home of the type of medium-sized car which most overseas buyers want. In present circumstances, however, increases in exports which could be achieved only at the cost of parallel or even greater increases in production for the home market would not be economic from the national point of view, so that this all too familiar argument offers no solution. On the contentious problem of reducing the range of cars offered, Sir Miles was silent—he pins his faith to economies from bulk production of basic components for all the cars of the Morris group. New models will incorporate much technical progress, but for the present the group does not intend to sacrifice substance by prematurely changing designs. That is obviously wise.

* * *

"Shedding" Next Winter's Load

The report of the Joint Consultative Committee's sub-committee on electricity is principally an appeal to industry to prepare plans for reducing the electricity load next winter. The target to be aimed at, according to the report, is that the peak load should not exceed two-thirds of last winter's peak industrial load. The Committee gives warning that, unless a saving of this order can be achieved, industry will be threatened with a power crisis in 1948 far worse than that of 1947. Despite the measures taken to increase generating capacity, there will still be a wide gap between capacity and estimated peak consumption. Including new capacity, which represents some 600,000 kilowatts, generating capacity will not exceed 9.6 million kilowatts, in contrast with an estimated peak demand of some 12 million kilowatts.

Various means of achieving the required economies are suggested. These include the staggering of day-shifts, working a proportion of night-shifts, transferring to night-shifts processes which involve a heavy electrical load but comparatively few workers, the operation of rota schemes on a local or area basis, and the geographical grouping of industries to facilitate equitable sharing of the "shedding." The appointment by firms of "electricity savers", on the principle of the wartime fuel watchers, is also recommended.

Many of the changes in working arrangements, if adopted, will inevitably cut across trade union agreements. It is important that firms should lose no time in negotiating with the unions any new rates and conditions which may be necessary. Much of the trouble that developed when the Government originally suggested reducing the load by working night-shifts arose from lack of previous consultation with the unions. Arrangements which lead to the employment of women and young persons on night work may also involve departures from the Factory Acts. The Minister of Labour is inviting firms to submit suggestions for any modifications of the Acts required to fit in with their plans. It is a measure of the need for emergency measures to maintain the flow of industrial production this year that there may have to be, however temporarily, a retrograde step in factory working conditions.

There may be some disappointment that the committee has not given any clearer directives to industry about the shedding of next winter's load. On the whole, however, experience suggests that the best results are obtained when the general principle has been established and the working out of schemes is left to individual industries, with only broad guidance from the Government.

Higher Chocolate Prices

On Tuesday the Ministry of Food announced an increase in the price of cocoa butter from 1s. 7d. to 2s. 11d. a lb., an increase of 6d. in the price of cocoa powder, of 3d. in drinking chocolate and corresponding changes in the retail prices of chocolate and chocolate confectionery. The retail increases take effect on May 26th. There may also be price increases in sugar confectionery not containing cocoa, but these are likely to be only minor adjustments. These price increases will be partly cushioned by a reduction in wholesalers' and retailers' margins introduced since the sweet ration went up from 3 oz. to 4 oz. a week.

The increased pressure on chocolate prices has come mainly from the rapid increase in raw cocoa prices over the last two seasons. Before the war, chocolate manufacturers were used to contending with violent short-term fluctuations in raw cocoa prices, and were able to absorb them in their cost structure with- prices, and were able to absorb them in their cost structure with- out correspondingly wide price fluctuations in chocolate. But sustained pressure over more than one season, as in this case, necessitates a revision in manufacturers' prices.

During the war, raw cocoa prices were depressed. Cocoa was not an essential war commodity and production was not encouraged. Cocoa farmers in West Africa, which produces most of the world's second-grade cocoa, received about £13 a ton. First-grade cocoa comes from the West Indies, but is only a small fraction of the total world crop. Towards the end of the war, however, world demand for cocoa increased. In the season 1945-46, Gold Coast farmers received over £27 a ton at up-country buying stations from the West African Produce Control Board, which fixes the price paid to farmers from season to season. There were corresponding advances in the price of Nigerian cocoa. Except for an ephemeral burst of prosperity in 1936, this price was the best received by the farmers since 1929.

Last year, the OPA price ceilings were removed in the United States and cocoa prices in New York, which is the leading world cocoa market, rose steeply. The West African Produce Control Board, which sells cocoa at the world price, decided to offer as much as £51½ a ton for cocoa at up-country stations in the Gold Coast, and corresponding prices in Nigeria. This is the best price the farmers have had since the 1927-28 season.

There can be no hope of lower chocolate prices until the world cocoa price comes down, and that is dependent on lower commodity price levels in America. The consumer might draw some consolation from these higher prices if there were any likelihood of a significant increase in the value of his sweet coupons. But

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports also appear in the Supplement: Morris Motors; Associated Portland Cement; Hawker Siddeley; Babcock & Wilcox; John Summers.

Prices, Jan. 1-May 21, 1947	Name of Security	Price, May 14, 1947	Price, May 21, 1947	Net Yield,* May 21, 1947	Gross Yield,* May 21, 1947	Prices, Jan. 1-May 14 1947	Last Two Dividends	Name of Security	Price, May 14, 1947	Price, May 21, 1947	Yield, May 21, 1947
High	Low					High	Low	(a) (b) (c)			
103½	101½	British Funds*		£ s. d.	£ s. d.	113½	106½	Other Securities			
103½	101½	Conversion 3% March 1, 1948-53...	102	102	102	105½	99½	Australia 3½% 1965-69...	110	110½	£ s. d.
102½	100½	War Bonds 2½% August 1, 1949-51	102½	102½	102½	102	100½	Birmingham 2½% 1966-71...	101	101	2 8 8
105½	101½	Exchequer Bonds 1½% Feb. 15, 1950	101½	101½	101½	102	100½	Argentina 3½% 1972...	101½	101½	3 8 0
105½	101½	War Bonds 2½% March 1, 1951-53...	103½	103½	103½	102½	100½	Anglo-American Corp. 10s...	130/-	125/-	4 0 0
105½	101½	War Bonds 2½% March 1, 1952-54...	103½	103½	103½	102½	100½	Anglo-Iranian Oil £1...	160/-	154½	21 10 10
106	103	Funding 2½% June 15, 1952-57...	104½	104½	104½	102½	100½	Assoc. Port. Cem. Ord. Stk. £1	80/-	76½	3 18 9½
108	103½	National Def. 3% July 15, 1955-58...	106½	106½	106½	102½	100½	Austin Motor 'A' Ord. Stk. 5s.	39½	39½	5 1 7
109½	103½	War Loan 3% Aug. 15, 1955-59...	106½	106½	106½	102½	100½	Barclays Bank Ord. 'B' £1...	88½	90/-	3 3 3
108½	103½	Funding 2½% April 15, 1956-61...	103½	103½	103½	102½	100½	Bass Ratcliff Ord. 'B' £1...	217½	217½	2 6 0½
109½	103½	Funding 3% April 15, 1959-69...	106½	106½	106½	102½	100½	British Oxygen Ord. £1...	54½	54½	3 15 4
122½	114	Funding 4% May 1, 1960-90...	118½	118½	118½	102½	100½	Courtauld's Ord. £1...	27/-	26½	6 2 0
110½	103½	Savings Bonds 3% Sept. 1, 1960-70	107½	107½	107½	102½	100½	Dunlop Rubber Ord. £1...	79½	77½	3 17 2
104½	98½	Savings Bonds 4% May 1, 1964-67	102½	102½	102½	102½	100½	Imp. Chem. Ind. Ord. Stk. £1	51½	50½	3 19 2
123½	115½	Victory Bonds 3% Sept. 1, 1950-75	108½	108½	108½	102½	100½	Lancs. Cotton Ord. Stk. £1...	48½	46½	4 6 0
111½	103½	Savings Bonds 3% (after Dec. 1, 1952)	106½	106½	106½	102½	100½	Lever & Unilever Ord. £1...	55½	56½	1 15 9
108½	103½	Consols 4% (after Feb. 1, 1957)	115½	115½	115½	102½	100½	London Brick Ord. Stk. £1...	71½	71½	3 10 3
117½	107½	Conversion 3½% (after Apr. 1, 1961)	112½	112½	112½	102½	100½	L.M.S. 4% 1st Pref. Stk. £1	79½	79½	5 0 8
100½	93	Treas. Stk. 2½% (after Apr. 1, 1975)	97½	97½	97½	102½	100½	N.Eastn. Elec. Ord. Stk. £1	35½	35½	4 0 0
110	102½	Treas. Stk. 3% (after Apr. 1, 1966)	107½	107½	107½	102½	100½	P'chin J'nson Ord. Stk. 10s.	64½	63½	3 19 5
117½	107½	Redemp. Stk. 3% Oct. 1, 1966-96...	112½	112½	112½	102½	100½	Prudential 'A' £1...	38½	38½	1 18 6½
99	92½	Consols 2½% £1...	98	98	98	102½	100½	Stewarts & Lloyds Del. £1...	56½	55½	4 10 6

* To earliest redemption, except \$ flat yield and assumed average life 17 years 6 months. Net yields after allowing for tax at 9s in £.

this is unlikely. Better supplies of West African cocoa will be dependent for some time to come upon whether the farmers have an incentive, in the tangible form of increased supplies of consumer goods, and especially textiles, to harvest more cocoa beans. They will depend, too, on the success achieved in the present drive against "swollen shoot" disease, which is decimating the cocoa trees in some areas. At present, the possibility of a quick improvement in supplies from either cause seems remote.

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World Sugar Supplies

There was a marked increase in world production of sugar in the 1946-47 season, the total for beet and cane being estimated at 25.3 million tons. This compares with 21 million tons in 1945-46 and 27.6 million tons in 1938-39. The output of beet sugar amounted to 8.1 million tons compared with 10.5 million tons in the pre-war year; the reduction is mainly due to the smaller output in Germany. Supplies of cane are equal to their pre-war level, in spite of a much lower production in continental Asia and the Netherlands East Indies. Cuba has shown a considerable expansion, with this season's output estimated at 5.3 million tons compared with 4 million tons in 1945-46 and 2.8 million tons in 1938-39. Full details are given in this week's issue of the *Records and Statistics* Supplement.

As was shown in last week's issue of *The Economist*, British stocks of sugar are at the moment reasonably ample, being estimated at 17½ weeks' supply as at the end of March, 1947. Were it not for currency difficulties, there would be every reason to believe that it would be fairly soon de-rationed. But British supplies come mainly from Cuba and St. Domingo and have to be paid for in US dollars. It is possible that alternative supplies may be obtained from India and Java, when production in this latter country has recovered to its pre-war level. In the case of India there may be political difficulties to overcome first. The South American states have also increased production, but it is unlikely that larger quantities of sugar will be purchased from these countries, unless Britain enjoys a favourable trade balance with them and the more urgently required commodities are not available.

Shorter Notes

Due to a typographical error, Table II in last week's leading article "Housing and Industry" was headed "Stocks of Building Materials." The heading should have read "Production of Building Materials."

Shipments of tung oil from China amounted to nearly 40,000 tons in 1946. Pre-war exports totalled more than 80,000 tons and represented one-half to two-thirds of the total production. Some 26,000 tons were shipped to the United States and the remainder went to the United Kingdom and the Soviet Union.

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

Overheard on the train . . . ★

"Too bad he wasn't insured . . ."

"Unfortunately for Betty and the youngster, he let his life policies lapse."

"Jones is losing a lot of money while they're rebuilding the factory that was burnt down."

"He can't afford to be laid up, and I know he hasn't got an Accident Policy."

"They took the lot—and the irony is he meant to insure last week, but forgot."

"It's not as though he had a pension or an annuity to look forward to."

"It was pure accident—but they awarded heavy damages against him."

"No—only third party cover, so he's got to pay for the repairs himself."

"Couldn't he have insured it?"

★
or on the
bus, tram,
boat, or in
cafe, club,
office, home
—or, in fact,
anywhere,
daily.

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COMPANY MEETINGS

HAMBROS BANK LIMITED

PROPOSED NEW ISSUE MR. R. OLAF HAMBRO'S STATEMENT

The thirty-fifth general meeting of Hambros Bank, Limited, will be held, on the 6th proximo, at the offices of the bank, 41, Bishopsgate, London, E.C.

The following is an extract from the statement by the chairman, Mr. R. Olaf Hambro, circulated with the report and accounts:—

The past year has been one of increased activity for our bank, which is clearly shown in all the items in the balance sheet. In spite of the continuance of restrictive controls and bulk purchases of commodities between Governments, we have been able to increase our acceptances on foreign account and the total has risen from £2,457,371 to £6,954,437 in the course of the year under review. The liquidity position is again high, our total holdings of cash, Treasury bills and Government stocks being 82 per cent. of the deposits, which have risen to £34,226,765.

During the year we have acquired an investment trust company, the whole of the ordinary stock being held by us. This has enabled us to segregate our investment business from the banking side and the item of "other investments" shown previously has now been eliminated. Our holding of the shares in the trust, which has been renamed Hambros Investment Trust, appears under subsidiary companies.

EXPANDING ACTIVITIES

You will notice that you are asked to attend an extraordinary general meeting immediately after the annual general meeting, the purpose of which is to request your authorisation for the raising of fresh capital by the issue of £600,000 new "A" shares. These will be offered to the holders of the £10 shares and the "A" shares in the proportion of one for each £10 share and one for two "A" shares.

In connection with this proposal we have decided to transfer a sufficient sum from the contingency reserve account to published reserves, which, together with the premium reserves, will reconstitute the published reserve fund with an amount of £1,000,000. Thereafter the paid-up capital and published reserves will be:—

400,000 shares of £10 each,	
£2 10s. paid	£1,000,000
1,000,000 "A" shares of £1 each,	
fully paid	£1,000,000
Reserves	£1,000,000
	£3,000,000

The expanding activities of the bank are the reason for our decision to increase the capital and make the transfer to reserve. At the same time you may be confident that the decision regarding this transfer has only been arrived at on your directors being satisfied that the inner reserves are sufficient to cover all foreseeable contingencies.

The profit and loss account indicates the very satisfactory results of the year's working, and we are again strengthening the inner reserves by a transfer of £250,000 to the contingency fund. The recommendations regarding the dividend are set out in the directors' report.

I have recently returned from a business trip to the United States, in the course of which I have taken the opportunity of personally visiting the main centres in which the activities of our export company are at present concentrated. It is of lively satisfaction to me to be able to confirm that the hoped-for expansion in our trading subsidiary's activities in that direction has been achieved and the demand for several of their export lines has considerably exceeded the available supplies. A very satisfactory expansion has also been achieved in other parts of the world.

COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

FURTHER EXPANSION

MR J. F. G. GILLIAT'S REVIEW

The annual general meeting of the Commercial Union Assurance Company, Limited, will be held, on the 2nd proximo, at 24, Cornhill, London, E.C.

The following is an extract from the statement by the chairman, Mr. John F. G. Gilliat, circulated with the report and accounts:—

I will deal with the departmental accounts in the customary order:

FIRE DEPARTMENT

The premium income amounted to £9,466,024, showing an increase of £1,866,161 over that of 1945. The ratio of claims paid and outstanding was 43.10 per cent., commission absorbed 19.35 per cent., and expenses of management accounted for 21.78 per cent. After adjustment of the reserve for unexpired risks, £700,000 is transferred to profit and loss account. The fire fund now amounts to £8,890,328, or 93.92 per cent. of the premium income.

The expansion of premium income at home has continued with satisfactory results; nevertheless, fire wastage at any time is a loss to the community, and in times of shortage, such as we are now experiencing, preventable fire wastage, particularly of food and raw materials, is something which the country can ill afford and is an unnecessary handicap in our struggle towards recovery. The Fire Offices' Committee, of which we are members, has established the Fire Offices' Committee Fire Protection Association. The purpose of the association is to contribute in every possible way towards the prevention of outbreaks of fire and the reduction of the consequent damage. Membership is open to all who have an interest in these objects.

In the United States our premium income was substantially increased. In the Dominions, the Colonies and elsewhere overseas we have had a satisfactory year.

LIFE DEPARTMENT

During 1946, 10,266 life assurance policies were issued for total sums assured of £10,311,892 of which, after allowing for re-assurances, £9,883,010 was retained at the company's own risk, and these figures are to be compared with 6,357 policies for £5,892,021 gross in 1945. In addition 2,055 policies were issued to secure immediate or deferred annuities totalling £90,998 per annum. The average sum assured was £1,004, compared with £927 and £862 for the two preceding years. The total new life business was greatly in excess of the amount secured during any previous year in the history of the company.

The life assurance premium income of £2,545,213 was £281,418 in excess of the corresponding income for 1945, and during the year the life fund increased by £1,298,203 to £34,606,463.

Death claims and matured endowment assurances accounted for £639,710 and £1,447,989 respectively (£605,961 and £1,223,733 in 1945), while the payment of £149,755 in respect of the surrender of life assurance policies, though £80,099 in excess of the corresponding amount paid in 1945, was still not much more than one-half of the amounts paid out in surrenders during the immediate pre-war years.

1947 is the last year of our present quinquennium and a valuation and distribution of profits to the participating policyholders is due as at the end of the year, though we do not expect an announcement of the results before April or May, 1948. Some strengthening of our valuation basis will be necessary in view of the current financial outlook, and

towards this end a substantial special reserve has already been accumulated out of undistributed profits from the past. Though the possibility of distributing bonuses on the scale enjoyed in pre-war days remains remote, I do not think that our policyholders should have any cause for dissatisfaction; and in the meantime in respect of policies which become claims by death or by maturity before the end of 1947, we are continuing to allow interim bonuses on the full scale declared at our last distribution of profits.

MARINE DEPARTMENT

The net premiums in this department amounted to £1,161,324, an increase of £350,577 over the previous year's total. The claims paid and outstanding, after deduction of reinsurances and salvages, amounted to £548,540, and out of the profit of underwriting years now closed the sum of £500,000 has been transferred to profit and loss account. The marine fund now stands at £2,056,706, or 177.10 per cent. of the premium income. The increase in the premium income is due to the release of tonnage from requisition both here and in the United States, the delivery of new vessels and the increasing activity of our branches and agencies in many fields. Perils from mines are still very real in many waters, and serious losses sustained in the Adriatic, the North Sea and the Baltic have caused underwriters to increase their rates for war and mine risks.

ACCIDENT DEPARTMENT

The premium income amounted to £11,133,762, showing an increase of £2,129,872. The ratio of claims paid and outstanding is 58.38 per cent. Commission accounted for 16.64 per cent., and expenses of management amounted to 18.98 per cent. The underwriting surplus amounted to £711,014, but the large increase in income necessitated an exceptionally large additional provision for unexpired risks amounting to no less than £851,949. With this adjustment there is an underwriting loss of £140,935, or 1.27 per cent. of the premium income. The total fund in the accident revenue account now amounts to £7,746,262, or 69.57 per cent. of the premium income.

The premium income in all classes of business transacted by this department has substantially increased, both at home and abroad. The motor section shows the greatest expansion and this, of course, is the result of the general return of motor-cars to the road following the removal or lessening of restrictions, but the cost of claims for damage to the insured vehicle or to other property and claims for personal injury has reached new heights, and it will take time to make the necessary adjustment in premium rates. This experience is world-wide.

In the burglary section the premium income has increased and is accompanied by a great increase in the number and cost of claims. In the personal accident section it is pleasing to record a marked increase in premium income.

The balance available for transfer to the profit and loss appropriation account is £1,151,968 compared with the corresponding figure last year of £955,223. This balance will permit of the usual amount of £25,000 being written off freehold premises, allow a transfer of £250,000 to contingencies and taxation reserve and leave sufficient to provide the interim dividend of 3s. per £1 stock paid in November last and the final dividend of 4s. 6d. per £1 stock recommended by the directors and a carry-forward of £577,804, an increase of £146,843.

LEGAL AND GENERAL ASSURANCE SOCIETY, LIMITED

QUINQUENNIAL VALUATION
THE HON. W. B. L. BARRINGTON'S REVIEW

An extraordinary general meeting of the Legal & General Assurance Society, Limited, was held, on the 21st instant, at 188, Fleet Street, London, E.C.

The chairman, the Hon. W. B. L. Barrington, in the course of his speech, said: It is my duty to submit to you the valuation report of the actuarial investigation as at December 31, 1946, covering the period of the preceding five years. During the past quinquennium the total net sums assured and bonuses in force at the end of 1946 amounted to £176,528,000, and the annual premium income of the society increased during the quinquennium by no less than £3,789,000, bringing the total life premium income for 1946 up to £9,276,000.

The average net rate of interest earned on our life funds during the quinquennium amounted to £3 10s. 4d. per cent. It compares, however, with £3 19s. 10d. per cent. for the period 1937-41, and £4 5s. 7d. per cent. for 1932-36.

THE SURPLUS

The last section of the report gives particulars of the valuation surplus. Under the society's constitution participating policyholders are entitled to 90 per cent. of the profits of all classes of business, including those of our fire and accident accounts, to the extent necessary to provide a compound bonus of 38s. per cent. The life assurance funds are able to provide this maximum bonus without recourse to the other funds of the society and, after providing for the cost of the bonus, the surplus in the life funds amounts to £589,194. The rate of bonus of 38s. per cent. compound has been maintained for the last 55 years.

Adding the surplus of £49,104 in the sinking fund and capital redemption account, and the surplus of £42,278 in the permanent sickness account, there is an available surplus of £680,576. It is proposed to transfer £325,000 of this to the profit and loss account from the life assurance and annuity fund and £20,000 from the permanent sickness account, making a total credit to the profit and loss account of £345,000 and leaving total balances of £335,576 to be carried forward.

The report and resolutions were adopted.

ANNUAL GENERAL MEETING

The ordinary annual general meeting of the Society was then held.

The chairman said: It is my pleasure to submit the report and accounts for the year 1946. The new business of the society showed a large increase over the previous year. In the ordinary section, comprising mainly whole life and endowment assurances, the increase was £4,645,853. The total business in this section was £8,930,152. The group life and decreasing term business was £12,875,729, an increase of £6,508,324, compared with 1945. The total net life new sums assured was thus £21,805,881, compared with £10,651,704 in 1945, an increase of £11,154,177.

The consideration money for immediate annuities was again substantial, being £1,911,793, an increase over the previous year of £776,399. The Society also granted deferred annuities amounting to £1,479,598 per annum, an increase over 1945 of £441,817. After making the usual provision for unexpired liabilities and all outstanding claims there was an underwriting surplus of £97,781.

In the accident account, which also includes the business of the "Gresham Fire," the total net premiums amounted to £563,231, an increase of £120,111. The main increase was, as expected, in the motor account, where the premiums rose from £168,917 to £248,704.

During the past quinquennium the growth of the fire and accident departments has been substantial. In 1941 the combined fire and accident premiums of the Legal and General and Gresham Fire, together amounted to £990,868. At the close of the quinquennium they amounted to £1,613,688, an increase of £622,820. The total fire and accident underwriting profit of the Legal and General during the quinquennium and that of the Gresham Fire since consolidation amounted to £604,325.

The total funds of the society increased by £9,512,994, and amounted at December 31, 1946, to £88,134,447. The total premiums received from all classes of business amounted to £11,082,999, an increase of £1,289,396.

PROFIT AND LOSS ACCOUNT

The profit and loss account has been changed very materially since the previous year, owing to the transfer of profits resulting from the quinquennium. The balance brought forward from 1945 was £202,640. Interest and dividends brought in amounts to £80,162 gross, and a total of £501,333 has been transferred from the underwriting accounts.

The directors feel justified in recommending the payment of 3s. 6d. per share on July 1, 1947, which, with the interim dividend of 1s. per share paid on January 1 last, will make the total dividend 4s. 6d. per share, subject to income tax for the year 1946. After allowing for the payment of the above dividend the balance in the account will be £530,023.

In regard to our subsidiary companies, the directors are satisfied that the amounts at which these assets stand in our books are conservative. We have now almost completed our reorganisation whereby we have combined our branch offices with those of the Gresham Fire & Accident Society, and I am happy to say that there is every indication that this will prove of considerable benefit to both societies.

The report and accounts were adopted.

EAGLE STAR INSURANCE COMPANY, LIMITED

FURTHER EXPANSION

The annual general meeting of this Company will be held, in London, on June 12th.

The following is an extract from the statement of the chairman, Sir Edward M. Mountain, Bart., circulated with the report and accounts for 1946:—

In the life department the net new sums assured exceeded £20,700,000, an increase of nearly £4½ million over 1945, which includes a big expansion in ordinary life business. The rates of bonus for the years 1945 and 1946 in the current life fund are satisfactory, the reserves having been strengthened to the equivalent of a 2 per cent. net premium basis.

The fire results in the home account are satisfactory and although the experience in Canada has been unfavourable, our overseas fire account has been profitable.

In the motor insurance account there has been a further expansion in premium income and a further sharp rise in the cost of claims, and we have to show a loss in this account.

The personal accident, employers' liability and general insurance accounts show good results.

Our marine fund at £839,995 is 169 per cent. of the premium income.

The net interest earnings at £386,987 show an increase of £78,315: £160,781 is transferred to profit and loss as a result of the valuation of the current life fund, while profits of the other trading departments, after allowing for a loss of £18,000 in the motor department, total £233,000.

The assets of the company, valued on a very conservative basis, total £41,598,450, of which £26,096,037 are assets of the life department. The reserves in the trading departments at £3,068,795 are substantially in excess of estimated requirements.

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LIMITED

FURTHER PROGRESS

The sixty-sixth ordinary general meeting of The Employers' Liability Assurance Corporation, Limited, was held, in London, on the 21st instant, The Rt. Hon. Lord Courtauld-Thomson, K.B.E., C.B., the chairman, presiding.

The following is an extract from his circulated statement: Our total premiums, at £8,837,874, were the largest in the history of the corporation, all our main classes of business and all parts of the world having contributed to the increase of £1,054,135 over 1945.

Our fire account, with premiums of £668,926 and a profit of £78,933, again shows satisfactory results, the percentage of profit being 11.8. This is particularly gratifying in view of the increased losses by fire reported from many countries during the twelve months under review.

The transition from war to peace conditions, particularly in the United States, has presented many problems, the solution of which is proving to be neither easy nor rapid, and I have to report a loss on the accident and general account amounting to £409,962.

POSITION IN U.S.A.

Although the claims experience in the United States has deteriorated generally in the past twelve months, it is the results of the motor business there, which have caused us the greatest concern. Every effort is being made to secure the higher rates which are necessary, and, in several States, increases have been authorised, although it is not yet possible to say that these new rates are adequate. We have, therefore, no sure grounds for anticipating an immediate return even to the moderate margin of profit in pre-war years, but I hope the present position is transitory and that an improvement will be shown in the future. Our other main class in the United States is workmen's compensation assurance. The claims ratio of this branch of our business in 1946 was also larger than the average of recent years.

Our business generally in all other parts of the world, including the United Kingdom, continues to make healthy growth and to show satisfactory results.

Our total investments, at £12,928,078, show a slight increase on the year and stand in our books at less than their market value on December 31st last.

The Clerical Medical and General Life Assurance Society again reports excellent results. The "Merchants' Marine" has been placed on a firm footing.

THE DIVIDEND

Our gross interest, dividends and rents amount to £383,660, an increase of £38,703 on the year. To this we add the profit on our fire account of £78,933 and the sum of £137,443 transferred from the provision in respect of the Merchants' Marine Insurance Company, Limited, so that, with the amount brought forward from last year, £687,332, we have an available total of £1,287,368. The interim dividend of 1s. 6d. per share was paid last October and the directors recommend a final dividend of 2s. per share.

With our highly developed organisation, our able and enthusiastic staff and our undoubted reputation for efficient service, the name of the corporation stands high in the United States and in all those other parts of the world to which our operations extend. In spite of the admittedly still difficult times ahead I look forward to the future, therefore, with confidence in an eventual return to our previous standard of profit.

The report was adopted.

ALLIANCE ASSURANCE COMPANY LIMITED

FURTHER EXPANSION

The annual general meeting of this Company will be held, on the 28th instant, at the head office, Bartholomew Lane, London, E.C.

The following are extracts from the review of the report, accounts and balance sheet for the year 1946 by the chairman, Mr Richard Durant Trotter:—

In the life department, the net new business completed during the year amounted to £3,965,000, in comparison with £1,761,499 in 1945. The claims by death, excluding those on the closed funds, were £585,332, compared with £587,254 during 1945, the mortality experience continuing to be very favourable. The net purchase money for immediate annuities was £60,350, an increase of £18,657 over the corresponding figure for 1945. At the close of the year, the "Alliance" life and annuity funds amounted to £24,182,830, in comparison with £23,689,711 at the end of the previous year.

In the fire department there was another satisfactory increase in business, the net premiums amounting to £2,795,644, being £110,429 more than the figures for 1945. Claims, including contributions to fire brigades, at £961,745 were slightly more than in the previous year, when they absorbed £959,251. The surplus, after increasing the reserve for unexpired risks, amounts to £467,461, which has been carried to profit and loss.

ACCIDENT AND MARINE FIGURES

In the accident department, the net premiums amounted to £1,725,783, which is £306,342 more than the corresponding figure for 1945. While I am sorry to say that the burglary and motor sections resulted in a loss, the surplus over the department as a whole amounted to £88,283, after adjusting the reserves for unexpired risks, and this amount has been carried to profit and loss.

In the marine department, the net premiums were £1,020,573. Here I should explain that the premiums shown are net of commission, a change which has been made in accordance with the provisions of the Assurance Companies Act, 1946. The above figure is £163,634 more than the comparable figure in 1945. The underwriting account for 1944 has now been closed, with a balance of £359,160 which compares with £326,611 of the 1943 account. After setting aside £97,693 to meet further claims, which maintains the reserve for previous years at £425,000, a balance of £261,467 is carried to profit and loss.

In the trustee department, the fees received during 1946 amounted to £9,974, an increase of £1,884 over those for 1945. The average gross rate of interest over the whole of the funds of the company, which was £4 2s. 10d. per cent., while a little lower than that for 1945, was higher than for any previous year since 1941.

The following appropriations have been made from the profit and loss account:—£75,000 to writing down of premises; £50,000 to the staff pension fund and £30,000 to the additional reserve in the accident and miscellaneous insurance account, and we have again made an additional contribution of £25,000 to the widows' and orphans' fund.

Your board feel that the time has come when they may safely increase the dividend, which for so long has been at the rate of 18s. per share to 20s. As an interim dividend of 8s. was paid last January, the final dividend payable in July will be 12s. per share, and it is proposed that should the circumstances at the end of the present year justify it, the interim dividend next January will be increased to 10s., in which case the final dividend would revert to its previous figure. I have no doubt that this will meet with your approval.

GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION, LIMITED

TOTAL ASSETS EXCEED £31,250,000

The sixty-first annual general meeting of this Company will be held, in Perth, on the 28th instant.

The following is an extract from the circulated address of the chairman, Mr Frederick Richardson:—

There has been a substantial enlargement of the life fund. This has been due to the remarkable increase in new life business transacted by the General Life Assurance Company amounting to £2,135,849, an increase of £1,395,272 over the previous year. This increase is due very largely to a strong revival in the demand for all forms of life assurance.

Accident and general account:—The premium income in this division shows an increase of £2,860,375, and establishes a record. The total writings in this, our major department, amounted to £11,534,973. We show a loss in this department as a whole, and to meet this we have transferred £80,381 from profit and loss.

Fire account:—We had another excellent year in this department, and have been able to transfer £164,620 to profit and loss account.

Marine account:—We have a small but growing marine account, and in recent years have been able to make transfers of profit. On this occasion we are again transferring £50,000 to profit and loss account.

Over a long period of years the rise in interest earnings had been slow, but I am pleased to direct your attention to a substantial increase in this item of £37,012 during 1946.

The total assets have risen to £31,271,266, an increase of £2,507,108, and the net income rose to £15,081,150, an increase of £3,477,219.

MERCHANTS' MARINE INSURANCE COMPANY, LIMITED

SOUND FINANCIAL BASIS

The seventy-sixth ordinary general meeting of this Company, was held, on the 21st instant, in London, The Rt. Hon. Lord Courtauld-Thomson, K.B.E., C.B., the chairman, presiding.

The following is an extract from his circulated statement: In last year's report your directors stated that it was their intention, during the year, to reconstruct the capital of the company with the object of eliminating the debit balance in the profit and loss account. This has now been achieved by calling up the unpaid capital of £262,500, and then writing down the total capital of £5,000. The paid-up capital was then increased to £100,000 by the issue of 47,500 shares of £10 each, £2 paid. The mortgage of £50,000 on the Company's freehold and leasehold property in Cornhill has been redeemed, and the value of the property has been written down to £195,725.

You will observe from the marine account that our premiums amount to £377,734, and after transferring £30,000 to the profit and loss account, the marine fund stands at £643,336, which represents 170.3 per cent. of the premium income. The premiums in the fire and general account amount to £60,480, an increase of £25,716 over 1945, and the profit shown of £8,378 has been transferred to the profit and loss account. The balance at the credit of the profit and loss account amounts to £56,118. There is a balance of £7,062 which we carry forward. I believe that the company now faces the future on a sound financial basis, but before any resumption of dividends can be recommended your directors consider that a further period of consolidating and strengthening the company's reserve is desirable.

The report was adopted.

ENGLISH AND CALEDONIAN INVESTMENT COMPANY, LIMITED

DIVIDEND OF 6½ PER CENT.

The twentieth annual general meeting of this Company was held, on the 19th instant, at 23, Blomfield Street, London, E.C., Mr Henry S. Loeb (chairman of the company) presiding.

The following is the statement by the chairman, which had been circulated with the report and accounts and was taken as read:—

At March 31, 1947, the company's investments stood in the balance sheet at £923,064, compared with £960,936 for the previous year. The value, however, of the investments at March 31, 1947, was £1,351,126, showing an appreciation over the book figure of £428,062, or an appreciation of 46.37 per cent., compared with an appreciation of 24.68 per cent. at March 31, 1946. This improvement of 21.69 per cent. compares favourably with the rise of 17.9 per cent. during the same period shown by the *Investors' Chronicle* monthly securities index.

There is a further slight increase in the proportion of the company's funds invested within the Empire. There is a slight fall in the proportion of funds invested in equity stocks, and this decrease reflects the present policy of the board in relation to equity stocks.

THE YEAR'S REVENUE

Turning to the revenue account it will be noted that our income of £62,221, which excludes transfer fees, shows an increase of over £7,000 on the income for the previous year, and I think I should mention that only approximately £1,200 of this increase is due to receipt of arrears of dividend on certain of the investments.

Administrative and sundry expenses amounted to £2,972, against £2,687 last year, while bank and loan interest amounted to only £97, against £536 for the previous year. After deducting these charges and also interest on the debenture stocks, the net revenue for the year was £39,861, an increase of £6,000 over the net revenue for the previous year.

After charging the sum of £17,728 for taxation and deducting dividend on the preference stock for the year to March 31, 1947, the amount earned on the ordinary stock was £13,883, equivalent to 12.62 per cent., as against 9.33 per cent. for the previous year.

An interim dividend of 1½ per cent. has been paid on the ordinary stock and the payment of a final dividend of 5 per cent. is now recommended, making 6½ per cent. for the year. Your directors have transferred the sum of £6,000 to general reserve, leaving a sum of £5,322 to be carried forward.

CONSOLIDATION OF CAPITAL POSITION

In my statement last year I informed you that we had been selling a part of our investments in equities and investing the proceeds in Government securities. The object of these operations was, of course, to consolidate to some extent our capital position, and during the year under review we have continued to pursue the same policy, although we realised that the effect on our income may be adverse for a time.

The trade and commerce of this country continue to be hampered by shortages of fuel and raw materials. The full energies of all sections of the community will only be released when there is a substantial alleviation of the present almost intolerable burden of taxation and a further reduction of Government expenditure.

The report and accounts were unanimously adopted.

ASSOCIATED GAS AND WATER UNDERTAKINGS, LIMITED

ILL-CONCEIVED NATIONALISATION

MR. W. H. BENNETT'S STATEMENT

The ordinary general meeting of Associated Gas and Water Undertakings, Limited, will be held, in London, on the 29th instant.

The following is an extract from the circulated statement of Mr W. H. Bennett, the chairman: Since I last addressed you the Government's expressed intention to nationalise the coal, transport, electricity and gas industries has become an accomplished fact in the case of coal-mining companies and their subsidiaries.

The National Coal Board has been functioning now for only a few months, but in that short time its activities have aroused open criticism from many quarters, notably from the Government's own supporters in the House and from trade union leaders outside. What the position may be when and if the Government's full programme of nationalisation is brought to fruition cannot be visualised at present, but so far the coal experiment is not encouraging.

The gas industry, looking to its own future, views with grave disquiet the general structure of the Electricity Bill, which places autocratic power in the hands of one Minister who is licensed to seize the total assets of the electricity industry, compensating its present owners on a basis which to any fair-minded man is almost confiscation.

Stock Exchange quotations are a day-to-day index of prices in the stock and share market, and are affected by many influences which have no relationship to the basic value of the assets concerned. Yet this is the basis adopted in the Electricity Bill for all companies whose capital is quoted on the Stock Exchange. The Electricity Stock to be issued to the dispossessed owners will doubtless yield some 2½ per cent., entailing grave hardship to thousands of small investors.

Stockholders of this company have a particular interest in the Electricity Bill, as four of our larger subsidiary companies owning electricity as well as gas undertakings will, under the provisions of the Bill as it stands at present, be acquired in total by the Electricity Authority. This is a matter of some concern to this company, as our total investment in these four subsidiaries represents 47 per cent. of our total assets.

THE FUEL CRISIS

Since the beginning of the year this country has been overtaken by the greatest economic crisis in its history—a crisis brought about by the lack of coal and the consequential curtailment of gas, electricity and solid fuel supplies. I would make it quite clear that the Government was informed by industry that this state of affairs was bound to mature during the year, and that the severe weather, while it aggravated the position, merely hastened the inevitable. The primary cause of the crisis was bad planning by the Government and their refusal to listen to the advice of those best qualified to judge the situation.

Notwithstanding the threat of nationalisation within our group, plans have been put into effect for the provision of bulk supplies between various undertakings and the erection of further manufacturing and storage plant, in order to meet the ever-increasing load, is going ahead, as it is our intention to assure the consumer of an adequate supply, even should the control of these undertakings be out of our hands in the future.

In comparison with the previous year, total revenue from all sources shows a slight decrease of £1,194. If the proprietors approve the directors' recommendation regarding the declaration of final dividends, the sum of £35,858 will remain to be carried forward, representing an increase of £3,358 over the amount brought in.

INCORPORATED ACCOUNTANTS

NEED FOR RELAXATION OF CONTROLS

The sixty-second annual general meeting of the Society of Incorporated Accountants and Auditors, was held, on the 21st instant, in London.

Mr. F. Woolley, F.S.A.A., J.P., the president, in the course of his speech, said: The provisions of the National Service Bill now before Parliament present problems to every profession. His Majesty's Government has announced that articled clerks born after January 1, 1929, may, generally speaking, be granted deferment to cover the whole period of professional training. Special by-law candidates may apply for deferment for a maximum period of five years from the date of entry to the profession, subject to their being allowed time for private study to the extent of not less than eight hours a week on average during their training.

The proposals for the co-ordination of the profession were approved by overwhelming majorities of members of the six qualifying bodies—that is, the Institute, Society, the Association, and the three bodies of Chartered Accountants of Scotland—at extraordinary meetings held in June, 1946, and the future conduct of the Public Accountants' Bill was entrusted to the Co-ordinating Committee. To remove misunderstandings that have arisen in some quarters, it may be well to reiterate that the main purpose of the Bill is to set up two public Accountants' Councils in England and Wales and in Scotland respectively whose duty it will be to ensure that all practising accountants shall have acquired a sufficient degree of competence, and to maintain and improve the standards and qualifications of public accountants. Furthermore, the qualifying bodies, of whom the Society is one, will each retain their own constitution and functions as hitherto.

NATIONALISATION

During the past year the Accountants' Joint Parliamentary Committee has considered a large number of measures before Parliament which have included provisions relating to the qualifications and status of auditors. In particular, I want to mention the work of this committee in regard to nationalisation. Generally speaking, the committee has endeavoured, as its main object, to secure statutory recognition of the principle that the accounts of the various boards and commissions set up by Parliament to administer nationalised industries and services shall be subject to audit by independent qualified accountants. His Majesty's Government, however, has reserved the right to set up an internal audit system should developments make such a course desirable. It is, of course, in the national interest that full information in regard to nationalised industries should be made available to the public and this can be best achieved by a completely independent audit and report, and not merely by a check carried out by another department of the same organisation.

The members of our profession are in intimate touch with the industrial and commercial undertakings of the country as well as public utilities. We have heard much about the 20 per cent. of industry which is in process of nationalisation. But at least equal importance attaches to the 80 per cent. to be left to private enterprise.

The Companies' Bill has now left the House of Lords and will shortly be considered by the House of Commons. The accountancy provisions seem to me to go as far as is desirable at present, and I hope that no attempt will be made in the House of Commons to extend these provisions, as practical experience of their working should first be obtained.

The report was adopted.

BRITISH MATCH CORPORATION, LIMITED

INCREASING SUPPLIES

The twentieth ordinary general meeting of British Match Corporation, Limited, was held, on the 21st instant, at Haddon House, 66a, Fenchurch Street, London, E.C., Mr Arthur Hacking, O.B.E. (chairman) presiding.

The following is an extract from the chairman's statement, circulated with the report for the year ended April 30, 1947:—

The yield from investments in subsidiary and associated companies during the year ended April 30, 1947, was 10.189 per cent., as compared with the return of 10.148 per cent. for the year ended the same date in 1946; this we consider again most satisfactory.

Since the end of the war, the distribution of matches to the home market has been increased, and there have been fairly considerable imports. We are hoping for a still further increase in the comparatively near future. I should warn stockholders that difficulties in regard to supplies of raw materials are getting worse and worse, particularly in regard to timber. This is a matter which is causing the most serious concern to the boards of your operating companies.

It is your board's intention at the expiration of the next financial year, or other period, to issue a consolidated balance sheet. I think it advisable to envisage the possibility of the Corporation's financial year ending on December 31st in each year instead of April 30th. It will be appreciated that the preparation of consolidated accounts will take some considerable time, and it is not anticipated that we would be able to hold the annual meeting of the Corporation at an earlier date than at present, viz., about the middle of May.

The report was adopted and the dividends recommended were approved.

ROTHMAN'S, LIMITED

LARGE DEMAND

The eighteenth ordinary general meeting of Rothmans, Limited, cigarette manufacturers, was held on the 20th instant in London.

The following is an extract from the circulated statement by Mr Sydney Rothman, the chairman:—

Home sales of cigarettes and tobacco continued to be limited by Government controls, but export sales were limited only by the capacity of the factory. The turnover of your company and the quantity of cigarettes produced during the year were greater than in any previous year, thanks to the strenuous efforts of the management and employees.

The net trading profit for the year was £77,907. It is proposed to pay a dividend of 3½ per cent. (less tax) upon the Ordinary shares. Of the taxed profits available for distribution to Ordinary shareholders 74½ per cent. is being retained in the business and 25½ per cent. paid out in dividends.

The capital employed in your company's business now exceeds £750,000, and the net sum to be distributed in dividends in respect of the past year amounts to less than 3 per cent. of that capital. I feel, therefore, that the Chancellor should consider reasonable our proposed appropriation of profit.

Operating costs have risen, partly on account of higher wages and partly because it costs more and more to keep old plant running, and its productivity declines even with the most careful maintenance.

In the export markets the demand for your company's brands of cigarettes has been greater than our capacity to produce, and the immediate prospect is that we can sell profitably abroad all the cigarettes we can produce after the home trade demand has been met.

The chairman then thanked the management and staff for their services during the year, and the report was adopted.

RAND MINES, LIMITED

(Incorporated in the Union of South Africa)

GOLD-MINING INDUSTRY'S PROBLEMS

MR W. H. A. LAWRENCE'S SURVEY

The annual meeting of Rand Mines, Ltd., was held in Johannesburg on the 16th instant, Mr W. H. A. Lawrence presiding.

In moving the adoption of the report and accounts, the chairman said that profit earned during 1946 amounted to £583,167, being £16,407 less than that for the previous year. Two dividends of 50 per cent. each declared during the year had absorbed £537,749 which, together with other appropriations shown in the accounts, left a balance of £1,011,900 to be carried forward to the current year's accounts. Ample cash resources were available to meet all contingency and option liabilities, including commitments to finance and to subscribe for shares in certain undertakings.

VALUATION OF INVESTMENTS

Investments in shares had been brought into the account at a book value of £4,714,504, being an increase of £331,587 over the figure for the previous year. Investments for which share market quotations were available appeared in the books at or under cost but in no case above the market price at December 31, 1946. Unquoted securities had been entered in accordance with the conservative valuation placed upon them by the board and in no instance at a valuation exceeding cost. Where it had appeared prudent to do so the book value of holdings had been written down below the cost and below the market value.

It was evident from the schedule of investments published in the annual account that market value had largely exceeded the book value stated in the balance sheet. The market value of the gold mining investments of the company at the end of the year represented 76 per cent. of the market value of all investments in shares, and of those gold interests 94 per cent. had been revenue-producing.

GOLD MINING STATISTICS

Operations of the Witwatersrand gold mining industry during 1946 had been generally restricted by a continued shortage of labour; by restricted supplies of essential mining materials such as steel and cement and by delays in obtaining machinery and equipment from overseas producers. In addition, operations had been adversely affected by strikes of European and native employees. The necessity for increased development work to rectify the generally depleted ore reserve positions remained, and as much labour as possible had been used on such work.

On the whole, therefore, tonnages had tended to decrease and development footages had increased. Figures for Central Mining-Rand Mines group of mines showed that tonnage milled had decreased by 4 per cent., while development had increased by 8 per cent.

In spite, however, of the decrease in milling and increase in development, the total ore reserves of the mines of the group had shown a further decrease of 7 per cent. That was largely due to a rise in working costs, which had not only caused large tonnages to be lost to payable reserves through the consequent rise in pay limits, but had also resulted in increased development footage being necessary to open up any given tonnage of payable ore owing to the adverse effect of the increased pay limits on the percentage of payability. Normally, there was a balance between stoping and development work which must be retained in the interests of sound long-term mining policy. During the war that balance had been of necessity upset. Since the war every endeavour had been made to restore it. The shortage of labour and the continued rise in the costs

were, however, making it difficult to maintain the position existing at the end of the war, unbalanced though it was, let alone to restore the industry to its proper equilibrium.

TAXATION STILL HIGH

Since the close of the year the Minister of Finance had proposed in his Budget statement that certain relief should be granted in respect of gold-mining taxation. Under the new formula, taxation would be levied at the rate of 90 per cent. of that applying under the 1946 formula. Although they welcomed that downward adjustment, the rate of taxation remained, in the case of many gold-mining companies, inordinately high compared with the general level throughout industry.

Even with that reduction the average rate of mining taxation was twice that of other industries. Further immediate relief would, however, be given by the proposal to increase the redemption allowance for old mines to 22½ per cent. of all unredeemed capital expenditure at the end of each year. The Minister had said that the redemption allowance introduced last year in the case of existing mines had been "an important step in the right direction," and had introduced the new allowance as "a further step."

They welcomed the inference that the allowance might be increased in the future because, as the Minister had said, "this matter is of particular importance in view of the desirability of encouraging ultra-deep level mining."

INCREASED AVERAGE YIELD

Ore milled by the 12 Witwatersrand mines of the group during 1946 had totalled 17,099,100 tons, which was 695,100 tons less than during the previous year. The average yield of gold per ton milled had increased by 0.212 dwt. to 3.754 dwts. Working revenue had increased by £635,159 to £27,854,806, while working costs had increased by £1,346,865 to £22,217,273. Consequently there had been a reduction of £711,706 in the working profit, which had amounted to £5,637,533. The amount distributed in dividends had been £3,218,559, an increase of £457,585 over that for 1945. Taxation had decreased by £1,299,288 to £1,825,333. Development accomplished had totalled 469,103 ft., an increase of 34,991 ft. The available ore reserves of those mines at the close of their respective financial years had amounted to 50,675,100 tons, which was a decrease of 3,557,300 tons, compared with estimates made the year previously.

Particulars of individual results and ore reserves of Witwatersrand companies of the group were given in the usual schedule attached to the annual report, and the report of the directors made reference to matters of special interest and importance concerning the position and operations of certain individual companies. Results of operations at the producing mines of the group in the Pilgrims Rest district of the Transvaal did not call for any lengthy comment. Glynn's Lydenburg had declared dividends amounting to £35,000, which was the same as for some years past. Mining operations at Transvaal Gold Mining Estates had still been restricted, consequently the profit from mining during the calendar year 1946 had been reduced to £7,134. On the other hand, the profit from plantations had increased by a further £36,508 to £109,459. Dividends declared by that company at £60,423 had again shown an increase over the amount distributed during the previous year.

EUROPEAN AND NATIVE LABOUR

The average number of Europeans employed by the Witwatersrand mines of the group had been 12,937, including a few who

were still on full-time military service. The average number of non-European employees had been 96,537, a decrease of 147 compared with the previous year.

The health record of native employees had shown that there had been an increase in the morbidity rate from disease and accident, while the mortality rate had shown a small decrease. Shifts lost per native per annum due to disease and accidents had shown a further decrease from 6.01 to 5.73.

SILICOSIS COMPENSATION

The present value of outstanding silicosis liabilities of the mines of the group was £6,139,716, a decrease of £58,120 compared with 1945. The twelve mines affected had provided, with accrued interest up to the end of 1946, a total of £4,838,594 towards meeting that liability. The Silicosis Act No. 47 of 1946, which consolidated previous enactments and provided for substantially increased awards to phthisis beneficiaries and their dependants, had come into operation on August 1, 1946.

The present value of additional outstanding liabilities resulting from that legislation amounted to £8 millions, and the industry would also be called upon to pay increased amounts in respect of current silicosis benefits. The net result was that the scheduled mines would have to provide a further £900,000 per annum towards phthisis compensation.

SERIOUS RESULT OF STRIKE

The results of the producing Witwatersrand Gold Mines of the group during the first four months of the current year had been very seriously affected by another strike of European miners, which had lasted from the end of January to the middle of March—a period of seven weeks—and had involved most of the mines on the Rand. Like the strike which had occurred the year previously, the dispute had been a purely domestic one within the ranks of the Mineworkers' Union, and had in no way concerned mine managements. The reduction in the total working profit for the group as a result of that strike might be gauged by comparing the results for the first four months of the current year with those for the previous four months.

During the period September to December, 1946, working profit had been £1,338,144. That for the period January to April, 1947, had been £798,509, the decrease being £539,635. As the results for Blyvooruitzicht had also been affected by the strike towards the end of last year, the figures for that company had been excluded. The effects on the economy of the industry and country as a whole had been considerable.

OTHER INTERESTS

Particulars of interests the company held in a number of Witwatersrand gold mining companies outside the Central Mining-Rand Mines group were contained in the schedule of investments published in the balance-sheet. The results of those companies were detailed in their annual reports and in the proceedings at the respective meetings.

INDUSTRIAL INTERESTS

The various South African industrial concerns in which the company was interested, such as coal-mining and lime, pipe and cement manufacturing companies, had all been maintained in a sound position and had distributed satisfactory dividends. The Transvaal Consolidated Land and Exploration Company, Limited, had continued work on the opening up and establishment of a colliery on its farm Van Dyk's Drift in the Witbank district of the Transvaal. An incline haulage had been sunk and connected with the vertical ventilation shaft. Exposures in the main coal seam had confirmed the promising results shown by boreholes.

The Pretoria Portland Cement Company, Limited, had increased its capital during the year for the purpose of extending and improving the existing factory facilities at Pretoria, Johannesburg and Slurry, and for the

erection of a new factory at Orkney, in the Klerksdorp district. The Pretoria Company's subsidiary and associated companies at Cape Town, Port Elizabeth and in Rhodesia were also extending and modernising their plants. The Hume Pipe Company (South Africa), Limited, and its subsidiary, the Hume Steel South Africa (Proprietary), Limited, had also had successful years and had been able to increase their dividend distributions. Prospects were good and the Hume Steel Company was planning to expand its plant.

O.F.S. DEVELOPMENT

During the past year there had been important developments in the Orange Free State goldfields. Shaft sinking had started on the first mine—that owned by St. Helena Gold Mines, Limited—and mining leases had been granted in respect of three mines to be established on Block 7 by African and European Investment Company, Limited. The first of those three mines would be operated by Welkom Gold Mining Company, Limited, and the other two would be operated by new companies which would be floated off in due course.

Applications for mining leases in respect of another four mines to be established on ground near Odendaalsrust held by Western Holdings, Limited, Blinkpoort Gold Syndicate and Free State Development and Investment Corporation, Limited, had been made.

DRILLING RESULTS

The company's holdings in Free State companies were shown in the balance-sheet. Since the close of the financial year, participation rights in the Welkom flotation in respect of those holdings had been exercised. Drilling had continued on and around the Weltevreden-Leeuwbosch option area in which the company had an interest with the Central Mining and Investment Corporation, Limited. Boreholes W.T. 3, 4 and 5 and H.T. 1 and 2 had been completed and boreholes W.T. 6, H.B. 3 and L.B. 2 were nearing the reef horizon. Due to faulting, the Basal reef had not been located in some of those holes; where it had been intersected it had been poorly developed. Drilling had, however, shown that the area was underlain by the Basal reef at from 2,000 to 8,000 feet below the surface and that the "A," "B" and Leader reefs were also present.

On Farm New Kameelkloorns Number 1,398, boreholes N.K. 7, 8 and 9 had been sunk during the year and the results of those and previous boreholes had shown that about one-third of the farm lies to the east of the main north-south fault, and was therefore outside the proved reef-bearing zone. At the southern extremity of the farm the Basal reef occurred at a comparatively shallow depth in a small area wedged between two major faults, but on the rest of the farm, west of the fault, it lay at depths varying from 8,000 to 10,000 feet.

On Schaapplaats Melkkrak block of options drilling was in progress in borehole S.C.P. 1. During the year, Central Mining and Investment Corporation, Limited, had acquired options over 10,541 morgen in the Bothaville area and 3,533 morgen in the Theunissen area, and recently over 25,706 morgen in the Ventersburg area of the Orange Free State. The company had accepted interests in those options.

TRIBUTE TO OFFICIALS AND STAFF

In conclusion, he wished to pay tribute to the valuable work done and loyalty shown by the head office staff of the company and by the managers and staffs of the mines of the group. He would also like to express their appreciation of the services rendered during the past year by their London secretaries, Messrs A. Moir and Company.

The report of the proceedings at the meeting would appear in the press, and copies could be obtained on application to the head office in Johannesburg or to the London secretaries.

The report and accounts were adopted.

CROWN MINES, LIMITED

(Incorporated in the Union of South Africa)

PROGRESS OF DEVELOPMENT

MR W. H. A. LAWRENCE'S ADDRESS

The annual meeting of Crown Mines, Limited, was held, on the 14th instant, in Johannesburg, Mr W. H. A. Lawrence presiding.

After reviewing operations, the chairman said that total profit for the year had been £1,234,207. Provisions in respect of silicosis outstanding liabilities had totalled £60,427 and provision for taxation had amounted to £471,213. There had been a transfer to contingency reserve of £73,400 and dividends had absorbed £754,450.

Net expenditure on equipment during the year had totalled £28,652, and against that sum there had been a credit of £215,476 in respect of monies received on account of property sales, principally those mentioned by the chairman last year. There had therefore been a net credit of £186,824 on account of capital expenditure during the year. In addition, there had been at the end of the year an amount of £218,075 outstanding in respect of freehold property sold on terms.

SILICOSIS COMPENSATION

Legislation had been introduced in regard to compensation to silicotics and their dependants in gold-mining and other dust-producing industries. That legislation, the Silicosis Act No. 47 of 1946, which had come into operation on August 1, 1946, consolidated previous Miners' Phthisis Acts and provided for substantially increased awards to phthisis beneficiaries and their dependants. The present value of additional outstanding liabilities resulting therefrom had been actuarially determined to be £8,000,000 and was recoverable from profits of scheduled mines over a period of approximately 20 years, by means of annual levies.

As shown in the accounts, the company's proportion of assessment for the eight months ended March 31, 1947, had been £24,859. Due to increased compensation payable to European and native miners, sums collected from various scheduled mines in respect of current payments to beneficiaries—which amounts were a direct charge to working costs—had also been increased. The total additional cost to the industry of those increases was about £900,000 per annum, equivalent to about 4d. per ton milled.

RISE OF COSTS

Development accomplished during the year had totalled 86,676 feet, an increase of 7,397 feet over that for 1945. Payable ore developed had totalled 2,117,000, averaging 5.3 dwt. per ton, which, however, had been 198,000 tons less than that for the previous year, the value being 0.3 dwt. higher. Thus, in spite of an increase of 13 per cent. in the amount of reef development carried out, the tonnage of ore opened up had shown a decrease of 8½ per cent. The reason for that was not to be found in any falling off in sampling values, but rather in the effect of rising costs on the pay limit.

Costs had risen by 3s. 3d. per ton during the year, which was equivalent to a rise in the pay limit of 0.38 dwt. That in turn had adversely affected percentage of payability, and consequently had increased the amount of reef development required to open up any given quantity of payable ore, thus aggravating the already acute position in regard to development. It would be remembered that during the war period the industry had been

called on to maintain production at the highest possible level and had therefore been compelled by shortage of essential stores to curtail development at the expense of sound long-term mining requirements. The average annual footage at the company's mine during the four years 1937-1940 had been 140,858 feet, compared with only 50,517 feet per annum during the four years 1942-1945.

LABOUR PROBLEMS

Shortages of labour and of available points of attack had made it impossible to restore the amount of development to anything approaching pre-war level, let alone to reduce the leeway resulting from wartime sacrifices. Consequently, the number of stope faces now available for production was inadequate for the most economical working of the mine, and regulation of breaking and control of grade was becoming increasingly difficult.

To assist in maintaining production on the present scale until such time as there was an appreciable increase in the supply of labour which could be directed towards improving the depleted ore reserve position, the old workings at No. 2 Shaft, which were known to contain considerable tonnages of low-grade payable Main Reef, had been opened up and were now producing ore for mill.

The available ore reserve as estimated at December 31, 1946, had been 10,892,000 tons of an average value of 4.9 dwt per ton over a stoping width of 47.8 inches. That showed a decrease of 1,179,000 tons on the previous year's figure, the value being unchanged and the width being 2.4 inches greater. Thus, in spite of an increase in the amount of reef development carried out and a decrease of 10 per cent. in the quantity of ore mined from reserves, ore reserves had been depleted by 10 per cent. compared with the previous year. It was estimated that the quantity of ore lost to reserve, due to increase in the pay limit, had been no less than 1,600,000 tons.

EFFECTS OF STRIKE

A strike of European miners which had lasted from the end of January to the middle of March of the current year, which had affected most of the Witwatersrand mines, had arisen like that which had occurred a year previously from an internal dispute within the Mineworkers' Union and in no way had involved mine managements. Losses to the industry, to the country as a whole and to shareholders, had been very heavy. In the case of Crown Mines, working losses of £16,350 and £6,047 had been recorded during February and March. Compared with the preceding four months the profit for the period January to April, 1947, had decreased by £290,945, a substantial reduction which was almost entirely attributable to the effects of the strike.

In his recent budget speech the Minister of Finance had announced certain changes in gold-mining taxation. Firstly, the rate of taxation had been reduced by 10 per cent. by a downward adjustment of the formula. Secondly, the rate allowed for amortising capital expenditure had been increased to 22½ per cent. per annum on the balance of all capital expenditure unredeemed at the end of each year. Whilst welcoming those concessions as steps in the right direction it should, however, be emphasised that the rate of gold-mining taxation remained excessively high in comparison with the general level. Last year the company had paid taxation at the rate of 45½ per cent. Under the new formula that would be reduced to 41

per cent., which was still twice the rate applicable to industry in general.

APPLICATION FOR LEASES

At the east side of the mine, workings had already reached the southern boundary. Application had been submitted to the Mining Leases Board for 992 claims which, if granted, would extend the southern boundary to a position where the reef was estimated to lie at an approximate vertical depth of 10,000 feet. A cooling plant was in successful operation at No. 17 shaft and one was on order for No. 16 shaft. To enable the ground south of the existing boundary to be explored it would be necessary to sink additional shafts and to install additional cooling plants. That work would entail heavy capital expenditure before any production would be possible from the area whence only a small margin of profit could be expected.

Crown Mines had been honoured by a visit by the Royal Family in the course of their recent tour of South Africa. They had inspected part of the underground workings in No. 17 shaft section and subsequently had lunched informally at the general manager's house.

The report of the proceedings at the meeting would appear in the press and copies could be obtained by shareholders on application to the head office in Johannesburg or to the London secretaries.

The report and accounts were adopted.

CITY DEEP, LIMITED

(Incorporated in the Union of South Africa)

OPERATIONS RESTRICTED BY LABOUR SHORTAGE

MR. G. V. RICHDALE ON THE POSITION

Mr. G. V. Richdale, chairman, presided at the annual meeting of City Deep, Limited, in Johannesburg, on the 14th instant.

After reviewing operations for 1946, the chairman said that total profit was £395,258. Dividends had absorbed £245,250, provision for taxation had amounted to £135,371, net expenditure on capital account had been £2,989, further provision made in respect of silicosis outstanding liabilities had been £14,248, and there had been a transfer to contingency reserve of £6,300. Capital expenditure incurred during the year had amounted to £7,763, mainly in connection with winding equipment for No. 5 shaft and an extension to the native hospital. Against that were offset sales of property which had realised £4,774.

A FURTHER SALE

Since the close of the year a further area of approximately 19.5 morgen of the company's freehold property on farms Doornfontein No. 24 and Turfontein No. 21, which were not required for surface operations, had been provisionally sold for the sum of £150,000. In the terms of the company's articles of association, that transaction must be sanctioned by shareholders in a general meeting and it would therefore be brought before shareholders for approval by means of a formal proposal which would be submitted to shareholders that day. The township of Moffatview, in extent of about 11 morgen, had been established during the year on four portions of farm Klipriviersberg No. 25. It had been proclaimed an approved township and all lots had been sold.

The new Silicosis Act, which provided for increased awards to beneficiaries and their dependants and for special benefits for native silicotics, had come into operation on August 1, 1946. The present value of additional outstanding liabilities incurred in the terms of that act, which would be collected over a period of 20 years and 8 months, ending March 31, 1967, from the present and future scheduled mines in proportion to their taxable income, had been determined at £8

millions. An amount of £6,662 had been provided during the year in respect of the company's proportion of that additional liability.

LABOUR TROUBLES

Operations had been restricted throughout the year by the acute shortage of European labour and to some extent also by a shortage of native labour. In March, 1946, and again in January, February and March of the current year, a section of European miners had come out on strike although there had been no matters in dispute between the strikers and the mine management, the difficulties being of a purely domestic nature concerning the affairs of the Mineworkers' Union. Nevertheless, operations at the mine had been affected on both occasions with a consequential loss of tonnage and revenue. Furthermore, in August last year there had been a short strike among native labourers employed on the mine, and that also had affected operations adversely.

It was largely as a result of those labour disturbances and shortages that working costs per ton milled had risen to the abnormally high figure of 36s. 4d. and that profit per ton milled had fallen by 2s. 7d.—from 10s. 6d. to 7s. 11d. Footage developed during the year at 31,617 feet had been 3,506 feet lower than during the previous year. Total payable ore developed during the year had been 709,900 tons valued at 6.5 dwt per ton. The available ore reserve had been re-estimated at December 31, 1946, to be 3,318,000 tons of an average value of 6.0 dwt over a stoping width of 41.1 ins.

Available reserve showed a decrease of 219,000 tons compared with the previous year's figure, the value being 0.2 dwt higher and the width 1.6 ins. less. The rise in working costs to which he had already referred had made it unprofitable to mine larger tonnages of marginal ore which in former years would have been payable. It was estimated that the quantity of ore which it had thus been necessary to exclude from the reserve was approximately 140,000 tons, or 64 per cent. of the total decrease compared with the previous year's figure.

DEEP-LEVEL PROBLEMS

Two years ago he had commented on the report of the committee appointed by the Government to consider technical and financial problems associated with deep-level mining. As shareholders knew, that was a matter which was of particular interest to the company, and shareholders would be interested to learn that the board had recently applied for undermining rights of an additional area equal to about 472 mining claims adjacent to the southern boundary of the present mining area. It was expected that the main reef leader would lie at a vertical depth of over 8,500 feet in the majority of those proposed new claims, and it was not anticipated that any of the other gold-bearing reefs would be payable.

The price of gold had increased from 172s. 3d. to 172s. 6d. per ounce fine as from January 1, 1946. With effect from January 1, 1947, there had been a further alteration in the formula tax which was based on the ratio of profit to recovery. That alteration would benefit the company, and the company also welcomed the Government's decision regarding the redemption of capital expenditure at the increased rate of 22½ per cent. per annum which was now applicable to the outstanding balance of all capital expenditure, irrespective of when it had been incurred.

The report of the proceedings at the meeting would be published in the press and copies could also be obtained on application to the head office in Johannesburg or to the London secretaries.

The report and accounts were adopted.

JAMES W. COOK AND COMPANY, LIMITED

GOOD RESULTS

The annual general meeting of this Company was held, on the 9th instant, in London, Mr. W. J. Clarke, the chairman, presiding. The following is an extract from his circulated statement:—

The accounts we are now considering are those of the company's Jubilee year. Once again results are good and indeed show an improvement on the previous year's figures. During the year there was a new issue in the form of 250,000 4½ per cent. £1 cumulative preference shares, and the whole transaction has been successful.

During the year we purchased a lighterage business, which is continuing to earn a good return on the capital invested. Our original lighterage department has been fully engaged but we are still short of craft. Our wharves have continued to be busy, and we are using to the utmost the accommodation that we have. Our tanker fleet of three vessels has been returned from Ministry of Transport service.

In road haulage, four of our companies passed under control in 1943, and were only released in August last. From the moment of de-control we found that our friends, old and new, have given us increasing support, which is a tribute to the efficiency of our service. With regard to the Transport Bill, we are as bitterly opposed to it as ever, not entirely because of the injustice of the terms of purchase, but because we know that the operation of a fleet or fleets of lorries with even the slightest amount of red tape—which prevents the quickest turn-round of the vehicles—is bound to result in breakdown. It has been our policy to spread our interests. This we are continuing to do boldly, yet carefully.

The report was adopted.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

Speaking at the 18th annual general meeting in London, Mr. E. J. Bunbury, M.C., chairman, said: The financial year ended on March 31, 1947, witnessed further expansion in our business, and £1,746,024 new loans granted, an increase of £636,296 over total completed in previous year. Loans for £514,309 approved by directors are in course of completion. All borrowers in good standing at former 5 per cent and 4½ per cent. rates of interest have been offered advantageous terms for conversion of loans to present 3½ per cent. rates, and £3,048,048 loans converted to date.

During the financial year legislation was introduced of utmost importance to all engaged in cultivation of the land. The Agriculture Bill in particular is designed to give greater stability to farming industry.

1946 harvest will long be remembered for appalling weather. In 1947 unprecedented snow, frost and flooding will telescope farming year into fewer weeks and again bring into sharp relief difficulties of our major industry.

Despite all difficulties, dairy industry continues to set up new records of production. Good work continues in establishment of new pastures and farmers now regard this as profitable farming expenditure, recognising that good grass is cheap food for all farm livestock. Need for production of poultry and eggs is now recognised and the corporation's credit facilities are available in case of poultry farms constituting proper economic units as for farms devoted to crop and livestock production.

The Government's recent economic survey brought us face to face with the gravity of the situation and we must concentrate in ever increasing degree on efficient production of food and reduce strain on our very limited dollar resources.

ASHANTI GOLDFIELDS CORPORATION, LIMITED

FRESH ORE BODIES

MAJOR-GENERAL SIR EDWARD L. SPEARS'S REVIEW

The 50th ordinary general meeting of Ashanti Goldfields Corporation Limited, was held, in London, on the 8th instant. The following are points from the speech of the chairman: Major-General Sir Edward L. Spears, K.B.E., C.B., M.C.

Accounts: Reserves amounted to £630,137, and creditors to £54,623. On the assets side expenditure on plant, machinery and buildings and main shaft had been less than depreciation. Sundry debtors were less by £68,000. The value of stores and plant increased by £77,366.

Investments: Investments in gilt-edged securities were at £902,211. Shares in other companies were less by £92,279 owing to sales. The total market value of their investments was £1,850,076.

Tax reserve certificates and cash were less by £50,000 and £274,350 respectively, due to increase in investments.

Bullion Reserve: The bullion reserve was now shown on the accounts to comply with the Cohen Committee's recommendation. The reserve was no new departure, as it enabled them to maintain regular monthly declarations.

Costs: Working costs were higher, partly because of an increase in the price of stores and spare parts, and partly because the output of the African employees had not risen with their wages.

Mechanisation, to save labour, was being considered to counter this.

Closed-down Mines: The final payment on closed-down mines amounted to £85,174.

Balance: The interim and final dividend, and the jubilee cash bonus, together with income tax, required £727,409. Deferred repairs needed £93,832, and £5,000 was transferred to the pension fund, leaving a balance of £212,941.

WORKING

New shafts: Owing to the war, sinking in the main shaft had been postponed. They were, however, going to sink an internal shaft to explore the main reef below No. 32 level.

Plans for the new north shaft were well forward. It would go down to No. 32 level, and connect with a crosscut from the internal shaft.

Fresh Ore-bodies: They had found high-grade ore in two shoots on No. 32 level, instead of the single ore-body on higher levels. Dr N. R. Junner, late director of the Gold Coast Geological Survey, had reported on the mine for them, and said that geological conditions at the bottom of the mine were the same as on higher levels, and that the ore-bodies would probably live to great depths.

New Plant: Good progress had been made with the erection of the new wet treatment plant. It should be working before the end of the year. They could then gradually increase their through-put, and they hoped the new plant would be more economical than the old dry crushing and roasting plant, which used great quantities of firewood. The old plant would, however, be kept in being till the new plant was running satisfactorily.

Ayeinm Mine: The first ore had been mined from Ayeinm.

Prospecting: The campaign, to prospect for new mines on their concession had had to be suspended in 1941, but by then they knew there might be large low-grade deposits

in the Sansu and Blackies areas. Now they had to find out their size, and whether their gold content justified working.

Ore Reserves: Ore Reserves were 1,684,292 tons of an average value of 21.1 dwt.

Stores: There had been difficulties in deliveries, and shipping time-tables were often erratic. This had been partly overcome by establishing an Engineers' Department in their London Office, to hasten and synchronise deliveries.

Staff: Morale on the mine was very fine. They had a splendid staff and everyone was cheerful, though the priority granted to officials' wives for passages was a real grievance. The African Staff was contented, and appreciated the Corporation's efforts to improve their conditions.

Quarterly Reports: Quarterly progress reports would be resumed at the end of June.

UNFAIR DIVIDEND TAX

New Dividend Tax: This was an unfair tax, particularly to gold mining. The Chancellor preferred profits to be ploughed back rather than distributed, and industry would be willing to plough back more if times were less uncertain. But industry was pardonably shy of a measure which might be intended to fatten it for the altar of nationalisation. They were not like a manufacturing concern, which widened its scope by enlarging its plant. They produced an essential commodity, gold, from a wasting asset, a mine, and there was no sense in investing in more machinery than was needed. They would hope that the Chancellor would re-read his own work, "The Principles of Public Finance," in which he had said such taxes were bad, and repeal this unsound and unjust measure.

The report and accounts were unanimously adopted.

BIBIANI (1927) LIMITED

OUTPUT INCREASE EXPECTED

MAJOR-GENERAL SIR EDWARD SPEARS'S ADDRESS

The twentieth ordinary general meeting of Bibiani (1927) Limited, was held in London on 8th instant.

The following are points from the speech of the chairman, Major-General Sir Edward L. Spears, K.B.E., C.B., M.C.

Accounts: Creditors were at £59,340, £10,391, less than last year. In the case of main shafts and of plant, machinery and buildings, the accounts now showed expenditure since the inception of the company, less depreciation over the same period. Mines development at £141,825 showed an increase of £10,194, while stores and plant on hand was at £250,185, an increase of £30,173. Sundry debtors were more by £18,000.

Investments: Investments in British Government Securities were up by £100,000. This accounted for the decrease of £134,000 in tax reserve certificates and cash, at £194,544.

Bullion Reserve: The chairman had dealt with this in his speech at the Ashanti Goldfields Corporation.

Costs: Working costs at 26s. 9d. per ton showed an increase of 1s. per ton, partly owing to the rise in the cost of spares and stores, and partly to the increased wages of the African staff. This rise in costs was being given great attention by the management.

Closed-down Mines: The final payment for closed-down mines amounted to £25,750.

Dividends: The interim and final dividend and provision for income tax amounted to £187,416. £13,409 worth of obsolete stores had been written off, and provision for deferred repairs and the staff assurance scheme made, amounting to £48,120 and £10,500 respectively. This left a balance of £136,863 to be carried forward.

WORKING

Tonnage treated: The amount of gold produced had increased in spite of a small reduction in the grade of ore. It was hoped during the current year to increase the tonnage to the mills to counter the rise in costs.

Development: Development footage had increased from 12,737 ft. to 15,050 ft. No. 1 Shaft South had been sunk to No. 14 level and the central shaft to No. 12 level, and driving to connect the two shafts was well forward.

DR. JUNNER'S REPORT

Dr. Junner, late director of the Gold Coast Geological Survey, had inspected the mine and reported that as they went deeper they would pass out of the present less productive zones and that the ore-body should persist in depth. He had also found a "crush-zone" carrying pay-values, above the old workings on Nos. 1 and 2 levels. This was being investigated.

Diamond drilling from No. 10 level had located payable ore to the east. Cross-cutting had confirmed this, and so far 150 ft. of ore had been proved, of average mine-grade with neither wall exposed and both ends payable.

Extraction: At 91.1 per cent. extraction had again improved.

Water Supply: Work was in hand on a 65,000,000 gallon reservoir. They were awaiting excavating machinery from the US to enable the work to be completed.

Welfare: They were now providing the Africans with the best possible food at the lowest price, which was much appreciated. The departmental committee of African employees were working well, enabling the management to keep in touch with the workers. On his visit to the mine during the year, he had received a number of deputations of African employees, who had demonstrated the happy relationship between management and workers. Enlargements and improvements had been made to the African Club, where he had been present at some very successful functions.

Staff Assurance: The scheme to provide additional security for the European staff was now complete, and they had a bulk policy of assurance on the lives of the staff. Every man's family would be protected if any misfortune befell him, and he would receive a lump sum on retiring, after the date the policy matured.

Passages for Wives: The only thing that marred the happiness of the European community was the difficulty of obtaining passages for wives. Although we were no longer at war, the Government still controlled 55 per cent. of all passages. Furthermore, although missionaries, etc., played a valuable part in the Government's educational scheme, their passages were provided out of the non-official quota. He could see no justification for giving officials a quota so large that even their children's nurses could travel, while there was seldom accommodation for the wives of the business community.

Staff: Difficulties due to the war were gradually being overcome, thanks to their fine staff.

Quarterly reports: Publication of quarterly progress reports was to be resumed at the end of June.

The report and accounts were unanimously adopted.

SPILLERS LIMITED

MILLING INDUSTRY STILL CONTROLLED

NEED FOR RETURN TO FREE MARKETS

FLOUR OUTPUT EXCEEDS PRE-WAR LEVELS

SIR MALCOLM ROBERTSON'S SURVEY

The sixtieth annual ordinary general meeting of Spillers, Limited, will be held, on the 30th instant, at the Abercorn Rooms, Great Eastern Hotel, London, E.C.

The following is the statement by the chairman, the Rt. Hon. Sir Malcolm A. Robertson, P.C., G.C.M.G., K.B.E., circulated with the report and accounts:—

This is the last occasion on which I shall preside over the annual general meeting of the company, as I shall retire next September under the age limit prescribed in the articles of association. It has been a great privilege and pleasure to act as chairman of your company, and I am most grateful to the stockholders, to my colleagues on the board, and to the managers, staff and workpeople for the continued and wholehearted support which they have given to me throughout the 17 years that I have occupied that office. I shall carry with me into retirement the pleasantest memories of a very happy association and the knowledge that the affairs of your company will be ably looked after by the present board.

CHANGES ON THE BOARD

Some formal reorganisation has been made within the board as intimated last year. Sir Norman Vernon and Mr Wilfred Vernon have been appointed managing directors; Sir Archibald Forbes has been appointed finance director; and Mr Hosegood and Mr Whittaker have been appointed executive directors.

I am glad to inform you that the board has unanimously invited Mr Arthur Whittaker to become chairman when I retire and he has accepted this invitation. Mr Whittaker has had a unique and distinguished career, and, having joined the company as a boy 47 years ago, he is familiar with every aspect of its business. I am sure you will agree that there could be no happier choice, and will associate yourselves with his colleagues and myself in congratulating both him and the company and wishing him the success in office which I am certain he will achieve.

An invitation is being extended to Mr Humphrey B. Vernon, M.C., at present our general manager for the North-West Area, to join the board in the autumn of this year. Mr Vernon has spent 26 years in the company's service, and he is well fitted by his experience and ability to undertake the wider responsibilities which he will assume on becoming a director.

As you know, we agreed, at the special request of the Government, to release Sir Archibald Forbes from his executive duties to become first chairman of the Iron and Steel Board, an organisation set up by agreement between the Government and that industry. We feel pleased and proud that one of our colleagues should have been chosen for this important task.

Mr Wilfred Vernon has been elected vice-president of the National Association of British and Irish Millers and will become

president next month. We are delighted that this signal honour should have been conferred upon one of our number by the milling industry and wish Mr Vernon a highly successful period of office.

THE ACCOUNTS

I now pass to the accounts for the year ended January 31, 1946. On this occasion you have before you, in addition to the usual accounts of the company, consolidated accounts of the parent company and its subsidiaries. Both sets of accounts are still approximate in the sense that the results of the flour milling operations carried on under Government control are still subject to final agreement with the Ministry of Food, and this in turn delays a final determination of the taxation position. Satisfactory progress continues to be made with the ascertainment of these figures, but you will appreciate that the matter is affected by circumstances outside the company's control. Although the directors would have preferred to submit the first consolidated accounts upon a less provisional basis, they felt that there was now sufficient information available to present a reasonably accurate picture of the position of the Group as a whole to the stockholders. This has accordingly been done with the foregoing reservation.

The fixed operating assets of the parent company stand at £2,432,000 and those of the Group as a whole at £3,503,000, in both cases after providing for depreciation and obsolescence, but before making any adjustment for war damage. Their replacement value would be considerably higher to-day, and the mounting cost of capital construction is of material significance, since the replacement of these assets is, in the ultimate, essential to the continuity of operations. The directors have concluded that further account must be taken of the increased level of capital cost in providing for depreciation and obsolescence, and have accordingly increased the annual provision in the accounts of the parent company from £200,000 to £275,000, as shown in the profit and loss account.

Moreover, the directors would like to emphasise that not only this factor, but the whole question of trading margins, must be reviewed in relationship to the general rise in price levels and the additional capital which will have to be employed to maintain the same scale of operations. The increase in the item for investments in subsidiary companies in the parent company's balance-sheet represents the cost of acquiring new interests after taking credit for certain sales and surpluses on realisation of other interests and assets.

STRONG POSITION

The net surplus of current assets over current liabilities and provisions is £3,607,000 in the case of the parent company and £4,786,000 for the Group as a whole—a position of considerable strength.

It has been decided that the bad debt and investment reserves of the parent company can now be amalgamated with the general reserve, which, with the addition of an appropriation of £50,000 from the profit and loss account for the year ended January 31, 1946, now stands at £1,250,000. The insurance reserve remains as before at £500,000. A new reserve against investments in subsidiary companies has been created by transferring

thereto special dividends from subsidiary companies in respect of periods down to January 31, 1945, and amounting to £500,000. The total surplus in the way of reserves and undistributed profits is £3,717,000 for the parent company and £4,362,000 for the Group. It is of interest to observe that the total capital and surplus employed in the business on the basis of book values is just over £8½ million applicable to members of the parent company and with just under a further £1,000,000 applicable to minority shareholders—i.e., nearly £9½ million in all.

RESULT OF YEAR'S OPERATIONS

Dealing now with the earnings for the year ended January 31, 1946, it will be seen that the trading surplus of the parent company (before providing for depreciation and obsolescence) and the income from outside investments are approximately the same as for the previous year. After bringing in dividends from subsidiary companies in respect of their years ending on or within the year to January 31, 1946, and making the necessary provisions for depreciation and obsolescence and income-tax, the net profit carried to the appropriation account is £373,000, as against £314,000. Of this £279,000 is absorbed by the dividends already approved and paid for the year, leaving £94,000, of which it is proposed that £50,000 should be transferred to the general reserve and the balance of £44,000 added to the carry forward, making this £267,000.

The consolidated net earnings of the Group for the same period, after providing for depreciation and taxation, amounted to £417,000. Appropriations for dividends and reserves account for £341,000 and the consolidated balance carried forward in the accounts of the parent and subsidiary companies is £389,000.

I have explained to you in previous years that, since the outbreak of war, the parent company has drawn nothing material from the subsidiary companies by way of dividend. The directors considered this the appropriate policy, not only because of the difficulty of ascertaining the results of the subsidiary companies under the control arrangements, but also because of the desirability of conserving resources to meet the heavy constructional and re-equipment programme which lay ahead, and to provide against the uncertainties of trading in these times. The conservation of the profits earned by the subsidiary companies down to January 31, 1945, is not affected by the special dividends declared thereout, and amounting to £502,000 net, since these merely represent a transfer from reserves in the subsidiary companies' accounts to the new reserve of £500,000 in the parent company's accounts, to which I have already referred. The balance of some £2,000 has been credited to the provision for contingencies in the parent company.

DIVIDEND AND BONUS

Having reviewed the consolidated results down to January 31, 1946, and having regard to the extent of the ploughing back of resources which it has been the company's policy to follow for many years, the directors consider that a stage has now been reached when the available profits of the parent company should be supplemented by drawing upon those of the subsidiaries, and further that the stockholders should now derive some direct return from the continued and substantial investment in the acquisition and development of these interests over the last ten years. Accordingly, the directors submit for the stockholders' approval the payment of dividends for the year ended January 31, 1947, at the same rate as for the previous year with the addition of a cash bonus of 2½ per cent. I cannot, of course, predict whether it will be possible to maintain the distribution at this level.

I hope that the state of the company's affairs as portrayed in these accounts will

commend itself to the stockholders, and I think we can all be justly proud of the company's record of service, both in peace and in war. Today, we labour under the anxieties deriving from the economic consequences of the war, not least of which is the inevitable frustration of enterprise resulting from existing shortages of manpower, materials and foreign exchange, and the resulting need for their rationing by Government.

GOVERNMENT PURCHASES

The milling industry itself continues to operate under control, and this will remain in being at least until 1948. This is inescapable under current conditions, but your directors will continue to press for its relaxation at the earliest practicable moment as we remain convinced that this industry can only be operated economically and efficiently in the long term by the restoration of free markets, and a return to trading under full competitive conditions. I would, in particular, record our grave concern regarding the disposition to purchase wheat and grain under long-term contracts between Governments.

I have to report that a little progress has been made with the obtaining of the necessary licences to carry out reconstruction of capacity destroyed during the war, but only to the extent of preparatory work in certain instances. The delay in the ability to proceed with the work continues to be a main source of anxiety. Our output of flour continues to exceed the pre-war level, but restrictions principally concerning the supply of raw materials still affect the output of other commodities.

On your behalf and that of the board I should like to commend most highly the manner in which all our managers, staff and workpeople have carried out their duties during the past year, and our best thanks are due to them all.

SIMMS MOTOR UNITS, LIMITED

OVERFLOWING ORDER BOOK

The twenty-seventh ordinary general meeting of Simms Motor Units, Limited, was held, on the 20th instant, in London, Mr Tom Thornycroft (the chairman) presiding.

The following is an extract from his circulated speech:—

During the past year we have been faced with many difficulties, even more than I thought possible. We have had a general shortage of raw material throughout the country. This has made it impossible to obtain supplies within reasonable time or with any certainty of delivery.

We have purchased the buildings erected for the company by the Ministry of Aircraft Production and the Admiralty. One of these buildings, which was erected for the manufacture of Simms' aero magneto, which proved to be the finest aero magneto during the war, has now been converted for the production of fuel injection equipment, there being a great future in this work.

The selling price of our products is on the average only about 40 per cent. above pre-war; the cost of our purchased supplies has increased to a far greater extent than this and the cost of labour is nearly double; therefore you will see that we have made definite progress in the efficiency of our organisation.

We have at present orders for a long time ahead, and the only limitation to our production during the past year, and for the year ahead, is material. Given adequate supplies of materials, we could usefully employ a great deal more labour. We have a large and overflowing order book. Our export manager is at present in the South American Continent, and we have every hope of doing considerable business there.

The report was adopted.

PINCHIN, JOHNSON AND COMPANY, LIMITED

RECORD SALES AND PROFITS

FURTHER EXPANSION

MR C. G. HEYWOOD'S STATEMENT

The annual general meeting of Pinchin, Johnson and Company, Limited, was held, on the 20th instant, at Tigbourne Court, Witley, Surrey. Mr C. G. Heywood (the chairman) presided.

The directors' report stated that all subsidiary companies in Great Britain had been liquidated during the year and the accounts now presented showed a consolidated position. The 1946 net profit figure and the total value of sales both represented a record in the history of the company, whilst the volume of production was successfully maintained in spite of various continued difficulties and scarcity of certain raw materials.

Exports showed a very considerable increase and all overseas units continued to operate successfully and expand their businesses.

The chairman's statement was as follows:—Last year I emphasised very particularly the fact that the demands for our products were enormous, but that the limiting factor to our productivity was in the raw material availability. I ventured to make certain suggestions in that statement to the effect that during the shortage of raw material there should be certain directives to our industry that would at least ensure the full operation of the manufacturing industries that are dependent upon the paint industry for surface coatings because, not only was great employment given to the operatives engaged in manufacturing industries, but on the export of the manufactured products this country's importation policy depended.

IMPORTANCE OF THE INDUSTRY

I would state that the surface coating at the end of industrial effort is just as important in the national economy, as power is, as a motivating force, at the beginning.

Of equal importance, possibly, to the manufacturing industries are the transport facilities of the country, whether they be road, rail, sea, or air, all of which are large consumers of paint and varnish products. Some of these paint and varnish products are essential even to the functioning of transport; for example, electrical energy is incapable of being produced or harnessed unless insulation is forthcoming, and your company is one of the largest specialist suppliers of insulating products in the United Kingdom.

Obviously, too, the condition of rolling stock, through the enforced neglect of repainting during the past seven years, requires now almost a complete removal of the existing paintwork and a repainting schedule from the bottom upwards. All this is quite apart and distinct from the new construction that is needed in order to bring our transport facilities up to date and in line with modern requirements.

URGENT DEMANDS

As a company we have been to the fore in battling for the highest priority for both industrial and transport paint needs, believing these to be of higher national importance and urgency than the provision of products that are designed for housing, whether for new or existing structure.

It is as well to emphasise that the paint industry is, in reality, three great industries. The first is the painter industry, in which many ancient and well tried methods and materials are still used. Progress of the paint type product, from a technical aspect, has

not been as fast as in the industrial and transport fields.

The second great industry is, of course, the specialist industry that deals with manufacturing and industrial surface coats. Here the demands of mass productions have been for functional properties of rapid drying, great adhesion, high durability, and other factors, all of which have been met by the progressive technical development which has taken place in paint technology.

The third division is that specialist division that deals with the needs of the transportation industries. Here, obviously, there have been rapid strides in technical progress to make more durable and quicker drying products, in line with the greater stress to which transportation equipment is now subjected.

COMMODITY BOTTLE-NECKS

Concerning the raw material situation, we have found it highly desirable, with our unique organisation covering so much of the world, to check up the economic trends, by which means we are able to forecast that point at which the present bottlenecks are likely to dissolve away. It is desirable that the clearance of bottlenecks be gradual and balanced, and not merely on one or other of the available commodities, leaving an ill-balanced position with other commodities still in short supply. One important non-commodity in short supply is containers. Paint and varnish are not products that can be packaged in cartons and paper bags. This point should be recognised when shortages of tinplate affect many industries, because there are many industries that need not pack their product, for home distribution, in tinplate at all. If this fact were considered, and sensible executive action taken, one of the present bottlenecks of the paint industry would be at least brought into reasonable proportions.

The principal commodity bottlenecks to higher productivity in the paint industry are unquestionably those caused by drying oils and white pigments. Drying oils are indirectly the product of agricultural activity in the main, and it has been quite a shock for us in this industry to realise how little of the Empire has been surveyed for the cultivation of oil seeds or oil beans or oil nuts, the extract or crush of which would have added to the drying oil position, and rendered us partly, if not entirely, independent of non-Empire sources of supply.

COMPANY'S TECHNICAL ACHIEVEMENT

Our own technical people have done miracles, if I may say so, in splitting non-drying, or semidrying oils, formerly of little value to paint technology, into two or more fractions; one of which, and generally the largest fraction, produces drying oils fully equal to the normal performance obtained with linseed and, in some cases, with new and highly desirable qualities, in which linseed oil itself is singularly lacking.

I will not burden you with technical detail, but we are working now on processes which eliminate undesirable elements from these non-drying and semi-drying oils, giving us, on the one hand, a useful paint-making oil, and on the other an oil which can readily find a market with other industries, thus rendering the process entirely economic.

TESTING OF PRODUCTS

Reference has been made on previous occasions to the high value we place upon

our research, and it is in these recent developments that we see the reward for our continued expenditure. Fortunately, too, that factual policy that motivates our research workers, wherein nothing is permitted to be passed unless the time and durability factors are worked out from actual facts, leads us to other most useful experiments. We have built test stations which are probably without superior in the world today. We have marine test stations as well as land stations and also have the use of a small public railway with miniature gauge whose rolling stock is exclusively placed at our disposal for experimental testing of developments and improvements on our standard practices.

All this keeps our applied research—as distinct from fundamental—on very practical lines and gives our selling force immense confidence in the merits of the goods we produce.

In addition to this activity in the U.K., we have parallel activity taking place in the laboratories of our associate and subsidiary enterprises on the Continent, India, Australia, America and South America. From this you will see how we are able, accurately, I think, to forecast the shape of things to come, and the economic trends, in so far as our raw material supplies are concerned.

FURTHER EXPANSION

I am pleased to state that in the year 1946 we completed very successful arrangements in South Africa, since when we have acquired the unissued ordinary share capital at an economic figure of the firm of Herbert Evans and Company, Limited, of Johannesburg, and, with that company as partners, we have formed a new company known as Pinchin, Johnson and Associates (South Africa) Pty., Limited, to make certain specialities in Africa and to make available, through our operations, the technique which is ours, to Herbert Evans and Co.

We believe this will prove a most successful overseas set-up, and when other extensions which we intend to develop are complete, we can say that we have covered every territory in the present worth-while paint world.

We feel that our policy of major investment outside Great Britain should be directed largely to the Empire, and we are planning our developments on those lines. We also recognise and realise the tremendous technical resources which are available to us from our associates in America, and shall, if possible, increase our commitments in that country, knowing full well that such investment will bring us not only financial return but highly technical co-operation at all times.

As with other partnerships, we consider ourselves extremely fortunate in the choice of our partners there.

In the year 1945 we also completed development arrangements with our Swiss partnership. This little country, with its sane economic outlook, contributes not a little in our technical resources, quite apart from the financial return on our investment.

RECORD NET PROFITS

A great deal still remains to perfect our United Kingdom organisation. Regrettable and, in my judgment, inexcusable delays still hamper us with the rehabilitation of our lost capacity and extensions. This company, as you know, did a tremendous share of the total war paint effort and yet, at the same time, suffered grievous harm in plant and buildings.

Dealing specifically with the accounts for the year, it should be noted that the net profits and sales, both for home and export, are, monetarily, the highest ever recorded by our company.

It is, of course, perfectly true that, in addition to labour costs, selling prices are directly and indirectly geared to commodity prices, and what we have to pay to the Government who are, in effect, the supplying agent, has to be passed on to the consumer. We regret this enforced raising of prices, but we are powerless because against our wishes we are not the masters of our supply situation.

During the war, as a very conservative policy, we reduced the dividend on the Ordinary shares to approximately one-half, which gave a poor net return to shareholders, particularly when taxation increase and the reduced purchasing power of the pound are taken into account. It now affords us considerable satisfaction to recommend a dividend which will compensate somewhat for the sacrifices of the past. At this point I feel it appropriate to tell you that all the company's workers and staff received a prosperity bonus on their wages and salaries for 1946, which your company was very pleased to pay in December last. It was well received by all.

OVERSEAS SURVEY

With regard to the future, I am disturbed at the loss of markets to many British industries, simply because many of the countries formerly importers of British goods are now themselves taking steps to employ their own labour in the secondary industries.

This is an economic trend which it is impossible to ignore, but it does mean the loss of certain types of consumer exports from this country. On the other hand I fully believe that if Britain will produce highly skilled products of design and craftsmanship they will always be exported and be readily received into consumer markets in spite of the trend towards national self-sufficiency in those markets.

STEEL BROTHERS AND COMPANY, LIMITED

CONTINUED PROGRESS

CONDITIONS IN FAR EAST

MR J. K. MICHIE ON REPARATIONS

The fifty-sixth annual ordinary general meeting of Steel Brothers and Company, Limited, will be held, on the 29th instant, at Winchester House, Old Broad Street, London, E.C.

The following is the statement by the chairman and managing director, Mr J. K. Michie, which has been circulated with the report and accounts:—

A year of painful post-war adjustment has gone by since I last addressed you, and I am happy to be able to report that in our case it was also one of continued progress towards the re-establishment of the company's financial position and trading activities.

On December 31, 1946, dividends on the £800,000 six per cent. cumulative first preference stock were brought up to date by payments for the three years in arrear. We also paid dividends on the £1,000,000 seven and a half per cent. cumulative second preference stock for the years 1942 and 1943, leaving three years in arrear. The accounts now before you show how this was made possible. It was largely accomplished by our own exertions, but we also had the benefit of recoveries of trading assets in Burma and further payments against our claims under the Burma War Risks (Goods) Insurance Scheme, totalling in all nearly £75,000. Our losses in trading assets, as you will see, are now reduced to £776,876 from the original figure of £919,818. In all the circumstances, the results are satisfactory for, as you know, until well into the year we were only in process of getting back to Burma and, as was inevitable, this major operation also carried with it very considerable expenditure.

In this field I am sure your company is progressing on the right lines by establishing manufacturing and trading companies overseas, whilst at the same time using every endeavour to export more and more goods of as high a grade as possible.

ENCOURAGING OUTLOOK

In closing my review for the past year I take the opportunity of thanking all the company's employees, management staff, and workers, for the grand way in which they have pulled together for the welfare of all concerned.

Regarding 1947, you will notice from the accounts that your directors have appropriated £100,000, after tax, to provide for loss which may have accrued during the stoppage occasioned by the unfortunate fuel crisis. This is an amount which I feel confident will amply meet the situation, especially as I am glad to be able to inform you that within two weeks of our factories resuming work after the stoppage production had recovered to pre-stoppage proportions. This is very encouraging for the future.

The report and accounts for the year 1946 were adopted, and a final dividend of 15 per cent. and 5 per cent. bonus (both, less tax) was declared on the Ordinary shares, making a total of 25 per cent., less tax, for the year, against 15 per cent. for 1945.

The retiring directors were re-elected and the auditors reappointed.

TRADING ACTIVITIES

In Burma we have carried out the parts and functions allotted to us under the agricultural, timber, and importing projects inaugurated by the Government of Burma, mainly as agents of the Government, and we have engaged in trading wherever that was permitted and possible. In this country, in India and Ceylon, in Palestine, Syria and Lebanon directly and through our subsidiaries our established agency and trading activities were vigorously pursued. In Siam our subsidiary company reopened its office in Bangkok and we continued to share in the Siam rice buying agency appointed by the Ministry of Food. Each contributed its quota to the total result.

A fresh departure was the opening of an office in Hongkong, partly to re-establish and to develop our China business previously carried on from Kunming via Burma, but also with the object of widening the scope of our business. An office has also been opened in Milan primarily in connection with our Near Eastern business. Nowhere have conditions been easy, and it says much for your staff at home and overseas that these figures can be presented.

Both in Burma and India the transition from the old status as part of the Empire to a new national political stature as yet not clearly defined—except that full freedom has been offered—is in process. We believe that sound business capable of finding and securing the best markets for their produce and of obtaining the most suitable goods for their needs will continue to be essential to both countries and these services we shall continue to offer.

In practically every country in the world national aspirations are increasingly evident and with these we have much sympathy.

The danger of too enthusiastic a pursuit of this aim lies in the possibility of measures being taken in the name of nationalism which would be to the long term disadvantage of the country or countries concerned.

QUESTION OF WAR DAMAGE

The question of war damage compensation for losses in Burma is I regret still unresolved but at long last an assessing commission was set up in Burma in January of this year and its report on the extent of the damage should now not be long delayed. Most recent news is that the commission hope to make an interim report in July. We must hope that consideration of the basis of settlement will be arrived at before the end of this year. It is now over five years since our losses were suffered and nearly two since Burma was liberated from the Japanese, so we can hardly be accused of unreasonable impatience. The promise in principle made by His Majesty's Government in 1943 still stands and there is no doubt that in the interests of Burma and this country a settlement is a matter of urgency. To many of the sufferers it is more than that: it is vital and to all a matter of common justice. The figure of trading losses I have given is only a small part of our claim in respect of the parent company and its subsidiaries and a settlement is therefore essential to our prosperity and to the interests of the preferred ordinary and deferred ordinary shareholders who are still carrying the burden of complete loss of income.

GOVERNMENT'S ATTITUDE

We must rely on the good faith of our Government and particularly on the principle governing war damage losses in this country as laid down by Lord Simon, the then Chancellor of the Exchequer, when *inter alia* he said in the House of Commons on January 31, 1939: "The general principle which the Government think should be applied is that such loss or injury ought not to be treated as merely the concern of those who directly suffer it, but must be regarded as falling upon the community as a whole and consequently as constituting a proper subject for compensation from public funds. In other words, the loss ought not to be left to lie where it happens to fall." It is, I think, opportune and appropriate to remind ourselves and the Government of the spirit of the promise made to the Hay Committee by the Secretary of State for the Colonies in a letter dated January 12, 1943. This letter was in reply to one in which Sir John Hay asked for a more clearly defined statement

NOTICES

APPLICATIONS are invited for the post of **CHIEF EXECUTIVE OFFICER, LAGOS DEVELOPMENT BOARD, NIGERIA.** The Board has been set up to undertake the re-planning of Lagos and its work will involve slum clearance, land reclamation and development on a large scale. The officer selected will be directly employed by the Board and will be responsible for executing its policy in both technical and administrative matters. Candidates should not be below the age of 40 and must be fully qualified Civil Engineers. They must have had wide experience of Civil Engineering construction, including dredging and land reclamation in swampy areas, and should possess a sound knowledge of port development work. They should be familiar with the preparation and execution of town-planning schemes and capable of dealing, as manager, with the business, legal and financial aspects of the Board's work.

The appointment will be on agreement for two tours of 18 months each in the first instance, and will carry a salary varying from £2,500 to £3,000 per annum, according to age, qualifications and experience. Free furnished quarters will be provided, together with free passages for the officer and, if married, for his wife on first appointment and on leave which is usually granted after not more than 18 months' resident service at the rate of seven days for each completed month of resident service. Income Tax at Nigerian rates only.

Candidates should write at once to the Director of Recruitment (Colonial Service), Colonial Office, 15, Victoria Street, London, S.W.1, stating age, qualifications and experience.

TRANSPORT MANAGER requires change. Sound knowledge of all branches economics, Oxford P.O.W. certificate for general economics, money and finance, international trade and industrial organization. Knowledge of book-keeping and salesmanship. Extensive study of road transport. Preliminary study of statistics.—Box 475.

COMMERCIAL EXECUTIVE desires change. 20 years with one of the largest electrical manufacturers in country, specialising in thermionic products. Full control over business, including financial responsibility for research.—Box 480.

MOBILE CRANE, diesel-driven, new condition, lifts 2 tons on double rope.—Box 478.

than that of qualified intention previously given on October 27, 1942.

The appropriate extract from His Majesty's Government's reply reads as follows: "As regards the request that His Majesty's Government should in conjunction with the local governments assume responsibility for all loss and damage not recoverable under any insurance schemes, the assurance quoted in the letter of October 27th is an undertaking of the most far-reaching character to which your committee appear to fail entirely to attribute the weight which it deserves." We must believe that this paragraph means what it says. As readers of *Hansard* will have seen, the two extracts I have made were quoted by Mr Walter Fletcher, MP, in his contribution to the debate on Burma on May 2nd. In that debate others, particularly Mr R. A. Butler, also put forward the case for war damage compensation, so that we at least know it is being kept well before His Majesty's Government.

THE OUTLOOK

In these uncertain times it is dangerous to try to forecast future prospects. All I can say is that if no unforeseeable disabilities or restraints are put upon us we hope during 1947 to make further steady progress. But Burma's agriculture is still very far from being on its feet and as our rice business and the trade and industry of our subsidiary, the Consolidated Cotton and Oil Mills, Ltd., depend on agricultural produce for their raw materials and their turnover, the full revival of these parts of our business is, I fear, still some years away. On the other hand, we have certain extensions of our business in train. Recently we acquired the Strand Hotel, Rangoon, as an investment and we are also taking a majority interest in a company now being formed to run it as a business. As hotel accommodation in Rangoon is small in comparison with needs, prospects are reasonably good.

There is one point arising out of the Budget proposals just announced to which I wish to draw attention. N.D.C. has been abolished and a "profits tax" of 1s. in the £ on undistributed profits and 2s. 6d. in the £ on all distributed profits has been imposed. As this tax is not recoverable from Preference and Preferred Ordinary dividends it will all fall on the Deferred Ordinary shareholders. This does not affect them immediately as—unfortunately—we cannot pay them dividends, but when we can, their yield will be reduced by 5 per cent. per annum, not because of the incidence of the profits tax on their own dividends but because of the amount payable at 2s. 6d. in the £ on the £183,000 per annum

of prior charges. I admit that the Chancellor of the Exchequer has nothing to do with the capital structure of our or any other company, but as he claims that he should be able to borrow at 2½ per cent. per annum, perhaps the fact that in our case he will take away twice that rate from those who bear the greatest risk may help to bring home to him that the tax is very highly discriminatory and inequitable. Our staff has continued to work with their usual whole-hearted enthusiasm and will undoubtedly make the utmost use of any opportunities of furthering our business that may come their way.

JOHNSON AND PHILLIPS, LIMITED

GOOD RESULTS AND PROSPECTS

The forty-second annual general meeting of Johnson & Phillips, Limited, was held in London, on the 22nd instant.

Mr. G. Leslie Wates, J.P., chairman and joint managing director, said that the results presented were satisfactory and the net profit was among the best they had reported. The immediate prospects were good; nevertheless, the long-term position of their industry as a whole gave the board some anxiety. The conduct of a manufacturing business such as theirs had become increasingly difficult throughout 1946. Even those difficulties had since been overshadowed, and it was impossible to say whether they had yet reached their peak. Their order book was the largest in the history of the company, but shortages of material and labour had been such that there had been no possibility of accelerating output to keep pace with the increasing volume of business being offered to them.

The demand for electrical products certainly seemed almost limitless at the moment, but they must envisage the time when Central Europe would again be producing and when the great industries of the U.S.A. would have overtaken their home demand. By that time it would be a matter of life and death for British industries to have brought their manufacturing technique to the highest level of efficiency so that their costs would compare satisfactorily with those ruling in other parts of the world.

The trading profit at £373,296 was up by £60,000, which he thought demonstrated that they had successfully got over the transition period from war to peace. They recommended that the dividend should be at the same rate as during recent years, namely, 15 per cent. for the year.

The report was adopted.

EXECUTIVE POSITION. Solicitor with wide experience in the law wishes to consider an executive appointment offering scope for ability and sound prospects. Age 38.—Box 446.

B. COMM. (LONDON), woman, 7 years' experience international and viewing, committee work, research, reporting, with politician, social administrator or industrialist.—Box 483.

LARGE company manufacturing and distributing textiles, plastics, etc., requires the full-time services of a senior qualified Economist-Statistician at its Head Office in London. Applicants should be about 35 years of age, hold University or equivalent degree, and have first-class experience in the compilation and interpretation of statistics for management purposes. Salary according to age and experience.—Write full particulars to Box 484.

MARKET and Advertising Research Assistant and deputy to head of department required, preferably with experience in an advertising agency research department.—Apply, with full details, to Box 485.

ENGLISHMAN (32), holding honours degree in Economics and Law, possessing a knowledge of industry and at present holding substantial industrial relations executive position abroad, wishes to seek employment in the United Kingdom, preferably as Assistant to Company Secretary with a view to promotion. Present salary £1,600 per annum.—Box 486.

SALES MANAGER for the United Kingdom wanted by Genatosan, Ltd., Manufacturers of Medicinal, Pharmaceutical and Fine Chemicals. The position can only be filled by a man with first-class qualifications and wide experience. Applications should give particulars of experience over the past 10 years, and be sent to Secretary, Genatosan, Ltd., Loughborough. All letters will be treated in confidence.

YOUNG FRENCHMAN is desirous securing residence with good class English family with view to perfecting English, for period July-October. Own family resident France. Willing to offer similar service in exchange.—Reply Box 469.

GOVERNMENT RETURNS

For the week ended May 17, 1947, total ordinary revenue was £49,751,560, against ordinary expenditure of £42,834,954 and issues to sinking funds, £150,000. Thus, including sinking fund allocations of £1,159,015, the surplus accrued since April 1st is £167,602,655 against a deficit of £140,624,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to May 10, 1946	April 1 to May 17, 1947	Week ended May 13, 1946	Week ended May 17, 1947
ORDINARY REVENUE					
Income Tax	167,300	131,407	117,278	12,486	10,420
Sur-tax	86,000	7,960	7,890	940	1,800
Estate, etc., Duties	155,000	20,989	21,518	3,530	5,348
Stamps	57,000	3,220	5,670	200	1,000
N.D.C.	202,000	3,592	3,715	458	750
E.P.T.		37,980	27,768	4,210	3,550
Other Inland Rev.	1,000	94	60	...	5
Total Inland Rev.	156,800	205,262	183,813	22,194	22,073
Customs	736,960	74,007	104,122	13,993	19,386
Excise	643,040	75,200	77,500	5,690	5,700
Total Customs & Excise	1,380,000	149,207	181,622	19,683	25,086
Motor Duties	50,000	4,245	4,897	...	308
Surplus War Stores	95,000	269	8,503	...	...
Surplus Receipts from Trading	55,000	...	...	...	...
Post Office (Net Receipts)	...	4,800	3,300	1,150	2,200
Wireless Licences	11,000	370	800	...	...
Crown Lands	1,000	160	160	...	...
Receipts from Sundry Loans	21,000	128	109	...	64
Miscell. Receipts	270,000	1,785	116,139	333	21
Total Ord. Rev.	345,100	366,226	499,343	43,270	49,752
SELF-BALANCING					
Post Office	144,230	13,380	15,700	1,550	1,900
Income Tax on E.P.T. Refunds	49,000	22,539	4,132	3,372	386
Total	364,920	402,065	519,175	48,192	52,038
Issues out of the Exchequer to meet payments (£ thousand)					
Expenditure	Estimate, 1947-48	April 1 to May 18, 1946	April 1 to May 17, 1947	Week ended May 18, 1946	Week ended May 17, 1947

After increasing Exchequer balances by £27,417 to £3,234,905, the other operations for the week decreased the gross National Debt by £1,866,530 to £25,481 million.

NET RECEIPTS (£ thousand)

War Risks Insurance Act, 1939, Sec. 16 (3) 2,000
Land Settlement (Facilities) Acts, 1919 and 1921 14

NET ISSUES (£ thousand)

P.O. and Telegraph 250
E.P.T. refunds 471
Local Authorities Loans Act, 1945, Sec. 3 (1) 3,400

War Damage: Board of Trade 1,500
War Damage: War Damage Commission 216

Finance Act, 1946, Sec. 26 (7), Post-war Credits 150
Finance Act, 1935, Sec. 30 (1), 3 per cent. Local Loans Stock 6,487

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
Nat. Savings Certs., 1,650	Treasury Bills 2,337
2½ Defence Bonds 2,124	3% Defence Bonds. *1,493
Other Debt :—	Tax Reserve Certs., 3,381
External 49,628	Other Debt :—
	Internal 37
	Ways and Means
	Advances 48,020
53,402	55,268

* Including £996,000 paid off in maturity.

FLOATING DEBT						
(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Fender	Lap	Public Depts.	Bank of England		
1946						
May 18	1870.0	2536.1	420.9	...	1529.0	6356.0
1947						
Feb. 8	2145.0	2418.2	439.7	...	1600.0	6602.9
" 15	2155.0	2441.3	469.7	9.0	1540.0	6615.1
" 22	2165.0	2506.6	446.5	...	1508.0	6626.1
Mar. 1	2175.0	2565.6	530.3	15.0	1473.5	6759.3
" 8	2185.0	2600.7	583.7	...	1443.5	6812.9
" 15	2185.0	2635.8	583.7	...	1435.0	6839.7
" 22	2185.0	2680.9	583.7	2.25	1434.0	6894.6
Apr. 5	2185.0	2704.4	592.7	18.75	1456.5	6944.4
" 12	2185.0	2738.8	580.6	...	1443.5	6937.9
" 19	2185.0	2706.6	583.8	...	1463.5	6941.0
" 26	2190.0	2692.1	519.9	...	1463.5	6865.5
May 3	2190.0	2661.5	507.9	...	1463.5	6822.9
" 10	2190.0	2629.4	401.3	...	1463.5	6684.1
" 17	2190.0	2627.1	348.0	5.25	1463.5	6633.6

TREASURY BILLS					
(£ millions)					
Date of Tender	Amount			Average Rate of Allot- ment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
May 17	150.0	234.3	150.0	10 1.58	46
1947					
Feb. 14	170.0	263.6	170.0	10 2.17	58
" 21	170.0	277.9	170.0	10 1.79	41
" 28	170.0	246.3	170.0	10 2.36	63
Mar. 7	170.0	287.0	170.0	10 1.25	43
" 14	170.0	281.8	170.0	10 1.99	51
" 21	170.0	288.2	170.0	10 1.29	45
" 28	170.0	296.9	170.0	10 2.51	42
Apr. 3	170.0	293.9	170.0	10 2.60	43
" 11	170.0	286.2	170.0	10 2.57	43
" 18	170.0	280.7	170.0	10 3.10	51
" 25	160.0	291.8	160.0	10 2.72	32
May 2	160.0	284.8	160.0	10 0.84	27
" 9	170.0	296.3	170.0	10 1.38	44
" 16	170.0	281.2	170.0	10 1.62	49

On May 16th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 49 per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 99 17s. 6d. and above were accepted in full. £160 million (maximum) of Treasury Bills are being offered for May 23rd. For the week ended May 24th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS			
(£ thousand)			
	Week Ended		Totals
	May 11, 1946	May 10, 1947	May 10, 1947
Savings Certificates :—			
Receipts	2,750	4,500	58,350
Repayments	3,300	1,950	20,950
Net Savings	Dr. 550	2,550	37,400
Defence Bonds :—			
Receipts	17,225	2,140	11,640
Repayments	...	1,092	4,275
Net Savings	17,225	1,048	7,365
P.O. and Trustee Savings Banks :—			
Receipts	15,734	14,100	78,474
Repayments	13,987	11,950	69,885
Net Savings	1,747	2,150	8,589
Total net savings	18,422	5,748	53,354
Interest on certificates repaid	528	710	4,515
Interest accrued on savings remaining invested	1,955	2,263	13,586

BANK OF ENGLAND RETURNS

MAY 21, 1947

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	Govt. Securities	Other Govt. Securities	Other Govt. Securities
In Circulation 1390,608,499	11,015,100	1438,322,510	652,533	9,855
In Bank of England 59,639,334	...	...	...	...
	1450,000,000	...	...	...
	247,833	...	...	...
	1450,247,833	...	...	...

BANKING DEPARTMENT

Capital	Govt. Secs.	Govt. Securities	Other Govt. Securities	Other Govt. Securities
14,553,000	329,830,660	...	...	...
Rest 3,385,344	...	...	...	...
Public Deps. 13,698,629	...	...	...	...
	11,468,070	...	...	...
	17,799,590	...	...	...
Other Deps. 292,830,751	...	...	...	...
Other Deps. 95,755,460	...	...	...	...
	29,267,666	...	...	...
	59,639,334	...	...	...
	1,285,530	...	...	...
	420,023,184	...	...	...

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ANNUAL INCOME EXCEEDS	£16,300,000
ASSETS EXCEED	£97,000,000
CLAIMS PAID EXCEED	£181,000,000

(1946 Accounts)

UNIVERSITY OF MELBOURNE

RITCHIE CHAIR OF RESEARCH IN ECONOMICS.

Applications are invited for the Ritchie Chair of Research in Economics. Salary will be £1,500 (Australian) per annum, plus £66 per annum cost-of-living adjustment. The position is for a fixed period of three years, but may then be extended. Reasonable travelling expenses payable by the University. Further information may be obtained from the Secretary, Universities Bureau of the British Empire, 21, Gordon Square, London, W.C.1. Closing date for the receipt of applications (in Melbourne) is June 30th, 1947.

The Universities Bureau of the British Empire, 8, Park Street, London, W.1, has been requested to announce the following vacancy:—

THE UNIVERSITY OF SYDNEY

CHAIR OF GOVERNMENT AND PUBLIC ADMINISTRATION.

The Senate will shortly proceed to the appointment to the Chair of Government and Public Administration which will become vacant upon the retirement of Professor F. A. Bland. It will be glad to hear before July 31, 1947, from anyone who would like to be considered for the appointment. The salary is £1,250 per annum, but negotiations for a general increase in University salaries are in progress. There is retirement provision on the lines of F.S.S.U. and, in addition, the University pays £400 by way of annuity. One year's leave is granted on full pay every seven years or thereabouts. Travelling expenses will be paid as arranged at time of appointment. Applications are to be sent direct to G. DALE, Acting Registrar, The University of Sydney, N.S.W.

UNIVERSITY COLLEGE OF SWANSEA

DIPLOMA IN SOCIAL SCIENCE.

The College offers, in October, 1947, a full-time course extending over two Sessions leading to the Diploma in Social Science. For graduates the length of the course may be reduced to one Session. Full details and forms of application may be obtained from the Registrar, University College, Singleton Park, Swansea.

UNIVERSITY COLLEGE OF WALES, ABERYSTWYTH

The following appointments will shortly be made in the Department of Economics and Political Science:—

(a) Lecturer on the scale of salary £500 to £750 per annum.
(b) Assistant Lecturer at a salary of £150 per annum.
Applications should be sent to the Registrar, from whom further particulars may be obtained, not later than the 30th June, 1947.

GIRTON COLLEGE, CAMBRIDGE.—Applications are invited for the post of College Accountant. It is desirable, but not essential, that candidates should hold a University Degree, but they must be women suitably qualified by professional training and/or experience. Salary, privileges of residence and other emoluments within lecturers' scale according to qualifications.—Applications, together with copies of recent testimonials should be addressed to the Bursar.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 111 Broadway, New York, 6.—Saturday, May 24, 1947.

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Established 1843

May 31, 1947



Shilling

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VOL. CLII NO. 5144

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3

BY AIR (U.S. and Canada only) \$24
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Dollars for Europe?

THE Chancellor of the Exchequer was certainly not exaggerating when he described the problem of bridging the gap between imports and exports as "by far the greatest and gravest of the immediate economic problems to be faced," on which depended "the whole future of our country and the standard of life we shall enjoy in the years to come." Mr Dalton was speaking of the British problem. But his canvas might well have been much larger. The same spectre stands at M. Ramadier's elbow as he struggles with the spiral of wages and prices in France. It haunts Signor de Gasperi's efforts to form a new Italian cabinet. It mocks all the efforts that are being made to keep the people of Western Germany from starvation and utter despair. More and more, as week succeeds week, the whole of European life is being overshadowed by the Great Dollar Shortage.

The margin between recovery and collapse throughout Western Europe is dependent at this moment upon massive imports from the United States. The economic dislocation left behind by the second German war is proving to be far greater and far less tractable than the legacy of the first. There is no quick return to "normalcy" this time; indeed, in many respects, conditions are getting worse, not better. The International Emergency Food Council, at its fourth meeting, has declared that food stocks are at "their lowest ebb" and that next winter's shortages may be the worst yet experienced. The prospect that faces the British people is both more and less promising than those with which the Continental nations are wrestling. Britain is fortunate in having access to a line of dollar credits which, even on the worst supposition, will last through next winter. But, on the other hand, Britain is so much more dependent on imports for supplies both of food and of raw materials that a complete lack of means of payment would be much more painful here than elsewhere. The seriousness of the position is still not realised; there are still voices that can say, as Miss Jennie Lee said at Margate on Wednesday, "let us decide not to go to America begging again." But the decision is not Miss Lee's to take; it is not the Labour Party's; it will not even, in the end, be the Government's. The decision will be taken by the unpleasant facts. It is wholly right that nobody in Britain should, in Mr Dalton's words, "count on raising any further overseas credits" and that, at this stage, the problem should be envisaged as one of increasing exports and cutting imports until they balance. But those who think this is a policy that is easy or agreeable, or that it is possible at all without bringing on a first-class economic crisis, should be invited to study the facts that are set out in another article in this issue and to say exactly which imports they would cut out—and how they would manage to increase the activity of the export trades while reducing their supplies of raw materials and the rations of their workers. It is very unpleasant to have to admit such a large dependence on borrowed dollars so long after the end of the war. But unpleasant facts are no less facts for being unpleasant.

If the reality of the Dollar Crisis is so little appreciated by those who would most suffer from it, there is little cause for wonder that it is still

less appreciated in America. It is not, indeed, wholly ignored. There have been several signs in recent weeks that the Administration is becoming increasingly worried about it. Mr Dean Acheson's last act before leaving office was to remind the American people of their economic responsibilities. The Secretary of State has set up within the State Department a special planning staff charged with the responsibility of estimating the world's needs and relating them to American resources, and there is talk of a special session of Congress to be summoned in the autumn to consider a comprehensive programme. Moreover, private citizens of influence and vision are busy issuing their warnings. Mr Walter Lippman, for instance, has argued that only the resumption of something on the scale of Lend-Lease can meet the crisis. And Mr Harold Stassen, returning from his European tour, has boldly urged the United States to devote one-tenth of its annual production to a ten-year plan for rebuilding the world, specifically renouncing any right to repayment in "dollars or manufactured goods."

*

But these voices are not representative of the majority of American public opinion. Mr Randolph Burgess, in his recent speech to the American Chamber of Commerce in London, was accurately reflecting the mood of his colleagues of the financial community when he poured cold water on the notion that commercial lending could be relied upon to close the enormous gap in the American balance of payments. American investors, he pointed out, "took an awful shellacking" over foreign loans after the first world war. Nor are the existing Governmental finance institutions likely to be much more helpful. The Export-Import Bank has now returned to its proper field—"a useful but limited area to supplement and encourage bank financing of trade . . . its charter excludes reconstruction loans." The International Bank's lending powers depend very largely on its borrowing powers, and

the buyer of debentures wants to know what happens when the loans go to about \$4 billion. The scepticism about foreign loans is great enough, so that it is a real and not imaginary problem. It will, in fact, be one reason why you will find the Bank operating with care and conservatism, more so than some Europeans will like.

Mr Burgess would have been more helpful if, in addition to accurate reflection of Wall Street opinion, he had followed his logic to the obvious conclusion—that if the dollar gap cannot be filled privately and commercially, it will have to be filled governmentally and non-commercially. But any such conclusion, however logical it may be, runs entirely counter to the dominant philosophy of the moment in America. There is certainly no sign that any member of Congress is following logic to any such conclusion. On the contrary, the mood of Congress seems to be more Coolidgean than Rooseveltian. The Senate has been persuaded only with the greatest difficulty—and the House of Representatives has not yet been persuaded at all—to refrain from enacting a sharp increase in the tariff on raw wool, and thus bringing the Geneva Conference to an abrupt end. Moreover, Congress is economy-minded, and the provision of further millions—let alone billions—for foreign countries could hardly be further from its intentions.

American opinion, and the policy of the United States, can swing round very rapidly. They have done so before. Indeed, there is something in the present situation that is very reminiscent of 1940, when also it was very clear that Europe could only be saved by America, but nobody could see how America could be persuaded, in time, to undertake the rescue operation. In 1940 the persuasion was done by a clear proof of the dire necessity, and by a no less clear demonstration that American efforts would not be in vain nor American assistance wasted. In the crisis of 1947, perhaps it is the second demonstration

that is the more necessary. It is probably true at the present moment that American opinion needs more reassurance on the ultimate strength and vitality of Britain and Europe than reminders of their present plight. If the dollars that are so desperately needed could somehow be represented not merely as assistance to the improvident but as the foundation of some good constructive purpose, then there might be a greater chance of eliciting a favourable response.

Many people, on both sides of the Atlantic, have, in recent weeks, seen the possibility of such a constructive approach in the idea of a closer association of the nations of Western Europe. During the war, and for some time after it, the idea of a "Western bloc" was looked upon in Washington with almost as much disfavour as in Moscow. It offended against the then dominant canon of "One World," and there can be little doubt that it was this chill disapproval that, more than anything else, prevented any progress from being made with the idea at the time when it could most easily have been promoted. But since American policy has swung round to the doctrine of "Two Worlds" and has been increasingly immersed in the problem of rehabilitating Germany, the idea of "the United States of Western Europe," to be extended some day to "the United States of Europe" has had an almost spectacular rise in favour in America. It is conceivable that a gigantic programme of economic aid—almost, if not entirely, reaching Mr Stassen's dimensions—would find favour if it were a Lending Loan for such a large conception—new, promising and progressive—while considerably smaller sums, if presented as requests for further credit to individual nations already in debt and believed to be senescent, might have a much more difficult passage. This might conceivably be the grandiose programme that would fire the American imagination and touch the twin chords of generosity and idealism that inspire so many American actions.

*

The Economist was one of the earliest, and has been one of the most persistent, advocates of a closer association of the Western European nations and its desirability can perhaps be taken for granted in these columns. But it would be idle not to face some of the difficulties that lie in the way of floating off a Western Association on Lend-Lease dollars. In the first place, any poofing of political or economic sovereignty in Western Europe—let alone anything properly deserving the name of "United States"—would be technically a most difficult thing to negotiate, and almost impossible to negotiate quickly. The difficulties being met with by the governments of Belgium, the Netherlands and Luxemburg in negotiating their "Benelux" customs union—on which a message from our Brussels Correspondent appears on another page—are sufficient evidence. Yet if a far-reaching association of the Western European nations is to accompany American economic assistance, it would have to be contrived very quickly indeed.

Secondly, the Russians have always made it clear that they are rootedly opposed to any "Western bloc," and their opposition is not likely to be lessened by their success in creating an "Eastern bloc." However innocent an initiative for closer union in Western Europe might in fact be of any intention to hurt Russia, it would meet with clamorous opposition not only from Moscow but from the Communist parties and their fellow-travellers in the Western countries themselves. Indeed, in the present mood of American opinion, it would have to be made to look like a deliberate bulwark against Russia for it to be accepted. This would hardly make it any easier for the Governments concerned to play their part.

Thirdly, the conditions exacted in return for American insistence might well stray over from matters of foreign policy to domestic concerns. Even Mr Stassen, who has shown a vivid awareness of Europe's actual needs, would make it a condition

of his proposal that countries accepting American aid should make no further Socialist experiments or depart further than they have already from that system of free private enterprise which nine out of ten Americans would regard as the only guarantee that their money would not be wasted. It is important that Europeans should not write off the stating of conditions such as this as pure offensive meddlesomeness, but should realise that it springs from a profound and wholly sincere conviction. But it is also important that Mr Stassen and other Americans should realise that insistence on such conditions would ruin the project. If not merely the Communists but also the Socialists and the nationalists were driven into opposition to it, in which countries of Western Europe would it have a friend?

Lastly, a closer association of the countries of Western Europe would require the abandonment by the United States of the commercial policy for which Mr Clayton is still battling against heavy odds at Geneva and at Washington. No integration of Western Europe is conceivable without preferential trade agreements among its constituent members—unless, indeed, it is believed that a full-blown and complete Customs

University Progress—II.

Towards a University Policy

THE preceding article discussed the present development schemes of the universities, the size of the expansion planned in the next ten years, and the necessity for finding out by special inquiries how the global estimates of numbers should be broken up, so that the output of graduates in the various branches of arts and science should not be too widely at variance with the demand for their services. It is the purpose of the present article to consider how, the approximate requirements for the different faculties having once been ascertained, the financial and material resources available for the universities should be distributed to the best advantage. This involves some sort of machinery for national policy-making, which has never so far existed.

Before the war the total Exchequer grant to the universities was just under £2,500,000 a year. This grew steadily during the war, and at the beginning of March of this year the Chancellor of the Exchequer announced the resumption of the system of quinquennial grants rising from £9,000,000 this year to almost £12 million in 1952 for recurrent expenditure, plus a sum ranging between £30 and £50 million for the five years as a whole for capital expenditure—the difference being due to the gap between estimates of the building resources which will be available and the building plans drawn up by the universities of what they require. Even with a rise of 50 to 60 per cent in the cost of living, a sixfold increase in public expenditure in the universities hardly indicates a lack of appreciation of their importance. Indeed, it is possible that delays in the building programme will mean that the universities will have a larger income than they can usefully spend, since the estimates of annual expenditure were related to the larger plans for physical development.

Strangely enough for a Socialist Government, this financial liberality has not been accompanied by any demands for tighter control. The University Grants Committee was indeed given wider terms of reference last year, but the independence of the universities appears to be wholeheartedly accepted. There are, however, serious disadvantages in the present system: the University Grants Committee consists of a minute full-time secretariat drawn from the Civil Service, controlled by a committee of eminent persons mostly engaged in university work—an arrangement which keeps them admirably in touch with the

Union could be constructed between now and next year.

These are formidable difficulties. But the need is so great that if this is the most promising way by which the wealth of the New World can be brought in to redress the balance of payments of the Old, it should be explored with all diligence and despatch. And if the difficulties in the way are simply the unreasonable recalcitrance of the Europeans, let the United States use its great power to knock their heads together and impose agreement; there are plenty of Europeans who would welcome American "dictation" if it were for a good cause. But it does not behove the Western Europeans simply to wait in attitudes of passive despair for their salvation to be thrust upon them. Those who remember the strenuous crises of the war will recall that President Roosevelt succeeded in launching Lend-Lease only after the Battle of Britain had been fought and won. The countries of Western Europe must similarly show, this time, that they have done all they can for themselves and that, if they are given the tools, there is a job they know how to finish. They could not possibly do harm to themselves, and they might conceivably do much good, if they were to tackle the job together.

universities, but permits of only a rather leisurely conduct of business. For purposes of deliberate policy-making the universities are even more casually organised than their governmental opposites: on a strict definition, the UGC can only negotiate with the individual universities, but as a matter of convenience matters concerning the universities as a whole are usually discussed with the Committee of Vice-Chancellors and Principals. But this Committee has very limited authority and (very properly) no power to commit any university in advance of agreement by its own Council and Senate, and until recently it has been served only by the yet more minute secretariat of the Universities Bureau of the British Empire. So modest are the services at the disposal of the two sides that it has been said that the appointment of only four young Principals to the UGC would transform the work of that Committee, and that the appointment of a new secretary and of an additional under-secretary to the Universities Bureau is already working wonders on the side of the Vice-Chancellors.

Yet with such an equipment it is small wonder that there is very little sign of a conscious policy, and that the scale of government grants is determined by adding together the estimates of all the individual universities. But such a procedure must end by being highly unsatisfactory, for the aggregate of what every university wants individually is not necessarily the same as what the nation needs in total. And short of cutting the total grant to any particular university, there is at present no way of avoiding duplication of services, or of seeing that resources are concentrated on particular needs at particular universities. Naturally enough no university ever willingly abandons a chair or department once it has gained it: yet to hand out funds to every university in perpetuity for every activity it has ever taken on must result in a serious waste of resources. From the national point of view it is absurdly uneconomical to run ten underdeveloped departments of mineralogy at ten different universities, or to have small scattered departments of slavonic studies, when a far better service could be provided by two or three. Yet under the present system concentration is almost impossible to achieve.

What is the solution? Undoubtedly the secretariat of the University Grants Committee ought to be strengthened, and it appears that this has been recognised very recently, and the

steps which are also being taken to relieve the pressure on the members of the UGC by increasing the number of sub-committees dealing with special subjects will also assist matters. But there are obvious dangers in doing more than this on the official side, if university independence is to be maintained. If, however, the universities are right in rejecting anything which looks like an imposed policy, they will be just as wrong if they do not find some means, as an alternative, for taking the initiative themselves for formulating a policy and presenting it to the Government. The price of official restraint coupled with liberality on the Government side must be less separatism and closer cooperation on the side of the universities.

It is worth looking in this connection at the most recent developments in France. The system there, is as a whole, far too over-centralised to be tolerable to British stomachs, but there is one new and very interesting feature. In working out his policy the French Minister of Education is advised by a large and powerful consultative committee, consisting of university professors elected by the universities themselves, to whom the Minister refers all important questions on university affairs—the creation of new departments, the concentration of others, the need for changing the system of examinations, a raising of the level of entrance, or a general expansion of the tutorial system. The Committee is large enough to provide sub-committees for all the various faculties, so that the Minister can seek expert advice when he requires it, instead of appointing *ad hoc* committees, as has been done in this country. Having obtained the advice of the Consultative Committee the French Minister of Education then negotiates direct with the particular university concerned. The system is not perfect, but at least it provides food for thought.

Yet, in spite of deficiencies and inefficiencies of the kind described, it would be grossly unfair to pay anything but whole-hearted tribute to the way in which the universities have tackled their post-war problems. Boldness, imagination and ambition are the hall-marks of almost all their plans. The heady wine of ample funds and public support has at times proved almost too intoxicating. Fired, for instance, by the example of Oxford and Cambridge, and abetted by the University Grants Committee, plans for halls of residence are in full swing and nearly every university aspires to double or treble the proportion of students who will be housed in colleges or halls. But when a university is already doubling or trebling its numbers of students it is extremely doubtful if it is possible to give this ambitious build-

ing programme so high a priority. The value of college life is indeed very great, and with the present acute shortage of houses it is easy to sympathise with the universities' desire to provide proper living accommodation for their students. But can the nation, at the present time, afford to provide its students with a standard of living well above what most of them are accustomed to? Including the interest charges on £30 million of capital development the nation will already be spending £145 a year per student by 1952, excluding the sums paid in scholarships, or by the student himself. It well may be that Mr Dalton's estimate that labour and materials will be available for only £20 million out of the £40 million programme will result in most of the schemes for residential accommodation being shelved for another five years, for, if the worst comes to the worst, laboratories and lecture halls, libraries and refectories are even more essential. And if students cannot be well housed it becomes even more important to provide them with good facilities for feeding and for social activities; an extension of the students' union buildings nearly always, therefore, comes high on the list of priorities. Similarly the student who cannot retire to his college precincts or nearby lodgings needs somewhere to work by day. The increase in numbers means that most libraries are crowded out and that plans of extension are urgent.

Yet, with all these things in short supply, it is astonishing how much the universities have already been able to accomplish. Empty houses and hotels have been snapped up to provide hostels; Ministry of Works temporary huts have been put on bombed sites to serve as new laboratories; disused rooms are being brought back into commission to take the overflow of lectures. And everywhere there is talk of new departments, of new ways of linking up degrees, of making the scientists less uncivilised and the arts students less impractical. Perhaps one of the things which has helped most in the transitional period has been the atmosphere created by the ex-service student, his seriousness, his maturity, his desire to concentrate and his willingness to accept the necessary improvisations. University staffs are enthusiastic about him, and his successful adjustment from the camp to the campus has done much to convert the universities to the idea of conscription before rather than after the university period.

It may have been necessary for the Chancellor to dangle a large financial carrot before the universities were prepared to start moving, but they are now proceeding at a very vigorous gallop.

Punishment and Reformation

(By a Correspondent)

A CENTURY ago, in March, 1847, the Government of the day announced the final abandonment of the policy of transporting convicted criminals out of Britain. By then the major stations to which convicts had been transported, mainly in Australia and the Norfolk Island, had been closed. A "new model" prison at Pentonville, in London, had been built and was ready for business. Accordingly, the Home Secretary, Sir George Grey, gave the House of Commons details of the Government's new plans. They were, in outline, that the convicted man should be given a limited period of separate imprisonment, twelve to eighteen months, in Pentonville, or elsewhere as facilities became available. That was to be followed by employment on public works, either in this country, or at Gibraltar or Bermuda, and ultimately by exile or banishment for the remaining term of the original sentence. Additional points made by the Home Secretary were that steps would be taken to prevent "the indiscriminate association of convicts," that each would be given moral and religious instruction and industrial training, and that work would be organised by tasks accompanied by the offer of

"advantages, both immediate and prospective, to the industrious and well conducted." The final despatch from the country was to be on an individual basis, with Governmental assistance and a portion of the earnings during imprisonment and on public works were to be applied in defraying the expenses of emigration. For juveniles, the prison sentence was intended to be reformatory, not penal. Females were not included in the emigration scheme. All these proposals have a curiously modern ring—in their principles, if not in their details—which adds to the depression that inevitably accompanies such a backward survey. Identical problems of crime and punishment, it seems, still face the authorities, and the public. If the objectives of today are very much the same, has performance made really great strides forward?

Such problems have a continuing urgency; which is unfortunate. Were they of intermittent urgency more attention and thought might be paid to them on the occasions when they intrude themselves on general notice. As it is, it is possible for a Government to consider a Bill to reform Company Law of

greater social urgency than a Bill to reform Criminal Law, as though to a government that thinks of itself as progressive stocks and shares were more important than maldeveloped human lives. And when an innocent bystander is shot in a London street, attention is focused, both by the police and the public, on the process of apprehension of the criminal, not on the causes of the crime. It is too easy to forget that the first step in that murder was taken some time ago, when the man who is the murderer first crossed the invisible line that separates the normal man from the socially irresponsible.

Imprisonment as a social implement suffers from a deep-seated contradiction. Public opinion still expects two contrary things from it. It expects that a criminal will be both punished and reformed; and the process that punishes a man may not reform him. Prisons as they are at present do punish. There must be few—although there are no doubt a few—who prefer prison to freedom outside. But do prisons reform their occupants? Not always. In 1943, the last year for which figures are available, of 17,216 men convicted of an indictable offence 11,547 were known to have previous proved offences. The proportions among women similarly convicted were not very different.

The main discussion about punishment, as distinct from reformation, revolves around the death sentence. Every man has a strong instinct for retribution. Ninety-nine of any hundred men or women who saw a man killed in cold blood would say of the murderer, "let him be killed, too—now." But common sense asserts that few murderers at the moment of their crime are influenced by the nature of the penalty they will suffer if caught and, equally, that most of them are never likely to commit a similar crime again, even if they are not hanged to make certain that they will not repeat it.

But reformation is a more tangled subject. It is easy to think loosely, particularly over some crimes, such as sexual crimes. Some say that those are not crimes at all, that the man or woman who commits them is mentally diseased and should be treated, not punished. Others, notably legislators and judges, refuse to make any distinction in the punishments they inflict for such crimes and those inflicted for crimes against property. Sexual offences are crimes, for the state has the right to lay down a code of personal behaviour for all its subjects—though the boundary of its jurisdiction may be disputed. But clearly what may reform an embezzler, such as imprisonment plus work in a male prison library, is not likely to reform a male homosexual. And it is probably true that some criminals can never be reformed at all, by any method.

Lord Templewood, in the first annual lecture he gave at Cambridge last January to the University's Department of Criminal Science and which has since been published,* used one quotation from William Blake to illustrate the problem that faces those responsible for prisoners. Their task was, he said, "the

* "Crime and Punishment." 26 pp. Published by Stevens and Sons, Ltd. Price 2s. 6d.

study of the minute particulars." Nothing could be more true.

At the moment, the country is waiting for the new Criminal Justice Bill, and the discussion that will accompany its appearance. But there are many questions that can be debated, and some things that can be done, that need no new statute. One major question is whether the authorities are making the best use of all that was learnt in the classification of men's minds and characteristics by Service authorities during the war. Sir Ronald Adam, Adjutant-General to the Army during that period, in a recent broadcast doubted if that were the case.

All three Service authorities in the war were faced with two problems, fitting men to tasks they could successfully perform and building them up again when the strain inherent in the task had broken them down. About ten per cent of the population are dull, backward and mentally defective people. About 0.5 per cent of the industrial population (or the Services, for the rates are about the same), will, in any one year, leave their employment because some psychiatric defect prevents them from adjusting themselves satisfactorily to a normal job (and, of course, this psychiatric defect may exist whatever the level of the intelligence). It is from these groups, largely but by no means exclusively, that criminals come. If it is possible to identify in each convicted man or woman the major failing in mind and character that led to crime, it is equally possible then to determine what particular line of treatment is most likely to reform them. In a few cases minds can be readjusted to face circumstances. In the majority it will involve adjusting circumstances to minds. In either case, the result should be a reduction in the number of people in what are called the criminal classes. Few would claim that the country's present penal system now is, systematically, doing anything of the kind.

War-time experience shows that it is possible to devise tests, both general and individual, that will determine the mental level and major characteristics of an individual and that such tests can be simple and speedy in application. Army psychiatrists worked out tests to determine in advance whether a man was likely to make a good paratrooper or not. They graded prospective trainees into four grades in accordance with their predictions of who would fail and who would not. Of those they placed in the first grade, those least likely to fail, only 3 per cent failed. Of those they placed in the lowest grade, 46 per cent failed. All these men, of course, were volunteers, anxious to succeed, men who had convinced their officers that they were at least worth trying, and who submitted themselves willingly to being tested, so that the results are not directly applicable to the problem of classifying prisoners. But equally they are not wholly irrelevant. A second lesson is that it is comparatively easy to train men and women to carry out these screening tests; in the Navy, for instance, they were all carried out by members of the WRNS. Thirdly, the cause of mental collapse in many cases was that the individual was unable to cope with the circumstances in which he found himself. Transfer a backward

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The report on the Greek frontier situation presented to the Security Council by the Uno Commission after three months' work was, as expected, accompanied by "reservations" by the Soviet and Polish delegates so far-reaching as to deprive it of any real value. The refusal of the Albanian, Yugoslav and Bulgarian governments to co-operate with the subsidiary commission, appointed to watch conditions on the frontier until the Council takes a decision on the report, does not promise well for future attempts of Uno to deal with disputes between countries in the "Anglo-Saxon" and "eastern" spheres. Nine out of the eleven investigators are in no doubt that Yugoslavia was primarily to blame for supporting guerrilla warfare in Greece, with Albania and Bulgaria guilty in a less degree. But they also recognise as contributory factors disturbed political and economic conditions under the

Britain does not seek exclusive rights in Middle Eastern oil, but no way has yet been found of making a regional source of wealth open simultaneously to the Soviet system and to the rest of the world. Experience shows that areas or installations which come under Soviet control are thereafter closed to the rest of the world. From the Soviet side it is argued that the free capitalist or semi-capitalist system likewise denies access to the closed socialist economy. It is the resulting lack of reciprocity in world dealings which makes Mr Bevin's problem. Britain cannot afford to be shut out of the Middle East as she has been shut out of

sacrifice, it would do more to gain the moral leadership of the world than by issuing stern warnings or kindly advice.

* * *

The Proof of the Pudding

The statistical shindy which has raged in both Houses of Parliament, but particularly in the Lords, since Dr. Franklin Bicknell published his arresting assertion that England was "dying of starvation," leaves the impression that both defenders and attackers of the Government's position, but particularly the latter, were more concerned with the manipulation of figures than with the realities for which these figures stand. What emerges from the blast and counterblast of calorie estimates is the existence, concealed under the apparent equality of the rationing scheme, of a new "submerged tenth" in matters of diet. Their plight is not now wholly or even mainly due to poverty, but depends on family circumstance and the accidents of restaurant and canteen convenience. In a family unit, there may be small children needing nowhere near the adult's needs of calories, but entitled to that amount (or very nearly) and to supplementary milk and other things, as well; older children getting school milk and school meals; and a breadwinner lunching at a canteen several days a week. The housewife in these households may technically get only 2,100 calories a day, but in fact the family pool gives her an ample margin. But at the other extreme, down among the submerged tenth, is the family unit consisting of man and wife alone, having no access to canteens or restaurants; or, worse still, of a couple similarly cut off from extra facilities and with three or four ravenous adolescents, beyond school age and its attendant privileges. In this last case the housewife puts into the pool, instead of taking from it; and probably does come genuinely near to serious malnutrition.

Which is representative? There is no means of knowing. One can only judge of the extent to which the national health is being impaired by lack of calories (or, on the contrary, improved by the strategic concentration both of calories and of "protector" elements where they are most needed) by examining the evidence of the national health—the proof, so to speak, of the pudding. In countries where the word "starvation" can be seriously used—say, Holland in 1945 or Germany to-day—the results appear in rocketing tuberculosis figures, in doubled and trebled infant mortality, in a frequently fatal outcome to ordinary infectious diseases. To-day in England infantile and maternal mortality stand at their lowest recorded figures; the tuberculosis death rate is low and falling; no epidemics, fatal or otherwise, mar the statistical picture of a nation healthier than ever before. A certain listlessness, a certain lack-lustre appearance, may be the legacy of nearly eight years' strain, or the symptoms, too subtle for statistical evaluation, of a dietary lack; but evidently England is starving to death, if at all, only in a strictly Pickwickian sense.

* * *

How Are You?

Statistics of infant and maternal mortality and of the incidence of tuberculosis may be convenient indications of whether a country is starving or not. But they are inadequate in determining the general state of its population's health. Nor, indeed, is there any single source of information on this question. Health insurance returns do not cover even the whole working population, and they exclude illnesses lasting three days or less and those not causing incapacity for work. Notifiable diseases, of which statistics are available, cover only 1 in 500 of all adult illnesses. In these days, when mothers and children, and persons suffering from well-defined diseases such as tuberculosis, are given priority in food, it is perfectly possible for an improvement in certain vital statistics to be accompanied by a decline in the health of non-priority classes.

This lack of information about the general incidence of all illness, severe and mild, is gradually being made good. In the Ministry of Health's report for the year ended March 31, 1946 (Cmd 7119), which was published last week, the Chief Medical Officer described some of the means by which this was being done. It is first of all essential that all notifications of diseases and deaths should be based on a standard classification, and the Medical Research Council has prepared a coded classification of diseases and injuries designed for statistical compilations. Secondly, the wartime statistical analysis of the records of patients admitted to hospitals in the Emergency Medical Service is being extended to in-patients in all hospitals. Thirdly, the Industrial Health Research Board has initiated a system of recording, by number of employers, the amount of sickness absence among their employees

and the indicated causes of it. Fourthly, there is the monthly survey of the departures from normal health, experienced by random samples of the whole civilian population over 16 years of age, which is undertaken by the Social Survey.

To the man-in-the-street it is this last method which will make the greatest appeal. The hospitals' records are not likely to cover him at all, for their cases are selected. But in the Health Index of the Social Survey he will see represented, not only the serious illnesses he may have suffered, but all his minor complaints, including the common cold, whether they incapacitated him from work or not. Even "It's my nerves, doctor," will be faithfully tabulated. An account of the surveys undertaken up to December, 1945, has now been made public, and it is clear that they will be a valuable means of ascertaining the amount of sickness at large. The period covered so far is too short for any comparisons to be made about the general state of the public health, but some useful facts have emerged: for instance, the difference in sickness rates between town and country, between different regions and between different occupations. A national health service, whose statutory obligation is the promotion of health, will not only be able, with the help of this survey, to adjust itself to where needs are greatest; it should also have its success tested by this record of all departures from normal health. But will someone now define what is a normal healthy man?

* * *

Japan's New Premier

The election of Mr. Tetsu Katayama as first Prime Minister of Japan under the new Constitution is an event of some significance, even though doubts may still be held about the depth of root so far achieved in Japan by the imported plant of Western democracy. Mr. Katayama is the leader of the Social Democrats, who were returned in the general election last month as the strongest single party in the House of Representatives. The elections showed a definite trend to the Left in Japanese politics and clearly reflected popular discontent at the failure of the Yoshida Cabinet to cope with Japan's post-war economic maladies. On the other hand the Social Democrat leadership is far from radical (though there is an extreme wing of the party which wants a united front with the Communists) and the parties of the Right—the so-called Liberals and Democrats and some smaller groups—have between them still a majority in both Houses of the Diet which will enable them to block any legislation of which they strongly disapprove.

Katayama thus takes office either in coalition with elements of the Right or with a minority Government—his Cabinet-making is still in progress; in either case he will have no free hand for his party's policies and, coming to power at a time when the economic situation appears to be growing daily more serious, he risks drawing on himself the unpopularity bound to be visited on any Premier who cannot produce a rapid improvement. Yet the risk may be worth taking from the Social Democrats' point of view; they will avoid the reproach of shirking office after the electorate programme, they will gain administrative experience—which they have never had previously—and they will get control of some of the patronage now at the disposal of Government parties. It is quite likely that in some respects they will be able to effect an improvement in the condition of the masses, notably by strengthening controls, restricting the black market and organising a fairer distribution of food and necessities. They can bring into office young men with a belief in controls set up in the public interest, whereas the elderly politicians of the Right, brought up with an ideal of economic liberalism, have not had either the will or the aptitude for operating a controlled economy. Before and during the war the economic controlling was done—in the interest, of course, of war potential—by the Army, which has now ceased to exist; to-day the controls which are required unless the Japanese people are to be exposed to the unchecked ravages of famine and inflation can only be operated by men of the Left. This is perhaps not exactly what General MacArthur would like to see in Japan, but at any rate he can be assured that there is nothing anti-American about the Social Democrats, for Soviet propaganda since the elections has made it clear that Russia has no use for them.

* * *

Troubles in Slovakia

The execution of ex-President Tiso has not led to open disorder in Slovakia, which indeed was hardly to be expected in present circumstances. But that widespread discontent was caused is not only the opinion of most foreign observers but is admitted by the Czechoslovak Press. A Czech liberal paper notes

an increase in religious demonstrations with a political character, and the Czech Communists accuse the Secretary-General of the Slovak Democrat Party of collaboration with exiled Slovak Fascists. The attitude of the Democrat Party is indeed curious. The party's leaders are men who always opposed Tiso's régime, but it depends for its votes on people who supported Tiso. The party continues to form part of the Prague Government, which is ultimately responsible for the execution, but has made repeated efforts to excuse itself, particularly by withdrawing its members from the bench of judges of the People's Court which tried Tiso, and by recommending mercy after sentence was pronounced, though it must have known that there was little chance of this. Whether this double dealing will benefit the party remains to be seen. There is little doubt that the execution has embittered relations between Czechs and Slovaks and has dealt a blow at the new Czechoslovak Republic from which it will take time to recover.

Meanwhile an unidentified "Slovak Freedom Station" is broadcasting violent attacks on Czechoslovakia. It denounces President Benes as a Bolshevik criminal, states that Slovaks do not wish to live with Czechs, prophesies for the Czech nation reconquest by the Germans, and declares that the people of the United States and Spain (sic) sympathise with the fight of the Slovaks for a new independent State. It speaks in the name of a self-constituted "Slovak Action Committee" and seems to regard as its leader the quisling ex-Foreign Minister of Slovakia, Durecansky, the man who in March, 1939, went to Vienna to arrange with Hitler Slovakia's share in the final dismemberment of the Republic. Durecansky's whereabouts are not at present known, nor is the location of the "Freedom Station." Broadcasts of this kind require considerable equipment and can hardly be easy to hide. It is to be hoped that the British and American authorities in Germany, Austria and Italy have taken steps to ensure that their zones of occupation are not being used for this neo-Nazi propaganda directed against a friendly State.

* * *

Light on the Birth Rate

The information contained in the Registrar-General's *Statistical Review** for the years 1938 and 1939 is, at this late date, largely of historical interest. It gives a detailed picture of the demographic situation at the end of the inter-war period, and is thus an essential ingredient of the whole social history of that period; it also casts some rather startling light on popular customs and standards in this country—such as the information that 30 per cent of first babies, and over 70 per cent of babies born to mothers less than twenty years old, are conceived outside wedlock. But as a source of evidence on present trends it is, necessarily, more remarkable in promise than in performance. It offers the first fruits of the Population (Statistics) Act of 1938, in the shape of a number of tables relating births to the age of the mother, the duration of the marriage, and the number of children born previously. The aim is (to quote the *Review*) "to show how families are growing by ascertaining the frequencies at which first, second, third, etc., children are being born to mothers of different ages and how those frequencies have changed or are changing." This is, of course, just what students of the population problem have been wanting for years; for it is only by the use of such evidence that the difference can be perceived between changes in the birth rate—or, for that matter, in reproduction rates—resulting from earlier or later marriages or from earlier or later first maternities, and those due to the much more fundamental and permanent factor of changes in the size of the normal family. The steep rise in the birth rate during the war and post-war years must be quite differently interpreted according to whether it consists predominantly of first children born to couples marrying younger, or of second, third or fourth children added to families whose pre-war counterparts would have stopped at one, two or three. In 1939, 45.4 per cent of all legitimate maternities were "firsts"—at all events, no earlier-born children were living; 26.1 per cent were "seconds," 12.3 per cent were "thirds," leaving only 16.4 per cent for all larger families.

In time, no doubt, the record will be brought up to date and amplified in the light of the coming report of the Royal Commission on Population. It is to be hoped that it will be a very short time. Meanwhile, it is hard to imagine any reason for not making public the statistics of family size—less elaborate, less specific, and not strictly comparable, but definite and highly significant—which must, since the inauguration of family allowances, be in the hands of the Ministry of National Insurance.

* HMSO. 4s. 6d

Councillors' Expenses

The Government has accepted in general the conclusions of the committee* which, under the chairmanship of Lord Lindsay of Birker, has been considering the desirability of making contributions out of the rates towards the necessary expenses of members of local authorities. The majority report of the committee—one member, Major Turton, dissenting—is notable for laying down all the right principles, without however giving them altogether satisfactory effect in terms of details. It was almost a foregone conclusion that the committee would recommend that councillors should be paid, on request, their travelling expenses, together with subsistence allowances and some compensation for loss of earnings. The financial hardships that local government service (except in Scotland) at present entails, more especially in rural areas, unquestionably deters many suitable candidates from standing for election. It is high time this situation was righted and the system made properly democratic.

However, there are also dangers in the opposite direction. The committee rightly emphasises that "local government must not even look like a salaried service." The essence of service to the community is that it must involve sacrifice, and indeed such voluntary work "would lose its savour if it did not." It follows that council service should never result in financial gain, and it is pointed out that "it would be quite impossible to do away with all financial loss to every member without involving financial gain to some." The committee here seems to be feeling its way towards the view that a flat and somewhat Spartan scale of allowances should be payable to all members, irrespective of their means, which would prevent the poorer ones from suffering actual hardship while the richer ones—should they claim it—would get a good deal less than their normal earnings.

Unfortunately, the actual maximum payments suggested look too high as well as being unwisely vague. Thus, first-class travel on the railways would be sanctioned for some journeys, and a day and a night's subsistence allowance is reckoned as high as 32s. 6d. The maximum payment of £1 a day for loss of earnings is not perhaps unreasonable; but it would be more democratic to make a uniform flat payment of a rather smaller amount than to let members claim a sum up to the maximum according to their conscience. Major Turton, in his minority report, says that some councillors in Scotland—where expenses are already paid—are drawing £217 a year for subsistence and loss of earnings, and that under the proposed scale they would draw £297. The committee offers no good answer to this disquieting observation.

* Report of the Inter-Departmental Committee on Expenses of Members of Local Authorities. Cmd. 7126. H.M.S.O., 1s.

Shorter Note

The opposition to the Bankside power station project, which has included a strong protest to Mr. Silkin by the LCC and representations to the Premier by a number of Labour MPs has now led Mr. Attlee to give a promise that he will re-examine the whole question. It has become increasingly clear during the controversy on the one hand that London will need all the power stations it can get, but on the other that Bankside's contribution would be very modest and that its erection interferes with the proper planning of the South Bank.

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Letters to the Editor

The Russians and Palestine

SIR.—As a possible explanation of Russian policy in relation to the Palestine question, I should like to offer the following observations, arising from your article in the issue of May 24th:—

1. Britain, in order to maintain her interests in the Middle East, would appear to have no alternative, in the long run, but to uphold Arab desires.

2. America, although understandably reluctant to take sides, must also tend to favour Arab desires, owing to her growing interest in the oil of the Middle East, following the possible exhaustion of her own resources.

3. Strong Russian opposition to possible British and American action will help to stiffen Jewish resistance to Arab demands and so keep the position in the Middle East fluid. This is in line with the Communist belief in keeping a fire burning until they, themselves, are in position to put it out.

4. At a time when the American public are turning more and more against Russia and Communism, any Russian move to help Zionism will tend to influence American Jewish thought in favour of Russia.

5. In the event of the establishment of a Jewish State in Palestine, Russia could expect, at least, favourable treatment from such a State in the matter of treaties.

The new Russian attitude towards Zionism would thus appear to give her the best of both sides. Given a result in favour of the Jews, she will be the one Great Power to have spoken outright in favour of Zionism and will thus reap any benefits which might accrue. Given a result in favour of the Arabs she will be in a position to foment strife in the Middle East as and when she pleases.—Yours faithfully,

K. HOPKINS

230, Blackmoor Drive, Liverpool, 12

Prisoners of OZNA

SIR.—I was greatly interested to read the Note on the above subject which appeared in the issue of May 24th.

During the visit to Yugoslavia of the British Parliamentary Delegation in November, 1945, I was living in Belgrade and had been there for several months. It was my privilege to attend several of the functions in that city to which members of the delegation had been invited, and so had an opportunity to meet many of them.

Not once, but several times, did foreigners living there endeavour to express their views on the country, based on personal experiences and observations, but rightly or wrongly the delegation chose to ignore such expressions and views. It must be quite obvious to anyone possessing common sense that it is impossible to obtain the full facts about a country when on a tour of short duration: to achieve this takes months or even years! Anyone who has ever served in the Forces and experienced an inspection or visit by some person of importance is aware of the preparations made beforehand to ensure that everything is on the top line so that the visitors will leave with a good impression. This is an everyday fact in or out of the services, in this or any other country.

The British Parliamentary Delegation visited Yugoslavia, at that country's invitation, forewarned that all was not well, but prepared to find out for themselves. It should have been obvious to them that if the Yugoslavs were in fact ill-treating their political prisoners, they would not desire such a fact to become common knowledge, especially to the representatives of an important foreign power; accordingly they would make arrangements to ensure that such knowledge was withheld from the visitors. This is what did actually happen and was why our Parliamentary Delegation came away with such a glowing report of prison conditions.

In various parts of the country they stopped to speak to peasants to gather first-hand facts from these people and were quite impressed with what they heard! I suggest that in a country ruled by secret police, where one's best friend may even be an Ozna agent, it is hardly likely that anyone would have the courage to express his true sentiments if these were opposed to the government of the day, with the prospect of being overheard

and reported to Ozna HQ to suffer reprisals at a later date.—Yours faithfully,
L. E. LEAH
"Anlea," 60 Garners Lane, Davenport, Stockport, Cheshire

Hunger for Books

SIR.—The comment on "Hunger for Books" in your issue of May 17th may leave an impression that the general famine in educational books is merely a question of lack of materials, and that the distribution of special shortages is not significant or remediable. Comparison of books needed in certain branches of university studies with books on sale, does not altogether bear this out. But the limitation of production—the actual facts as to what books can at present be bought, and what books cannot be bought, surely depends on the policy of publishers. At the moment, people will buy anything between new covers, and it is merely a question of getting type on to paper and binding it up. Is it not, therefore, in the interest of publishers to concentrate on withholding from the market editions, for which the demand is inelastic and permanent, so that they can maximise their sales as soon as conditions allow an expansion of production? Meanwhile, they can print just enough of what is really wanted to retain goodwill, but the bulk of production can be of ephemeral books which will not prematurely take the edge off a future valuable demand for works of a more enduring value, or of books which contracts with authors on their lists oblige them to produce.

I will not ask for space here to classify the new book market as it appears to a university teacher or student; it leads to the suspicion of monopoly exploitation. The fact is, however, that the "hungry sheep look up and are not fed," while the gorged goats may well be unaware of any shortage. If exchange control has cut the goats off from the larger American romances, they can always visit the bookstalls, where the restoration of basic quotas for new periodicals or the black market trade in printers' paper has fertilised a fine crop of dwarf pornographic magazines.—Yours faithfully,

MICHAEL VYVYAN

Trinity College, Cambridge

From The Economist of 1847

May 29, 1847.

SINCE the death of Napoleon, no man has so much engaged the attention of Europe as Mr O'Connell. He was arraigned in Parliament, before the Courts of Law and in the Press. The ablest of our periodical writers, and the most impressive of our orators, made him the object of some of their bitterest philippics. By a small numerical minority of his own countrymen, but a minority politically and pecuniarily powerful, he was incessantly vituperated. By the great numerical majority he was admired and applauded. For them he was THE LIBERATOR. For others he was THE BIG BEGGARMAN. Vouchsafed a far longer life than either Cromwell or Bonaparte, he was for nearly half a century the idol of Catholic Ireland and a bugaboo to the rest of the empire.

For nearly forty years, whatever party was in power, Mr O'Connell was the chosen monarch of the Irish. His word roused them to action or lulled them to peace. . . . Millions gathered at his bidding or disappeared at his nod, or crowded on his path as he passed in triumphal procession through the south of Ireland. He had no armies at his beck. He had gained no victories. What, then, was the source of his power? He spoke out, for the greater part of his life, the griefs of an oppressed people. He promised them redress in return for obedience to his devices. . . . He fought only with moral weapons—he organised only a moral resistance. In all history there is no other demagogue, very few conquerors and only a few monarchs who reigned so long over the affections of a numerous people.

It was not strange, indeed, that Mr O'Connell, contemplating the helpless beings around him . . . should become the opponent of *laissez faire*, and, like most of his countrymen, a strenuous advocate of government help. He felt its power to do mischief, and he concluded that it was equally powerful to do good. He only found out his error with the close of his life.

Oklahoma

SIR.—You do not often in your columns deal with the theatre, but I venture, nonetheless, to write to you of a theatrical affair which has a moral for our everyday economic and political life. I went recently to see "Oklahoma!" What an experience, and how good it would be for every leader, in every walk of life, in our country to go to see it.

Of the dramatic quality of this sparkling all-American show, I do not pretend to know anything. But two qualities pervade it, as they pervade everything the Americans do, which are sadly lacking in nearly everything we do. Those qualities are Vigour and Precision.

They sang, danced, moved, acted, spoke, tumbled, loved, fought and died, not only hard, but with zest to do it as well as they could, and as if it were just part of their everyday life and natural to them.

Where are the vigour and precision in our life to-day? In our planning? In our congested and sloppy legislative programme? In the tempo of our industrial work? The miners, I believe, are now working wonderfully hard—but everyone thinks that so extraordinary that Ministers have to make congratulatory speeches about it.

Perhaps we do not have enough vitamins to produce such gusto and *joie de vivre* and faultless work. Nor must we forget that there are other qualities besides Vigour and Precision—I saw no hint of compromise in the scintillating teeth and smiles of those lovely singing and dancing bodies.—Yours faithfully,

PETER NORTON GRIFFITHS

St. Helen's Court, Great St. Helen's, London, E.C.3

Whisky for Dollars

SIR.—With reference to your note in the issue of May 17th, if we consider that the best thing to do with Scotch whisky is to sell it for US dollars, it is surely worth trying to get the largest possible number of dollars for it. Instead of sending it across the Atlantic at five shillings a bottle, would it not be better to retail it here to thirsty visitors from the US at anything from five to ten times the price? No doubt some must go over for advertising expenses, but the bulk of our production should be kept here, and might even be a small extra inducement to the tourist to come here!

Books and Publications

Palestine Mission

"Palestine Mission." By Richard Crossman, M.P. Hamish Hamilton. 256 pages. 10s. 6d.

SOME of those who unbosomed themselves to Mr Crossman the commissioner will wish they had remembered they were also talking to Mr Crossman the journalist, for the book is a very personal, even intimate, account of the author's experiences as a member of the Anglo-Palestine Committee. Yet despite its often gossipy flavour, the book contains valuable material for anyone who wants to fill in an episode of contemporary history with human detail. Above all, it tells us a great deal about Mr Crossman.

For a layman, the difficulty about the Crossman approach to foreign affairs in general has always been its esoteric character. After making allowance for some plain disgruntlement, there remains a mass of hard reasoning, but what does it add up to? It is difficult to see how the rebel approach would work out differently in practice when applied to current problems. If Mr Bevin had been briefed for the Moscow conference by Mr Crossman, what would have happened? The sort of arguments put up by the rebels certainly have an influence on British foreign policy, but the facts of any given situation would impinge as forcibly on them as they do on the Foreign Minister.

"Palestine Mission" offers a clue to the Crossman approach. It is basically emotional. His reasoning and observation are both highly trained and ably directed, but it is his heart, not his head, which calls the tune. Hence the missing factor of stability in his outlook. As a Palestine committeeman he is seen swaying from one emotional complex to another. It is an emotional experience which determines his early plunge, fully clothed and with all his wits about him, into the Zionist side of the pool. In New York the violent abuse of Britain by the American

But are you so right in stating that "no connoisseur would ever drink rye whisky in preference to Scotch"?

I should have said that in the US there were many more connoisseurs of rye than of Scotch, and very many others who rate Scotch as far below Bourbon as a good citizen of Dublin rates it below Irish. It is a matter of taste. Again then, if it is dollars we're after, would it not be sensible to recognise the existence, and at least the dollar appeal of Bourbon and rye, and to ensure that these are in plentiful supply for tourists when and if they come? It might even be good business to import the basic materials for making Bourbon and rye, and to use some of the surplus capacity of the Scottish distilleries for producing them. It seems they can be quickly "aged" and it should not be beyond the skill of Scottish distillers to produce passable, if not superior, imitations. Certainly Scotch Bourbon should be well above the standard of American "Scotch," which sells all too well in the US.—Yours faithfully,

H. M. O'CONNOR

52, Cornhill, E.C.3

Then and Now

SIR.—In your issue of May 17, 1947, you state (p. 750) that coal-mining was one of the "war-swollen industries" of 1914-18 and in support you quote the Census Figures of persons employed in mining in 1911 and 1921. If, however, you take figures of coal-miners on the colliery books in the years 1914-18 (see Ministry of Fuel and Power Statistical Digest, 1945, Cmd. 6920, Table 1) it will be seen that, whereas the number was 1,107,000 in 1913 it fell to 935,000 in 1915, gradually rose to 990,000 in 1918 and only in 1919 did it increase to 1,170,000. There was little variation in the average number of days per week on which coal was wound during those years (see 18th Abstract of Labour Statistics, p. 101) and therefore the annual variations in the "equivalent number of miners working a full week" can be taken to be similar to the above. This implies, therefore, that the contrast between the experiences of the two wars is to be sought in the rate of demobilisation and the way in which demobilised manpower went back to the mines after the Armistice, rather than in the events of the war years themselves.—Yours faithfully,

A. R. PREST

16, Rustat Road, Cambridge

an eternity of Jewish immigration thereafter and with no prospect of any escape from colonial rule. The men of the Committee have more than themselves to blame for this. The current passion for unanimity has been responsible for more colourless and futile documents than their report, and the apparent light-heartedness with which Mr. Crossman in the end jettisoned his own conviction that nothing short of partition would do is not unique. There are other recent and better-known instances of principle being sacrificed to agreement.

Russia from Two Fischers' Eyes

"The Scared Men in the Kremlin." By John Fischer. Hamish Hamilton. 200 pages. 10s. 6d.

"The Great Challenge." By Louis Fischer. New York. Duell, Sloan and Pearce. 346 pages, \$4.00.

IN spite of its sensational title and its somewhat slipshod style, Mr John Fischer's book stands out among scores of worthless journalistic reports on Russia as a fairly informative and vivid account of life in the Ukraine, as the author saw it in the spring of 1946. As a member of the Unrra mission in the Ukraine he travelled freely throughout the devastated land, had access to official information and a good glimpse into the life of ordinary Ukrainians. His direct contact with life in Russia made him immune from fashionable scares, but inspired him with no admiration for the Russian way of life. The picture of devastation in the Ukraine, and of the poverty resulting from it, is perhaps the most instructive part of the book. Most of the devastation, as Mr Fischer found out, was not caused in the ordinary course of hostilities, but was wilful, sadistic destruction inflicted upon the country by an already defeated and retreating *Wehrmacht*. Of course, the public knows this and is tired of reading about atrocities. But Mr Fischer does not relate a single atrocity—he merely describes in a completely unsentimental way the incredible legacy of misery with which the Ukraine has to contend.

Of almost equal interest are his descriptions of the new privileged bureaucracy, the workings of the police state and so on. "For centuries Russia's rulers were harsh, arbitrary and incompetent. Now they are harsh, a little less arbitrary, and far more competent. Nearly everybody is grateful for the obvious improvement." This is a fair statement, though the harshness of the rulers, as reflected in the tragicomic picture of ubiquitous spying, is greater than before. The picture of growing prosperity and civilisation in the countryside, even in the devastated Ukraine, is also revealing, and it is the more the pity that the author's tale is somewhat spoilt by an inadequate sense of proportion and perspective and by a number of inaccuracies.

Few writers on Russia can withstand the temptation to pass from eye-witness accounts to solving the big issues of high policy. Mr Fischer believes that Russian policy is shaped mainly by fear and defensive considerations, but that it may become aggressive. He therefore supports a policy of moderate "firmness" vis-à-vis Russia, urging his country to encourage the creation of a Western Bloc, but not to engage in a race for strategic bases and armaments.

★

Mr Louis Fischer's "The Great Challenge" has none of the relative merits of Mr John Fischer's book. It belongs to those writings that have become the plague of current political literature—the pretentious and voluble outpourings of the self-important journalist, the dilettante political philosopher, who offers the bits and pieces of his information and his interviews with politicians as the last revelations of wisdom. "I predict"—is the title of one of his chapters. The title of another is "Stalin and Hitler—a re-interpretation." What the author really re-interprets is not Stalin and Hitler but his own views on them, since Mr Louis Fischer, who has for many years been a zealous advocate of the Kremlin's policies, has now succumbed to the "infantile malady" of anti-Stalinism.

The range of his book is very wide: it covers Britain and India, China and Russia, the United States and Palestine; but Russia is its main topic. Some of the things that the author says about the evolution of the Soviet regime and the great purges are a useful counterblast to his earlier pro-Stalinist writings; but even these are marred by the excessive zeal of the fresh convert. His argument is extremely confused, for he criticises his former idol from contradictory viewpoints. He attacks Stalin for having betrayed the revolution as well as for fostering it, for having become conservative and for not being conservative enough. The burden of Mr Louis Fischer's philippics is that the Stalinist regime is inherently aggressive and bent on world domination. But when

it comes to drawing the practical conclusions from this, the courage of his convictions fails him. "There are—he states—three ways of dealing with the Russian problem. (1) Fight Russia now—I reject that vehemently. (2) Appease Russia . . . I reject that. . . . (3) Block Russia's . . . expansion . . . I defend that." The moderate conclusion does not quite tally with the tenor of his book. And what can one make of such maxims on foreign policy as that "the foreign policies of America and Britain should be as broad and deep and inclusive as human life" or that "a better America, a better England, a better France, a better Germany, a better Russia, a better India would work together for a better world"? A better book would make better reading.

BBC House Magazine

"BBC Year Book, 1947." Published by the Corporation. 150 pages. 2s. 6d.

THE British Broadcasting Corporation has now published its *Year Book* for 1947. It is by no means easy to tell from the book what the purpose of its publication was (except, perhaps, the understandable feeling that 1947 ought to have its book of the year, too). The book contains six articles on various aspects of the Corporation's work and responsibilities, a generalised account of each section's task and record in 1946, and one or two short appendices, names, addresses, accounts and the like, in all totalling 143 pages. In addition there are some photographs of the kind that appear in this kind of publication, mainly portraits.

The most interesting of the six articles are the first and last—"The Next Five Years in Broadcasting," by the Director-General, Sir William Haley, and "The Past and Future of Staff Training," by Mr. E. A. F. Harding, Director of Training. Any article by a director-general of a corporation of the size and importance of the BBC is bound to be interesting, both by reason of what it says and what it does not say. This article scores most under the latter heading. Sir William is not complacent. He is very much alive to what can be done to expand and improve the service that the BBC offers to its customers. But he accepts the Charter as an immutable document—as, of course, within the Corporation it must be so taken—and he accepts the present organisation set up under the Charter as equally permanent in its form. In short Sir William sees the BBC as a body staying roughly where it is, but getting better and better as it does so. Mr Harding writes well about his job, but he, too, seems to share the same set of blinkers. Among the other articles, Miss Rose Macaulay writes well and sensibly on the Third Programme, and Mr Louis MacNeice is irritatingly defensive on the subject of writing for the radio. But a great deal of the rest of the book is depressing reading. Far too many of the writers who describe the various BBC services in detail have caught that blend of condescension and complacency that is the hallmark of the average housemaster writing about an average house in the magazine of an average public school.

This brings back the original question, what is the purpose of this year book? It is not sufficiently detailed to serve as a staff directory. The accounts of the Corporation, as printed, would leave the Cohen Committee aghast at their obscurity. The book is too long to be read by the bulk of the customers, the licence-holders, nor is there sufficient range or depth in the articles in it to provoke any effective public discussion of their contents. The book is not an apology, for the BBC has no need to apologise for the job it is doing within what it considers its own terms of reference to be, nor is it a stimulant, for everyone writing in it seems to think that everything he is doing is for the best. Next year the BBC should get off the fence. Either it should produce a popular guide to broadcasting, complete with a biography of Mr Handley, or it should summon up its reserves of courage and permit controversy to extend inwards as well as outwards. The Corporation needs an internal Third Programme.

Shorter Notices

"The Theory of Social and Economic Organisation." By Max Weber. William Hodge and Company. 395 pages. 30s.

THIS is the first English translation of Part I of Max Weber's *Wirtschaft und Gesellschaft*, which was conceived by its author as study of the sociological and institutional bases of modern society. The editor and part translator, Dr. Talcott Parsons, contributes a long introductory essay.

AMERICAN SURVEY

Mr Truman's Dilemma

NOW that so many eager and influential voices are recording the first signals of storms ahead, it may be worth while to sit back for a moment, and to examine the pace of the post-war boom. At no period in the peace-time history of the United States—most certainly not in 1929—has industrial activity put such an obvious strain on available manpower and material resources. Critical shortages embrace iron and steel, all the non-ferrous metals, fats and oils, timber, and many of the basic chemicals. These in turn have hampered railroad efficiency, and at some points have delayed key constructional work. Plant and material shortages, indeed, have been even more troublesome than labour supply problems, and it is scarcely true, as Mr Bernard Baruch recently suggested, that a major remedy might be found in a general extension of working hours.

For nine months or so, in fact, the United States has been as near to a condition of "true" inflation as it has ever been, and nearer than it may be again for a very long time once industry has met the longer-term accumulation of demand arising from wartime shortages and, perhaps, some of the more notable deficiencies entailed by the neglect of the long years of depression before 1939.

The inflation period proper, to go by the familiar evidence of rising prices and wage costs, covers scarcely a year—just back to that time when Congress was demonstrating its entire refusal to sustain an effective Price Controls Act. But the safeguards against a dynamic rise in prices were shattered, not by Congress in 1946, but by the Truman Cabinet immediately following V-J Day, when the direct controls on manpower and consumer expenditures were removed so hastily that even Mr Truman was forced, later on, to make a partial return journey, and to re-establish some hold on key materials, housing, etc. From that time onwards, Mr Chester Bowles and the Office of Price Administration waged a battle that was lost before it was begun.

What corrective forces, then, were left in the hands of Mr Truman? Budgetary policy was one, and the President has held firmly to the theory of a balanced budget and debt reduction, though since November he has been in the hands of an opposition Congress and a majority pledged to substantial tax reliefs. In passing, it may be noted that the budgetary surplus now emerging reflects the rake-off from inflationary profits and incomes rather than Draconian tax rates. Some qualitative controls on credit may also be cited. The Federal Reserve Board has held a severe grip on security market speculation (as noted in *The Economist* of May 17th) although its other control in this category—regulation of consumer credits—has been

relaxed sufficiently for the attainment of a peak figure of \$10 billion—30 per cent up in dollar volume on 1929, and 80 per cent higher than the V-J Day level.

Elsewhere, the Truman Cabinet has been left with the possibilities attaching to purely monetary devices. But fully a year ago, Mr Marriner Eccles, the chairman of the Federal Reserve Board, was deploring the lack of control inherent in the banking structure, and demanding the imposition of sweeping new controls over the investment policy of the commercial banks, and more flexible reserve provisions. But he rejected the curative possibilities of higher monetary rates because:—

A major consequence would be a fall in the outstanding market value of Government securities. These price declines would create difficult market problems for the Treasury in re-funding its maturing and called securities. Price declines could have highly unfavourable repercussions on financial institutions, and might even weaken public confidence in such institutions.

The Treasury thus began its process of curbing inflationary pressure, not by the redemption of debt from a genuine budgetary surplus, but by the repayment of maturing obligations from a swollen Treasury war-chest. The general Treasury fund of \$26 billion in February, 1946, was less than \$4 billion in December, and the gross public debt was down by a full \$20 billion to \$259 billion.

In a negative way, the Treasury has in this manner preserved a grip on the so-called "debt monetisation" process (i.e., the inflation of private deposits through commercial bank purchases of existing Government securities) by holding down the balance of "excess" reserves in the commercial banking system to well below the figure of \$1 billion regarded, at least until recent months, as a practical working minimum.

But even that hold has been precarious enough. At the close of 1946, the commercial banks held \$11.2 billion of one-year Treasury Certificates, all guaranteed by the Reserve Board's assurance, given after Pearl Harbour, that short-term rates would be wholly stabilised at $\frac{3}{8}$ per cent for Treasury Bills and $\frac{7}{8}$ per cent for Treasury Certificates. Every billion of these Certificates could, with existing reserve requirements, in theory at least, sustain new security holdings of \$6 billion. Moreover, despite the reduction of the Treasury's deposits in the banks in the course of 1946, the supply of private liquid funds within the economy increased from \$153 billion to \$165.7 billion.

In attempting to control the pace of the post-war boom, therefore, the Truman Administration has had problems enough on hand. It may not have put up a very heroic defence, but it can plead with a great deal of justification that direct controls

WAR ACTIVITY AND POST-WAR BOOM

	1939	1943	1945	Mid-1946	†1947
Gross national product (billion dollars)	88.6	187.4	199.2	190.2	209.0
Govt. expen. on goods & services	16.0	95.5	83.6	36.7	...
Private capital formation	10.9	2.5	9.1	31.4	...
Consumer purchases	61.7	91.3	106.4	122.1	...
Industrial production (1935=100)	109	239	203	170	189
Farm marketing volume (1935=100)	109	133	137	111	144
Steel output (million tons)	52.8	88.8	79.7	67.5	85.0
Manufactured goods (1939=100)	100	261	246	212	312
Shipments of durable goods	106	149	158	206	266
Non-durable goods	109	213	171	189	221
Inventories of:—	106	149	158	158	190
Durable goods	...	...	...	...	...
Non-durable goods	...	...	...	...	...

	1939	1943	1945	Mid-1946	†1947
Wholesale prices (1926=100):					
All commodities	77.1	103.1	105.8	112.9	147.0
Farm products	65.3	122.6	128.2	140.1	176.9
Manufactured goods	80.4	100.1	101.8	107.3	142.2
Consumers' price index (1935=100)	99.4	123.6	128.4	133.3	153.0
Retail trade (billion dollars)	42.0	63.7	76.6	92.8	102.0
Employment (non-farm) in millions	30.3	40.2	38.1	46.3	48.9
Average hourly earnings (cents)	63	96	102	119	125
Weekly hours	37.7	44.9	43.4	39.8	40.2
Money supply* (billion dollars)	64.4	114.0	152.8	159.5	164.6
Federal debt gross (billion dollars)	50.0	165.9	278.1	269.4	259.1

† Latest available figure, or annual rate. * Currency in circulation and private deposits.

became politically impossible after V-J Day; that price control was destroyed by Congress, and that after November last, controls were altogether doomed. None the less, the policy of the Truman Cabinet had been decidedly erratic. It has attempted to preserve price controls, it has endeavoured mildly to take up the slack in the credit structure, it has put an effective ban on security speculation, and it has recently tried moral suasion in terms of industrial—though not of farm—prices.

But even within the powers it holds it has not tried very hard. Even though it be granted that a drastic readjustment of money rates would have done more harm than good, it has not used those limited powers which might well have had quite important psychological effects in recent months when commodity speculation has been especially rampant. It could easily have abandoned the "peg" on short-term money rates, justifiable enough in wartime, but wholly unrealistic in terms of present boom conditions. But the government has aggravated the price spiral by something more definite than conditional neutrality in the money market. Its foot was put sharply on the accelerator pedal in the autumn of 1945 when the fullest possible support was given to the demand of the unions (coming mainly from the Congress of Industrial Organisations) that workers must retain the "weekly war wage packet." The foot has never been applied forcibly to the brakes and not more than a month has elapsed since the accelerator was again tried when Mr Truman reasserted that wage rates must rise again—in the absence of price reductions. It now looks as though that latest declaration by Mr Truman may not suffice to give a new twist to the price spiral; but if that does, in fact, happen to be the case, the Administration's policy has certainly not contributed to any decline in consumer demand.

Selling Ideas

(From Our US Editorial Staff)

IF the British government saw fit to protest against a Jewish committee's advertised plea for money with which to bomb British installations in Palestine, so did a good many Americans. The protest was, however, against taste and not against right. To buy full-page space in a metropolitan daily is a recognised privilege of responsible persons who can afford it, and the dream of every minority group no matter what its political complexion or its social aim. Communist cash and conservative cash weigh the same in the business office. This attitude makes of paid space not quite the poor man's forum (a full page in a single issue of a major New York daily may cost \$3,000), but it is the one way in which an unpopular cause can be sure of reaching a large number of readers in the words its proponents choose. Also, it gives the unpopular cause a certain cachet. If the full-page advertisement is expensive, so much the better. In a commercial civilisation it is commonly believed that only men and causes of substance have money.

This may be naïve. It is certainly influential. The wide acceptance of this myth in the United States gives power to the new spate of idea advertising which is appearing in the newspapers, in magazines and on hoardings. (It makes its way into radio more slowly because the top national networks have a rule that time cannot be bought for propaganda purposes. That rule is now under attack.) Food dealers are trying to sell not only their products but also their price policies. A chain store advertises, "Our net profit during the past five years has

Mr Truman has been very conscious of inflationary evils. But behind every official warning of such dangers has been a deeper and far more potent fear—the shadow of the Hoover Depression. Mr Eccles may cry for stringent bank controls, and the Federal Reserve Board may predict, as it clearly did in a private capacity last year, the need for consumer controls. Mr Eccles may now advocate the plan which he rejected last year for harder short-term money rates. But Mr Truman has never been quite sure. Presidential elections are never very far away, and the arrival of a business recession might be very unfortunate in its timing. If it has to come, it had better not appear to be deliberately initiated by the Administration.

Since V-J Day, Mr Truman has never been alone in his dilemma, which to-day is clearly reflected in the uncertain mood of the Republican Party, and outside Washington, in the obstinate refusal of Wall Street to join the merry dance of rising price levels. For Wall Street, and for all politicians, the long years of depression banished all the gods but none of the devils.

Possibly no very certain answer can be given to the question of how far it would have been possible to restrain inflationary developments, without using measures so drastic that they would have killed all kinds of reasonable activity. The post-war period has presented very special problems, and no very flexible mechanism. But Mr Truman's dilemma has not been solved. As he now reflects on the measures which have been used to bolster consumer demand, and thus to accelerate the pace of investment, he must be very conscious of the instability thus generated. It will be very surprising, not to say unnatural, if the present feverish pace of business can be replaced by a rather more sober stride without an intervening adjustment of some severity.

averaged only about 1 cent on each dollar of sales." An importer pleads, "We are selling our bananas at 5½ cents per lb. seaboard at southern ports . . . It is to be hoped that dealers who handle our bananas will reduce the retail price of such bananas to more reasonable levels."

The principles in labour-management disputes are argued before the public in paid space, during a strike or in anticipation of it. A group of railroads warns, "Non-operating railroad unions are demanding still another raise of \$568 million a year. You (Mr and Mrs Consumer, Mr Shipper and Mr Farmer, Mr and Mrs Passenger) would foot the bill." The National Association of Manufacturers argues, "Industry-Wide Bargaining is No Bargain for You." The American Federation of Labour retorts in equally expensive space, "Don't be a NAM Fool."

Another type of idea advertising proceeds on the theory that the best public relations advertising is that which serves the public. McGraw Hill, publishers, buy a full newspaper page in five leading cities every month to reprint one of their own editorials with an economic slant. The latest is headed "World Trade is Our Duty and Our Opportunity." The International Latex Corporation just delivered a triple-column warning against racial intolerance which was headed, "Lynch Mobs Don't Always Wear Hoods."

The new thing in all this is the product which the advertisers are seeking to sell. Since 19th century days when "Carter's Little Liver Pills" was painted on boulders and barn ends, Americans have been recognised as peculiarly responsive to being told what they should buy. At least as early as World War I they were told in advertisements what to do. Now they are being told what to think. The shift is an important one, and it raises questions of which that evoked by the Palestine committee's invective—the propriety of buying space in order to enlist violence against a friendly nation—touches only one aspect.

The new plans come from the advertising industry itself, and the story of their inception is an interesting commentary on the present moment in American democratic capitalism. Advertising men traditionally pride themselves on being bellwethers of opinion. Victims, before the war, of a corroding cynicism heightened by the long uncertainty of the thirties, they offered their services to the government at the outbreak of hostilities, and did a brilliant job of persuading their fellow Americans to buy war bonds, save fats, salvage metals and paper, plant victory gardens, and otherwise co-operate in the problems of the home front with patience and pride. Working on an organised volunteer basis, charging only what it cost to buy the tools with which they worked, they secured for government purposes at a fractional price some three hundred million dollars worth of advertising for each war year—a grand total estimated at a billion. Also they acquired for themselves a taste for usefulness which had had little satisfaction for a long time.

The end of the war and the withdrawal of government advertising campaigns for war purposes left the Advertising Council (which had co-ordinated the work of advertisers, and experts all over the country) facing a future that looked bleak. As business men, they saw ahead a heavy slash in the appropriations that had lined their pockets during the war. As craftsmen, they saw themselves deprived of the psychic satisfaction that had come from supplementing campaigns to sell deodorants with campaigns to save the country. Also, they may have a premonition that left-wing attacks on the economic soundness of the three-billion-dollar advertising industry (*Printer's Ink* says it grossed \$3,116,600,000 in 1946), might again rise up to plague them, and that it might be wise to seek ways of justifying their existence.

Whatever the final motive, the industry's trade organisations decided not to disband the Advertising Council but to re-align its work in accordance with what seemed to them to be the country's peacetime needs. They persuaded President Truman to create a small unit in the Office of Government Reports which should co-ordinate the government's requests for public service advertising. In 1946 they carried on a series of campaigns in the public interest—for soil conservation, for cancer research, for nurse recruiting, for the prevention of forest fires, and so on—done as in war time for the mere cost of the tools, and representing an estimated hundred million dollars worth of advertising time and space—about a third of what went into the war effort. Some of these campaigns were initiated by the government, some by private agencies interested in public affairs. In order to steer a clear way amid a flood of non-governmental ideas, the Council appointed a Public Advisory Committee composed of distinguished citizens in the fields of labour, management, the universities, social work, whom they charged with the responsibility for surveying campaigns and approving copy.

The bellwether instinct and the missionary impulse were, in a day when Americans are increasingly conscious of new problems and responsibilities, not satisfied by this service to known goods. The more socially-minded among the widened group began to explore what else might be done with idea advertising. In company with their fellow citizens, they shared the prevailing unease over Communist competition, the atom bomb, domestic division and international chaos, and they were sensitive to the common frustration as to what was the wise and effective thing to do about it. They wanted to insure the American future by selling confidence and co-operation in the American way to their fellow Americans. Acting on suggestions which came from various sources, they outlined, this spring, four new idea campaigns—one explaining the American heritage, one promoting racial and religious tolerance, one on world trade, one applauding the American economic system. These would not be government campaigns, but put out by private advertisers to whom they appealed as a public service.

There is some evidence that the industry's first impulse was defensive and that the first copy submitted in certain of the new campaigns showed a tendency to rest on old boasts, but the Public Advisory Committee moved to correct that. Copy writers found themselves delving into production statistics, histories of industry and of labour organisations, wage and

profit tables, resource surveys, world trade maps. This might be in essence a reaffirmation of faith, but the story of America was no longer to be told in terms of the little red school house and of the wartime plea, put out by a manufacturer of consumer durables, to "keep everything just as it always was—even to the smell in the corner drugstore."

Even among a people with as high a degree of consumer resistance as Americans have necessarily developed, the potentialities of idea advertising are enormous. Its dangers are recognised by the more thoughtful. Its proponents argue that if this be propaganda, it is being put out by private enterprise, free from the monolithic menace of government propaganda as known in Hitler's Germany and in Stalin's Russia. They prefer to dwell on the educational character of the new campaigns, and to stress the fact that never before were the commercial tools of communication turned by private enterprise to educational purposes in the public interest on so vast a scale.

The new advertising may be serious, but it has its lyric moments. A half page put out by an agency proclaiming its own skill reads, "An advertisement, whether about jobs or jewelry, fish or finance, is more than a commercial appeal; it is an invitation to a way of life. And as truly as when Roland blew his horn, it is a trumpet call of human dignity and individual freedom." The space is headed, "You Wouldn't See an Ad in *Pravda*."

American Notes

The Sensible Samaritan

The State Department is in no hurry to apply Mr Acheson's prescription of large-scale loans for the recovery of Europe. Both Mr Marshall and Senator Vandenberg have insisted that with the \$350 million relief bill, and the \$400 million gift to Greece and Turkey, the foreign calls on this session of Congress are complete, except for such aid to Korea as can be smuggled through in the appropriation for the War Department. There is talk now of summoning a special session in the autumn (Congress would normally adjourn at the end of July and reconvene in January, 1948). By that time the State Department's assessment of foreign needs and the policy to meet those needs will be complete, while Congress will not yet be wholly absorbed in preparations for the party conventions in June, 1948. Meanwhile, the President has proposed an extension of the Truman Doctrine in the direction most popular with Senator Vandenberg and the Republicans, in the form of arms and aid for hemispheric defence.

It has been left to Mr Harold Stassen to keep alive the central issue of aid for Europe raised by Mr Acheson. In his first major speech since his return, Mr Stassen boldly suggested that the United States devote one-tenth of its production for the next ten years to the resuscitation of the world. Mr Acheson has pointed out that one month's work of every American this year is destined for export. Mr Stassen would freeze this pattern in a programme of "production for peace," directed against no country, but designed to create world-wide peace and prosperity. Mr Stassen describes his policy as lying between two extremes: that advocated by Mr Wallace who would "make of America a nation of fellow-travellers down the wrong road" and that of Colonel McCormick, who would "make of America a nation of cold-hearted misers passing by on the other side." Mr Stassen would be a Sensible Samaritan. He insists that such an integrated programme would be cheaper in the long run than the current patchwork of partially misdirected loans and would provide the greatest single guarantee against depression in America and chaos abroad.

Tied Tithe

In some circles Mr Stassen is now bracketed with Mr Wallace as a visionary "do-gooder." It is true that Mr Stassen faces the fact that repayment could hardly be expected in dollars or manufactured goods, but only in raw materials, and certain "intangibles" comparable to the benefits derived by the United States from Lend-Lease. One of these is "access to raw materials" and the availability, in quantity, of those materials needed to prevent the depletion of American resources. But Mr Stassen's tithe is tied in a way that Mr Wallace would deplore.

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

Among the conditions he would lay down is that the governments aided

would not move farther away from individual economic freedom and go further down the sad trail of increasing nationalisation, socialisation, or government ownership, which would result in lower production for them and would negative the constructive efforts we are making, and would make more difficult our own economic future.

Should Congress approve a large-scale programme of "Lend-Lease in Peace" stricter supervision of the spending of the money is inevitable. On May 14th Senator Lodge, a member of the Foreign Relations Committee, expressed the new insistence:

While we must be prepared to spend some money, we must not pour money down a rat-hole. We must make our expenditures solely in pursuance of an intelligent plan whereby, in exchange for our outlays, these foreign peoples become self-supporting.

Senator Lodge was urging that Europe should integrate itself into an economic union "which has the possibility of life and growth." This project of fostering European economic union is attracting influential support. Senator Lodge was very careful to say that European unity must be entirely voluntary. But it is a warning signal that so liberal a Republican as Mr Stassen should be a supporter of what might be called "economic Trumanism." Mr Stassen objects very rightly to devoting American resources to the purely negative end of stopping the spread of Communism; but he would welcome their use to halt the spread of state ownership. The battle for a world loan much vaster than the loan to Britain is only in its early stages and it may well never materialise on the scale needed, but already there are the hints of conditions even more far-reaching than those which accompanied the British line-of-credit.

Civil Rights in Carolina

Of the 31 defendants in South Carolina's mass lynching trial at Greenville, 26 had signed statements admitting their participation in the murder of Willie Earle. The Governor of the State had demanded their conviction; the Federal Bureau of Investigation had been called in. The judge, who warned the jury to disregard any "so-called race issue," had maintained exceptionally high standards of court procedure. Again and again he halted the defending attorneys in their denunciations of "northern meddling" and in their appeals to race passions. Yet an all-white jury acquitted the defendants on each of 96 counts. The South was conscious that it, as well as the lynch mob, was on trial. The verdict has gone against Carolina justice, despite the best efforts of the State.

The result of the trial can hardly fail to stimulate the search for new teeth for the Federal Civil Rights statutes, proving, as it does, how inadequate are the powers of the States to punish lynchers even when their officials are willing. There are only two laws under which the Federal Government can intervene in cases of violence. These are all that time and the Supreme Court has left of a whole series of Civil Rights statutes passed during the Reconstruction period. Both of these—sections 51 and 52 of the Criminal Code—are designed primarily to protect individuals against infringement of their rights by the Federal Government, the State governments, or officials of any of these. The Bill of Rights in the Federal Constitution was drawn up in a day when governments were the tyrants to be feared, and it was fashionable to believe that man was good, a philosophy which robs Washington of the power to protect men against their fellows.

In December President Truman, alarmed by a quadruple Georgia lynching, and the wave of post-war violence against the negro in the South, appointed a Civil Rights Commission to investigate what could be done to sharpen the Federal Civil Rights laws. This Commission no doubt will also recommend the passing of Federal anti-lynching, anti-poll tax and Fair Employment statutes. These are measures the Republican majority in Congress might well support with enthusiasm as election day approaches; but Southern Senators refused last year to relinquish the filibuster, the reef on which every anti-lynching law has been wrecked. A new approach may be to withhold Federal funds from States

practising and countenancing discrimination. This has the disadvantage that it would punish the innocent with the guilty; it would also exacerbate the very legacy of poverty and ignorance which nourishes racial violence.

Grounded

Air transport companies generally are facing the near-term future with considerably more confidence than seemed probable a few months ago when traffic was showing a spectacular decline from the post-war peaks.

For the aircraft manufacturing concerns the position is far more serious. In 1941 the industry had an output of 26,300 military planes and 6,844 civilian craft; by 1944 military output had jumped to 96,300 (no civilian output allowed), and the airframe weight of craft produced was nearly 270,000 tons, against only 40,000 in 1941. In 1946 only 1,300 military planes were sold. The airlines, moreover, have concentrated orders for fast transport types into a short space; whatever may be the near-term prospect for air transport, orders will fall away for some time. No one yet knows what sort of appropriations will emerge from Congress for 1947-48, but the presidential estimates themselves allow for no more than 1,500 military and naval aircraft, and the Republican majority has been scrutinising every expenditure list.

The industry thus stands to run at a substantial operating loss. For 1946 net incomes were falling rapidly:

Company	1945 (net income \$ '000's)	1946
Boeing	6,489	— 327
Consolidated Vultee	6,749	— 2,776
Douglas	8,956	2,180
Glenn Martin	8,379	3,363
Grumman	5,713	338
Lockheed	5,470	3,059
U. Aircraft	12,855	6,061

These figures by no means reflect the slump in gross sales, since the industry was a large EPT payer. But 1947 will be much worse. The Douglas company lost \$807,000 in the first quarter, and cash resources of many smaller units are dwindling.

A full-dress Congressional investigation of aircraft manufacturing is now in progress. Before that, however, service chiefs held a special conference with representatives of the industry, and were told that Britain was years ahead in technical achievement (especially jet planes), that the Soviet Union was turning out far more military aircraft than the United States, and that the industry wanted firm orders for 3,000 to 5,000 aircraft yearly "to assure survival."

The present Congress has come a long way from early post-war days when service enthusiasts were eagerly discussing the erection (near Boulder Dam or the Grand Coulee) of billion dollar supersonic wind tunnels for experimental missiles and aircraft, with correspondingly heavy maintenance charges for research and experiment. But service officials are obviously worried, and a barrage of press publicity suggests that Republican policy in this respect at least is meeting with heavy opposition from industrial interests.

Shorter Notes

The scope of the dollar problem is again stressed by the trade figures for the March quarter. Exports for this period amounted to \$4.9 billion—equivalent to an annual rate of very nearly \$20 billion. This rate has been exceeded in only one year, 1944, when most of the goods and service transactions came within the scope of Lend-Lease. Imports of goods and services were at an annual rate of less than \$2 billion, and, apart from US Government transactions and private gifts and transfers, foreign dollar assets declined by \$1 billion.

The Senate has refused to accept the House (Robertson) Bill which would impose a further 50 per cent "fee" on imports of foreign wool. If the House clause is restored in conference, a Presidential veto is expected. Meanwhile, Mr Knutson, chairman of the House Ways and Means Committee, announces that Congress will revise any tariff pacts at Geneva deemed to be "damaging to vital domestic industries."

THE WORLD OVERSEAS

Benelux Under Way

(From Our Brussels Correspondent)

BY July 1st the governments of Belgium, the Netherlands and Luxembourg hope to have ratified by their respective parliaments the new customs tariff of the Benelux Union. They hope to bring it into force by September 1st. The tariff is the result of many months of negotiation and was made public in April. All three parties are satisfied that this represents good progress in face of political and technical difficulties. Otherwise, no further decisions of importance about the future of Benelux have been taken beyond those described in *The Economist* of January 25, 1947.

Although the introductory explanations to the tariff, furnished by the Belgian and Netherlands Governments, differ in character, owing to the different public views in the two countries, both stress the immediate importance of the decisions taken. They point out, not only the long-term implications for industry and commerce, but also the possibility of extending the Union to other countries, especially to neighbours. The new common tariff is drawn up according to the scheme produced by the League of Nations in 1937, which advocated almost exclusively *ad valorem* duties. It contains 991 items, of which 350 are to be regarded as temporarily suspended so long as the parties experience abnormal conditions due to the war. For the Belgians, the agreed duties are a reduction on those of 1939. Hitherto, values were fixed by the Belgian and Dutch customs authorities in different ways; for the future they agree to consider as "customs value" the normal selling price in the country. This means big changes in the Belgian tariff; this used to contain 3,000 items, of which only 400 were *ad valorem*, the others being calculated according

to weight, volume and quantity. In the Netherlands, on the other hand, *ad valorem* duties applied to only 160 items.

It is hoped that the new tariff will have good effects on the respective price levels. So far, disparities in the two price structures have provided one of the main obstacles to a quick realisation of the Benelux Union; disparities between the respective gold and foreign exchange reserves, and between Belgian liberalism and abundance on the one hand and Dutch interventionism and austerity on the other, have also made difficulties. The general impression now is that the new tariff will tend to lower the Belgian price level and to raise the Dutch. As before, raw materials will, generally speaking, not be subject to duty: coal, rubber, raw textile fibres, and oil will all be free. Examples of the new duties are as follows:—

	per cent.
Textile products	4-18
Metal goods	6-10
Steam engines and hydraulic machines	6
Electrical machinery	8-12
Railway carriages	12
Watches of all types	12
Optical instruments	10-15
Paper	15
Fruit juice	20
Motor-cars	24
Shoes	24
Chocolate	24

It is important to realise that the new tariff covers customs

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duties only; the future of excise duties and transit charges is not yet settled. All that has been completed so far is the first of the three stages towards union; the next is to co-ordinate excise and transit charges, and subsequently to integrate the economies. Customs legislation remains for the time being unchanged, but a study group is preparing a general customs law for all Benelux members. Foreign exchange controls remain and national reserves are to be kept separate. The scope of present agreement is therefore limited, but will enable the governments already to start co-ordinating their economic policies. Efforts are now being made to increase the exchanges between the Belgians and the Dutch, and special agreements will be negotiated to this end. The Belgians, of course, insist on the need for more freedom in commerce, largely because they are following a policy of lowering prices by increasing production.

Meanwhile, the expert commissions on a number of specific questions are making good progress, summarised below.

Transport

A final report was produced on February 26th, as a result of which competition between the Belgian and Dutch ports is being ironed out. Port duties at Rotterdam were increased as from April 1st, but Amsterdam has not yet done the same; on the Belgian side there is a feeling that the interests of Antwerp and Ghent have not yet been properly recognised. But it is hoped that fresh negotiations will bring agreement before the end of the year. These and other problems connected with the ports have their roots in history and are delicate to handle in any case; but things are made worse by the drastic reduction of traffic from the German hinterland. Two joint appeals have already been made to the occupation authorities in Germany, asking for their present transport policy to be revised. The first, sent in February, asked the British and American authorities to modify the policy of diverting traffic to Bremen and Hamburg from its natural outlet via the Rhine and canals to the Belgian and Dutch ports; and in March a memorandum was sent to London and Washington asking for a settlement of questions of Rhine navigation, in which Belgium and the Netherlands have a direct and traditional interest.

Postal Services

Agreement has been reached on common charges. A letter sent from Brussels to The Hague, for example, will no longer be subject to the international tariff, but will be stamped as for a Belgian destination.

Monetary Problems

These have been examined in detail, but, as foreign exchange reserves are to be kept separate, no decisions can be made beyond the existing credit agreements. Here the Belgians have been very liberal; their credits to the Dutch amount already to more than four billion Belgian francs. A joint effort is to be made against the black markets in guilders and francs.

Industrial Development

No great progress has been made at the official level, but there have been numerous private meetings between industrialists from both countries, in which problems have been discussed and plans and agreements made for the future. Civil servants and industrialists do not always see eye to eye on methods of negotiation, the latter preferring to dispense with the intervention of the former. As more or less official reconstruction plans exist in both countries, this lack of collaboration between officials and private employers is regretted by the governments.

Agriculture

Numerous problems remain unsettled, owing to stubborn differences between national policies. In Belgium, maximum commercial freedom is the aim of official policy; the Dutch go on sticking to their complicated monopoly system.

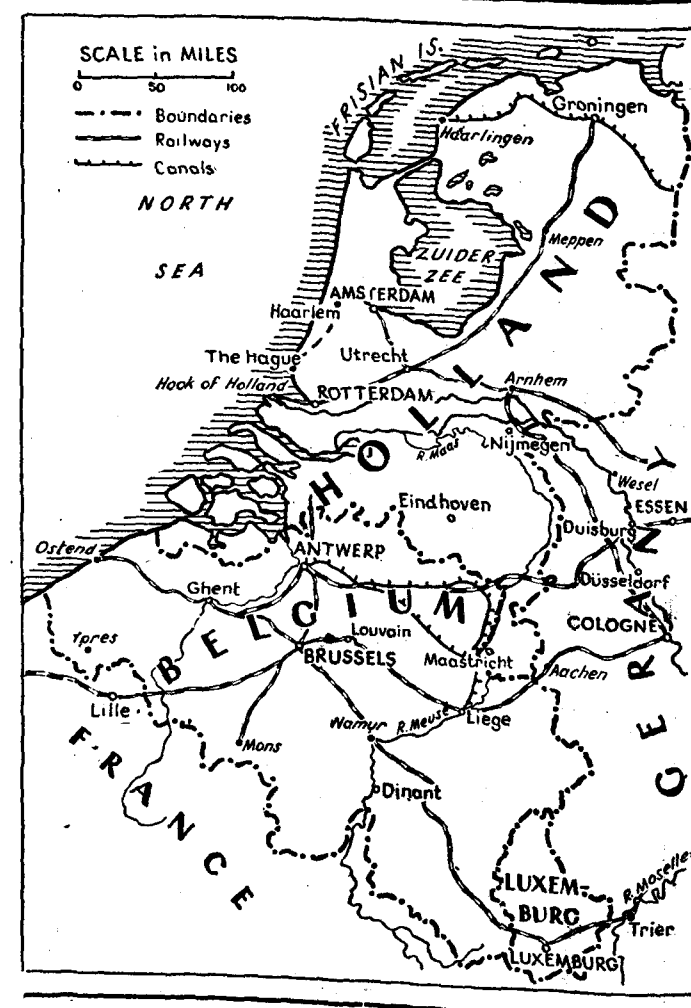
Besides the regular discussion under the heads just given, groups of economists and statisticians are examining ways of co-ordinating statistics and of producing uniform documents. So far as foreign trade statistics are concerned, the task is virtually finished, and in the near future accurate comparison of trade movements in the two countries will be possible. Similar work is now being done on price, wage and cost of living indices.

The Council of the Benelux Union, consisting of high civil servants, meets every five or six weeks, alternating between the three capitals. They discuss the progress made by the special commissions and give new directives. In future—as a result of a successful meeting in Brussels at the beginning of this month—

Ministers will also meet every three months. At this meeting it was decided that the plans for unification of excise and transit charges should be prepared and ratified before September 1, 1948, so that the second phase of progress towards union may begin exactly a year after the first.

Those who have followed the negotiations closely are impressed by the fact that the state of mind of the negotiators is exactly what it was two years ago: firm resolution to overcome all difficulties, to establish a solid union, and avoid taking any risks that might endanger the results already achieved. But the fact remains that very little progress is being made in such vital matters as co-ordination of agricultural and industrial development. If work continues at its present speed, it will be five years before the third phase of union is reached; meanwhile, industrial conditions are crystallising in western Europe and opportunities to create new industries—arising from the weakness of Germany—may be lost.

Yet industrial and financial circles in both countries are almost unanimously in favour of union; as are most of the general public



who do not understand all its implications. In October, 1946, a Gallup poll held in Holland showed 80 per cent of people in all social groups in favour of the union, three per cent against it and 17 per cent with no views. At the beginning of this year a similar poll in Belgium showed 69.3 per cent in favour, 23.5 per cent indifferent and 7.2 per cent against union.

This result in Belgium was remarkable, because some political circles there had expressed fears that union might slacken the traditional ties with France, and so weaken the position of a small minority in a Dutch-speaking group. In fact, close economic collaboration with France already exists through the monthly sessions of the Tripartite Council (delegates of France, Holland, Belgium and Luxembourg), but its results are not very constructive. There is, in particular, a conflict of views over Germany. The French wish to see German heavy industry destroyed or reduced for security reasons. The Belgians and the Dutch fear that the development by the Germans of manufacturing industries to take its place would directly interfere with their projects for developing finishing industries. Moreover, if German

production remains at its present low level, the ports of Antwerp and Rotterdam will be restricted to the role of receiving imports from overseas.

The present situation is that both governments recognise the need for joint action and policies to defend interests which are increasingly common to both. If political fears should interfere too much with the efforts to work together, then a political arrangement complementary to the economic one may have to

Eastern Europe in 1947—II

Russia, Panslavism and Nationalism

(By a Special Correspondent)

IN the first months after victory the efforts of the new regimes for national reconciliation were fully backed by the Soviet Union. The principle of reconciliation agreed with Soviet ideas about the solution of national problems. The new governments were largely controlled by Communists, and proclaimed the devoted friendship of their countries for the USSR. Sweeping social reforms were decreed, and conscientious if not always successful attempts were made to put them into practice. The Soviet leaders expected that these reforms would win the peasants and workers, and at least a section of the professional class ("intelligentsia") to the new governments, and that the "broad popular masses" would thank the Soviet Union, not only for delivering them from the German yoke, but also for making possible a social transformation which would raise their standard of living. As it was expected that the new regimes would be friendly to the USSR, and that the peoples would love both the regimes and the USSR, it was obviously desirable that the peoples should be friendly to each other. Reconciliation between East European neighbours was therefore encouraged by Moscow.

But expectations were not fulfilled. It is true that the pre-war regimes were (with the sole exception of Czechoslovakia) oppressive and unpopular, and that the new social reforms and economic plans offer a greater prospect of ultimate prosperity than any pre-war policy. But the war devastated Eastern Europe, houses and factories were destroyed, cattle, machinery and means of transport were removed by the Germans and have not been recovered, and reparations and the expenses of Soviet occupation have been and are a severe burden. The Rumanian and Bulgarian droughts and the expulsion of German skilled workers from Bohemia have created problems even in areas which escaped relatively lightly from the war itself. The result is that, though conditions vary in different regions, the material standard of living is in most places much lower than it was under the dictatorial Right wing regimes of 1939. People are discontented, and they blame the new governments, and the Soviet Union as the pro-jector of the governments. In countries occupied by Soviet troops anti-Soviet feeling is still stronger.

The Soviet leaders were soon forced to admit that they had miscalculated. In the new situation policy had to be reconsidered. With the peoples anti-Soviet and the new regimes weak, it was no longer certain that reconciliation between East European neighbours was to Russia's advantage. It would be wrong to suggest that Soviet policy was completely reversed, but it is certain that it was modified. The most striking example was Soviet treatment of Hungary during the first six months of 1946. Hungarian leaders were allowed to hope that the Transylvanian frontier would be modified in their favour, and that Moscow would press Czechoslovakia to treat the Hungarians in Slovakia more leniently. At the same time, the Prague and Bucharest Governments were convinced that they would be fully supported by the USSR. The policy of "divide and rule," traditional game of the Great Powers of the past, was played right up to the Paris Conference, when Mr Vyshinski definitely came down on the Czechoslovak and Rumanian side against Hungary.

During the war an important feature of Soviet propaganda was Panslavism. Unlike some other concessions to Russian traditionalist feeling which were stopped after victory, Panslavism has remained. The representatives of the small Slav nations at the wartime Panslav congresses in Moscow included such well-known Comintern figures as the Bulgarian Kolarov and the Macedonian Vlahov. The most recent congress was held in Belgrade in December, 1946. The speeches of delegates were a curious mixture of revolutionary and racial slogans. Some passages recalled the "Slavophile" doctrines of the nineteenth century, which attributed to the Slav nations a moral superiority over those of the West, and stressed the mission of the Slavs, and particularly of

Russia, to save and regenerate the world. The Slavophiles believed that the spiritual and social traditions of "Holy Russia" contained the means of solving problems in the face of which the West was powerless. The Panslavs of 1947 do not use their predecessors' terminology, but the underlying note is surprisingly similar. It is overlaid with phrases about continuance of the world struggle against Fascism. The audience are not openly told, but are allowed to infer, that "Fascism" and "the West" are identical. An interesting feature of the Belgrade congress is that it was attended by delegates of the Slavs of the United States, Canada and New Zealand.

It is hardly likely that the members of the Politburo have been converted to the doctrines of Aksakov and Dostoevski. It should be remembered that the attitude of Russian governments to Panslavism was always opportunist. The Slavs oppressed by the Habsburgs or the Sultan naturally looked for help to a great nation linked to them by affinities of language and (in some cases) of religion. The Russian Slavophile intellectuals had dreams of redeeming the human race. But the government of the Tsars was interested in Panslavism as an excuse to justify an imperialist foreign policy and as a means of diverting attention from internal problems. To-day the Soviet Government aims at enlisting the support of different groups by the use of different slogans. Classical Marxism will appeal to the working classes of industrial Europe, nationalism and "Panasiatism" to the colonial and "coloured" peoples, and Panslavism to the nations of the disinherited East of Europe, to whom the Westerners, whether they be Germans, British, French or Americans, can be represented as a selfish race of exploiting plutocrats, who regard the rest of Europe as colonial booty.

In 1871 the Panslav writer Danilevski published his "Russia and Europe," which outlined a future Slav confederation under Russian leadership. Most of his prophecies, which then seemed fantastic, have been realised during the twentieth century. Among those which have not were the incorporation of Trieste and part of Carinthia in a South Slav state and of the Thracian coast in Bulgaria. These still figure among the aims of the Panslavs of 1947. The Soviet press has shown sympathy for them, but the Moscow Government has compromised, at least temporarily, on both points. Its ultimate decision on the second will depend on whether it believes that the departure of British troops from Greece will allow a government to be formed in Athens in which Communist influence will prevail. If this could be achieved, Greece as a whole could be detached from Britain and brought into line with the other Balkan States. If the price were to allow Greece to keep south Macedonia and Thrace it would be worth paying. But if, even without British troops, the Greek Right remains in power and maintains its reserve towards the USSR, then the arguments of the Panslavs on the Slav character of "Aegean Macedonia" and Thrace, and on the suppression of their inhabitants by Greek Fascists, will receive support in Moscow. A friendly Greece can keep its frontiers, but a hostile Greece should be partitioned and the "Slav block" brought to the Aegean. The support given by the Truman Doctrine to Greece has postponed but not radically changed the issue.

The national problems of Eastern Europe, which the Austrian, Russian, German and French statesmen of the past could not solve, will cause many anxieties to Soviet diplomats. Hitherto Moscow has done fairly well. First priority is given to the Slav nations, and of these the two most unreliable, the Poles (who have historic reasons to hate Russia) and the Czechs (who, though Slavophiles, have genuine sympathy and understanding for the West), have been encouraged to take action which must make reconciliation with Germany inconceivable, and must thus increase their dependence on Russia for protection. Of the non-

Slavs the Rumanians have been preferred to the Hungarians, partly because the Rumanians are the more docile nation, partly because the other Slav nations hate Hungary but are indifferent to Rumania, and, above all, because Rumania is nearer Russia and strategically easier to control. By restoring Transylvania whole to Rumania, the Soviet leaders extended their own frontiers west. Rumania is an essential part of the Soviet defence system, Hungary is not.

It would seem then that Soviet policy has made the best decisions possible in the circumstances. But to play with East European nationalism is a dangerous game, in which the enemies of Russia within each country have much experience. It is difficult for the new regimes to outbid the Right opposition in nationalism, for they can so easily be denounced as agents of Russian imperialism. The counter-charge that the opposition are tools of the Anglo-Saxons is much less effective, for the Anglo-Saxons are far away, and the average East European has never had such experiences with their troops as he has had with the Red Army.

Symptoms of Fascist Revival

Before the war nationalism and Fascism went easily together, and it seems likely enough that this will happen again. Available evidence suggests that nationalist feeling is in fact being much more successfully exploited by the oppositions than by the regimes. Explicitly Fascist mass organisations cannot easily be built in Eastern Europe to-day. But the symptoms of a Fascist revival are undoubtedly visible. In Yugoslavia and Bulgaria Fascism was artificially imposed from above and never had mass support. In both these countries nationalism, though violent, is at present to a large extent controlled and directed by the governments, and anti-Russian feeling, though perhaps growing, is probably not very strong. But in Poland, Rumania and Hungary Fascism was a genuine native product. The National Radicals, Iron Guard and Arrow Cross were once powerful minorities, deriving real support from sections of every social class. In all three nationalism is to-day out of control. In all three hatred of Russia is passionate and widespread, and is fiercer among the masses than among the official opposition leaders, who, realising the need for good relations with the USSR, try (with little success) to hold their followers back. In the same three countries anti-Semitism is as strong as ever in the past.

Finally, in Poland, Hungary, Slovakia and Croatia the Catholic Church has great influence. Only in Croatia it suffered real persecution. But it is obvious that the new regimes intend to allow it less power in political life, and especially in education, than it enjoyed under the old. The Church distrusts fair words from MM. Bierut and Rakosi and makes little attempt to hide its hostility. It is a rallying-point for anti-Marxism and for every shade of nationalism. The same is true, on a much smaller scale, of the Orthodox Church in Rumania, Bulgaria and Serbia.

The social bases of a Fascist revival are the dispossessed bureaucracy and commercial class and the discontented peasantry. The ideological basis is a mixture of ultra-nationalism, clericalism, anti-Semitism and indiscriminate hatred of all that is Left. No new movement would openly call itself Fascist, but would probably approximate to one of two types, examples of which are the Russian "Black Hundreds" of the beginning of this century or the Austrian "Christian Socials" of Dollfuss. The impending departure of the Soviet troops makes the problem a real one.

Whether the Soviet political and military leaders could have shown more tact and tolerance, and whether had they done so they would have met with genuine co-operation from the East European peoples cannot be proved one way or the other. But it is certain that to-day nationalism is as fierce as ever before. To anyone who has seen something of the harm it caused in the past, and who remembers the hopes of 1944, the change must seem immensely tragic.

(To be continued)

Stalin's Dose of Optimism

[BY A SPECIAL CORRESPONDENT]

LAST Monday the Supreme Soviet of the USSR issued a decree abolishing the death penalty. This is the second time that the death penalty has been abolished in Soviet Russia. The first occasion was immediately after the October Revolution, but the reform was then very short-lived. Capital punishment was re-introduced at the beginning of the civil war and since then the legal standards prevailing in Soviet Russia have been those of a country torn by virtual civil war. There were only two intervals in this long period of terror: the first phase of the New Economic Policy, in the middle 'twenties, and the period of "constitutional

illusions" in the middle 'thirties. Yet even during those intervals the death penalty was not abolished, in fact it became "daily bread" under the grim Yagoda-Yezhov regime, when the guillotine of the great purges was in feverish motion. Then, after the purgers themselves had been purged and Stalin put his countryman and biographer L. Beria at the head of NKVD, the wave of terror subsided, though capital punishment was still an important element in maintaining Russia's civil and military discipline during the war.

Since the end of the fighting there have been many indirect indications of a pressure to soften the rigours of the regime. It is only natural that a people that has borne as heavy sacrifices as the Russians have and has, on the whole, shown astonishing loyalty to the regime—in spite of innumerable grudges and grievances—should expect their rulers to relax the grip of the secret police. The demand for some liberal reform has not been voiced or formulated by any organised political group, because no such group has been allowed to survive. But the expectation is present in the Russian mind. The rulers know this, and are aware that they must somehow meet it. In the inner councils of the Kremlin, the opponents and the advocates of some liberalisation of the regime are almost certainly arrayed against one another, though the outsider cannot say which members of the Politbureau stand on which side. In 1933-34 the "liberal" trend in the Politbureau was represented by S. Kirov, the Governor of Leningrad, whose policy was defeated when its prompter himself was assassinated by a young terrorist from the opposition. Mr Stalin was then biding his time and refusing to commit himself. Something similar may be happening now.

Trade Unions and Morale

It is perhaps significant that the abolition of the death penalty has been decreed on the responsibility of Mr Shvernik, now President of the Soviet Union and former leader of the trade unions. From the despatches from Moscow it appears that the decree has not been countersigned by the Prime Minister Mr Stalin. The explanation of the decree places responsibility for it primarily upon the trade unions (the Party has, surprisingly enough, not been mentioned among those "authoritative organisations" that have pressed for the reform). Evidently the expectation of quasi-liberal reforms is an important factor in the morale of the working population on the state of which fulfilment of the Five-Year Plan to a large extent depends. The trade unions may be more concerned with the matter than some other organisations, for they are more directly in touch with the prevalent moods in factory and workshop. The Government, on the other hand, have recently shown an anxiety to enhance the moral position of the trade unions by reviving the previously discarded practice of collective agreements in industry. The latest decree is calculated to increase the popularity of the trade unions.

The abolition of the death penalty has come after a series of such other measures as the promise of *habeas corpus*, to be embodied in the new legal codes, the reduction of the formal status of the NKVD, the transfer of labour camps from the authority of the NKVD to that of the Central-Commission for Labour and so on. All these measures, if seriously carried out and supplemented by a few others, would add up to a real modification of the regime. The "if" is a very big one.

Propaganda Boomerang

Another motive given for the decree is that "the international situation . . . shows that the cause of peace may be considered secure for a long time, in spite of the attempts of aggressive elements to provoke a new war." This reassuring view is often contradicted by day-to-day propaganda and by the tenor of the Russian press, which must have sounded alarmist to the Russian public. A similar contradiction can be found in Mr Stalin's own speeches, which have contained hints about the capitalist encirclement of the Soviet Union as well as reassuring statements about the stability of peace. As usual, the style of Russian propaganda is veering between extremes of pessimism and optimism. The gloomy suggestions about an imminent danger of war have been needed to strengthen the appeal for more and harder work for the fulfilment of the Five-Year Plan; but they have apparently tended to defeat their own purpose and create apathy and panic instead of enthusiasm for work. The effects of an unduly pessimistic line of propaganda must therefore be dispersed by an injection of a big dose of optimism. There can be no doubt that the Soviet Government are also anxious to demonstrate to the outside world that Russia is preparing for a long peace. All that is needed to secure it is that "the attempts of aggressive elements to provoke a new war" be discontinued.

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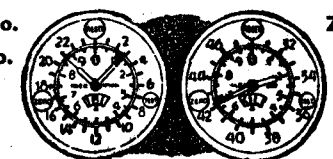
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THE BUSINESS WORLD

Scope for Import Cuts

TO the well-informed, the gravity of the problem of Britain's balance of overseas-payments needs no emphasis. But the general public at home, and many even of the knowledgeable public across the Atlantic, are still only dimly aware of it. If they looked for proof they would readily find it in the rapidly accumulating evidence of the intensity with which, in the past few weeks, the responsible Ministers and departments, under the lead of the Treasury, have been seeking remedies. The unpalatable fruits of these labours are likely to be seen before long, and the public must prepare itself to stomach them. But, Ministers having this week been otherwise engaged though Mr Dalton gave an ominous warning, even so this is an appropriate moment to consider, against the statistical background, what may be in store.

The original import programme for 1947, set forth in the belated *Economic Survey*, provided for a total of £1,450 million (f.o.b.)—an increase of no less than £350 million on 1946 which was intended to make good the inroads into stocks of materials and food, to provide for the growing needs of re-equipment, to maintain some variety in Britain's diet—and to meet the rise in dollar prices. But this programme was founded on the assumption that Britain's overall payments' deficit for the year would be no more than £350 million, and even by the date of the budget the figure had been officially revised to upwards of £400 million. Now, although industry's recovery from the fuel crisis is, on the whole, proving more rapid than had at first been feared, Sir Stafford Cripps has admitted that the resultant loss of exports may be about £200 million. The greatly accelerated drawings on the dollar credits leave no doubt that the import target must join the growing list of abandoned goals. Sir Stafford has given warning that, if the credits run out before

the export targets are realised, imports would have to be cut by some £400-450 million per annum. There is, in fact, some reason to think that the current review was directed at first to a saving of almost this extreme order, but appreciation of the burden it would impose seems to have substituted the more modest, but still elusive, objective of off-setting the prospective shortfall of exports below the original target for the year—a cut of perhaps £200 million. How could such a saving be achieved, and what effects might it have?

Much depends, of course, upon the supplying areas upon which it is concentrated—if, indeed, the principles of non-discrimination (which may be presumed to be receiving close scrutiny) permit the Government as large a flexibility as the situation so patently demands. Obviously it is not sufficient—especially in this phase of acute stringency, when Britain must gain time at all costs—to look simply to the overall balance. It is true that the advent of July 15th, after which all proceeds of exports to Britain become convertible, will in principle extend the problem beyond the "hard currency" imports which have been the central difficulty so far. The overall balance will admittedly become progressively more significant, but on a relatively short view, as a study of Britain's deficits by countries reveals, the problem will not be basically altered by the new status of sterling. Though the problem becomes, in principle, one of foreign exchange as a whole, it still remains, in fact, overwhelmingly one of dollars.

Countries with which the United Kingdom had an adverse trade balance of over £10 million in 1946 are listed in Table I. The chief country with which the account is adverse is the United States, with a balance of £187 million, to which should be added £19 million for Cuba. Canada assumes second place

with £162 million, New Zealand third, with £48 million, followed closely by Argentina (£46 million). Apart from New Zealand, which can probably be relied upon to hold its accumulating sterling, the three major countries with which there are deficits are also the three major hard currency countries. Whether, therefore, convertibility imposes additional dollar strain, the essential pattern of the problem will be unaltered.

TABLE I
UNITED KINGDOM'S DEFICITS ON VISIBLE TRADE
Balances exceeding £10 mn. in 1946

Country	1946	First Quarter, 1947
Total	£ Mn. 335.6	£ Mn. 95.9
United States	187.1	53.9
Canada	161.7	35.7
New Zealand	47.7	24.4
Argentina	46.0	22.1
Ceylon	28.1	4.4
Netherlands West Indies	22.1	5.3
Cuba	19.4	3.9
Nigeria	14.0	3.8
Sweden	10.5	0.2

Unfortunately, many of the most commonly discussed measures for economising dollars would be intractable or illusory. Some £18 million might be "saved" by prohibiting foreign films, but only at the risk of counter-measures against the expanding British film industry, with its promise of valuable "invisible" income. Up to £35 million might, theoretically, be saved in imports of consumer goods—at the cost of more intense austerity. The hypothetical 25 per cent decline in tobacco consumption would save £13 million, including freight, etc. Even if to these items there could be added a further, say, £20 million saved on imported petroleum by drastic domestic rationing, less than half the presumed target of £200 million would have been achieved. And the figure of £200 million, it should be remembered, is not what is required to balance the accounts, but simply to reduce the deficit to the total of £350 million originally contemplated. If such items are "frills," it is obvious that to cut them thus drastically would not protect the basic import programme. To achieve worth-while savings, there must be cuts in one or more of the groups of essentials—food, raw materials and equipment.

Anything more than a modest pruning of raw materials would evidently have almost immediate repercussions upon exports. It is possible that there is a little scope for selective cutting of imports for industrial re-equipment. This could not be done without heavy eventual loss, out of all proportion to the immediate gain, but this highly improvident criterion may have to govern policy. Clearly, there is little room for reduction in imports of either materials or capital goods. But this is equivalent to saying that the axe must fall on food imports, and that might lead just as quickly, through impaired productive efficiency, to lower exports. Maintenance of the basic food supplies plainly has the highest priority except over limited supplies of crucial equipment—such as bottleneck items of mining machinery.

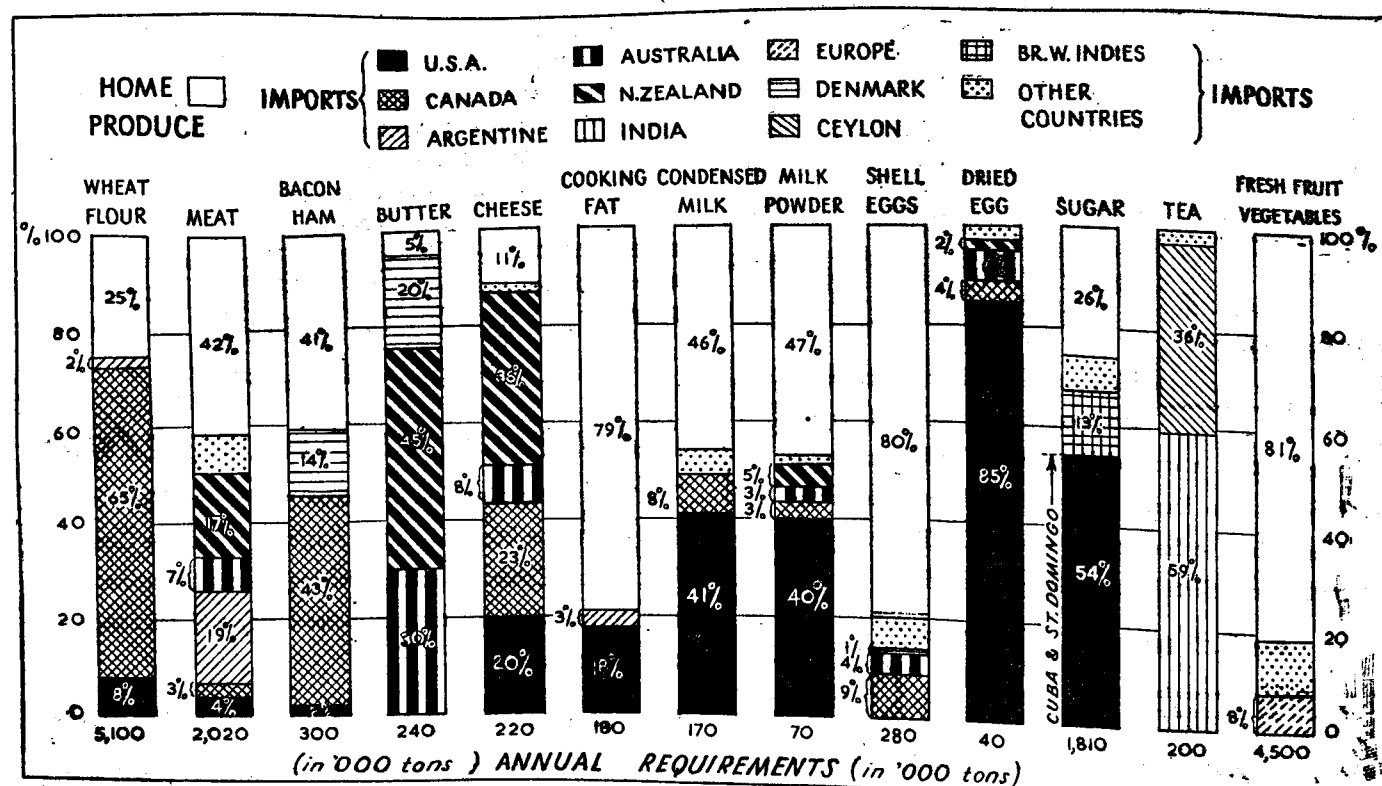
What economies could be made in food imports without affecting the basic rations? In 1946, food and drink accounted for £572 million, or just under 50 per cent of total imports, and most of these purchases were for basic rations. It is possible, however, to effect certain economies by giving the public a less palatable and more monotonous diet. For example, some £10-13 million could be saved on the meat bill by excluding such items as game, poultry, tongue, etc. By halving the imports of dried eggs, £15 million could be saved; £10 million could be found by cutting out condensed and dried milk; and £20 million from such "luxury" fruits as apricots, grapes, pears, peaches, etc.—while retaining bananas, oranges, grapefruit and lemons, costing £18 million in 1946, as "necessary" fruits. A ban on imports of spirits or wine would save £11 million; of fish, £25 million; preserved and tinned fruit, £15

million; and cakes, £4 million. Such a pruning of the food import programme might produce £110 million, which, with the £60 million or so from tobacco, consumer goods and film remittances, would, in a purely arithmetical sense, come within striking distance of the presumed target.

But it is important to realise that such savings would be illusory or impracticable—or merely theoretical. The coal-oil conversions now taking place in Britain will probably require even larger imports of petroleum. Moreover, the basic British rations are inadequate to maintain healthy living. Total rationed and pointed foodstuffs give only 1,600 calories a day; the remaining 1,300 calories are obtained from other foods. Many items, too, which would have to be cut in order to give this theoretical economy are used in the manufacture of "semi-essential" foodstuffs, such as jam, savouries, etc. It is probable that the real luxuries, such as spirits, wine, poultry, etc., would not amount to as much as £50 million. More important still, on a short view, a large proportion of the so-called "luxury" food imports come from countries with which Britain enjoys a favourable trade balance, and since the currencies concerned are not yet convertible into dollars, these imports are simply an alternative

TABLE II—IMPORTS FROM UNITED STATES, CANADA & ARGENTINA
(By Value)

	1946			First Quarter, 1947		
	U.S.A.	Canada	Argentina	U.S.A.	Canada	Argentina
	Mn. £	Mn. £	Mn. £	Mn. £	Mn. £	Mn. £
Wheat	10.6	54.1	2.0	2.9	15.7	0.7
Meal and flour	1.5	11.8	0.3	1.1	2.3	...
Other grain and flour	2.1	2.0	4.2	1.8	1.1	2.2
Meat	13.1	24.9	36.0	0.5	8.6	11.4
Dairy produce	43.7	12.5	2.1	8.6	2.0	0.3
Fresh fruit and vegetables	0.8	2.7	...	2.6	1.8	...
Other food	13.3	9.9	4.1	9.6	2.8	6.1
Tobacco	55.2	1.8	...	11.2	1.2	...
Non-metal mining and quarrying products	2.6	5.7	0.1	0.9	0.2	...
Non-ferrous ore and scrap	0.4	3.2	0.1	0.1	0.7	...
Wood and timber	3.9	25.2	...	0.8	3.8	...
Raw cotton and waste	7.1	...	...	7.5	...	0.2
Seeds and nuts	2.6	0.2	6.9	1.0	1.0	1.9
Hides and skins	3.8	2.8	4.3	1.5	1.0	4.0
Paper-making materials	0.2	2.1	...	0.1	0.3	...
Rubber	1.7	...	...	1.1	...	...
Other raw materials	1.8	2.1	1.7	1.1	...	0.7
Iron and steel manufs.	4.2	1.9	...	1.0	0.9	...
Non-ferrous manufs.	2.1	17.4	...	1.3	2.8	...
Machinery	9.5	1.0	...	3.7	0.4	...
Mfrs. of wood and timber	2.8	2.8	...	1.0	0.8	...
Chemicals, etc.	4.5	1.2	1.6	1.2	0.3	0.3
Oil and fats (mfd.)	28.1	...	...	7.6	...	...
Other manufs.	11.3	10.4	3.1	3.5	1.4	0.9
Total	226.9	195.1	67.0	70.7	44.4	28.3



to additional British lending abroad. In some cases, too, there are political reasons for such purchases. Cuts in such supplies would do nothing—or virtually nothing—to solve the basic problem.

The problem of the "deficit" countries can best be seen from an examination of the imports from the United States, Canada and Argentina, which are given in value terms for 1946 in Table II. Food from the United States accounted for £85 million or 38 per cent of the total, the largest items being dairy produce, meat, wheat and flour. Tobacco imports cost £55 million, while raw materials totalled £24 million. Of the £63 million of manufactured goods purchased in the United States, many were intermediate and not end-products. For example, manufactured oil and fats accounted for 45 per cent (£28 million); metal manufactures totalled £6 million; chemicals, £4½ million; and wood manufactures, £3 million. Imports of machinery were under £10 million. The extent to which any economy can be made is obviously limited. Perhaps £10 million might be saved from the total food category and possibly £11 million from "other manufactures." If £13 million on tobacco is included, a theoretical total of £35 million is achieved.

The position of Canada is similar, although the commodities concerned are different. Food accounted for £118 million, or 60 per cent of total imports in 1946. The main commodities

were wheat and flour, meat (mainly bacon and hams) and dairy produce. Raw materials amounted to £41 million, with wood and timber accounting for £25 million. Total manufactures were valued at £35 million, over £17 million being spent on "non-ferrous manufactures"; these in fact were non-ferrous metals imported in a semi-refined or refined state. It seems doubtful if imports from Canada could be reduced by so much as £20 million without affecting staple commodities.

Of the Argentine imports, some 72 per cent comprised food, with meat as the main item. Oilseeds, hides and skins were the chief raw materials obtained from this source, whilst purchases of manufactured goods consisted of miscellaneous articles. The total possible economy on Argentine purchases is probably below £3 million. Thus from the three main hard currency sources of supply, a maximum theoretical saving of well under £60 million could be achieved on these premises. The realistic figure is likely to be considerably less.

It would seem, therefore, that neither the total amount of imports nor those from the major deficit countries can be effectively reduced by cutting off both the fairly obvious frills and other items which, though very desirable, cannot be regarded as vitally necessary in a condition of emergency. It remains to be seen what would be the effects of a cut in the supply of staple commodities. The chart on previous page shows for the main foodstuffs the proportion of total requirements produced at home and the main sources of imported supplies. No allowance has been made for changes in stock-levels; in most commodities these have been incorporated into the proportion given for imports. The small proportion of domestic supplies to total requirements is more or less consistent with pre-war experience. The only commodities of which home output supplied more than half the total needs are highly perishable goods, such as shell eggs, fresh fruit and vegetables, or manufactured foods, such as margarine and compound cooking fat—and for this latter group the raw materials have to be imported. The chart clearly demonstrates Britain's dependence on overseas supplies for most of the staple commodities. Canada alone supplies 65 per cent of total British requirements of wheat and flour, with the remaining 10 per cent of imported supplies coming from the United States and Argentina. Argentina also supplies nearly one-fifth of British meat consumption, while other western hemisphere countries accounted for 13 per cent. New Zealand sent 17 per cent of the total and Australia 7 per cent. Canada also provided 43 per cent of bacon and ham requirements, and Denmark 14 per cent, but supplies from this latter source are expected to increase. Butter came from New Zealand, Australia and Denmark—relatively "soft" currency countries—but cheese mainly from New Zealand, Canada

and the United States. Most of the imports of pure lard, condensed milk, milk powder and dried egg came from the United States, whilst over half the sugar requirements of the United Kingdom was supplied by Cuba and St. Domingo. Tea was purchased mainly from India and Ceylon, with small quantities from Nyasaland, and fresh fruit and vegetables from Europe.

The significance of the western hemisphere and of New Zealand and Australia for the British food economy is striking. Europe is unlikely to have sufficiently recovered from the war to become for some years an important supplier of Britain, although increasing quantities of mainly dairy produce are expected to become available in Denmark and Holland. But Britain's food economy appears to be fairly firmly founded upon the western hemisphere and if hard currency cannot be found to meet the purchases, then, willy-nilly, the quantities will have to be reduced. The problem is, however, further aggravated by the low level of stocks in the United Kingdom of precisely those foodstuffs which come from the United States, Canada and Argentina. Stocks of wheat and flour, meat, bacon, cheese and fats now stand at such levels that even temporary cuts in imports would have to be reflected in reduced rations. The only commodity the imports of which could possibly be reduced without any direct impact on consumers is sugar.

It is clear that there is no solution of the problem which would not impose serious hardship upon the public. There is one faint hope—that the terms of trade may move in Britain's favour in the immediate future. But this is too uncertain a chance to serve as the basis for policy now, and decisions can no longer be deferred in the hope that it might materialise in time. The import programme should be reviewed as an integral part of the Government's overall economic policy, and the priorities should be decided accordingly. Once the modest frills have been cut away, the Government, as during the war, will be faced with the unenviable task of cutting supplies for a number of uses all of which may look equally vital. Obviously, no long-term solution can be achieved by such means; but Britain now has to try to hold out in the hope that the whole climate of world trade will alter—until hard currency prices fall, until soft currencies become convertible and until Britain's export capacity expands considerably. The hope may be vain, but in any case only an increased supply of dollars could save Britain from import cuts, and proposals for additional aid surely could not be broached until a further serious effort had been made to bridge what the Americans may still regard as a short-term gap. In such a situation, the only expedient will be to do what is necessary to stay alive, even if that means leaving the future to take care of itself.

The OFS Goldfield—II

AN article in *The Economist* last week described in general terms the scene which is unfolding in the new goldfield in the Orange Free State. This week an attempt is made to relate the mining developments to the financial organisation. There are, it is believed, some 160 companies interested in prospecting in the OFS, but of these only a modest proportion deserve any attention from the investor. Most of the present minor promotions, with many predecessors from the early days of the Rand, will doubtless exist eventually only in the reference records of moribund companies. These articles make no attempt to survey the whole range conceived in such terms: they are concerned, mainly, with the interests of the leading mining finance houses which dominate the prospective mining area. The prospecting in the north of the OFS has not greatly changed the outline of the new field in recent months. The extraordinary strikes in the Blinkpoort-Western Holdings area have not unnaturally

fostered hopes that these two potential mines may prove exceptionally rich, with complementary indications from and for the property lying immediately to the east—that is the Welkom No. 1 lease area, the most northerly of the three projected Welkom mines and the one on which shaft-sinking will begin this year. The first OFS shaft, that on the St. Helena, may soon reach the reef horizon, but its siting was based primarily on the shallowness of the overlying beds in this part—only about 500 feet, compared with an average Basal Reef depth of some 2,000 feet in other parts of the St. Helena property and of 4,000-5,000 feet on the Welkom properties. Information about the structure and mining conditions generally from this shaft will be regarded in technical circles as more instructive than the actual values immediately encountered; these, indeed, are not expected to be particularly high.

In short, more information has been, and is being, gathered

about the nine or ten probable mines, but little positive has yet emerged to encourage expectations of an extension of the field. The various exploiting groups and companies have done a certain amount of swapping of small areas, with the general object of rounding off the mining boundaries to permit of more logical exploitation in the light of information about the lie of the land underground. The financial grouping has also been simplified by various financial operations, some of which are referred to below. This unscrambling—perhaps rescrambling would be a more descriptive word—of the technical and financial position makes it easier for the general investor to know what is represented by the various shares on the market. The stage has been reached at which it is perhaps legitimate to draw some distinction between speculation and gambling chances.

Among the ventures which give promise of being serious mining propositions, St. Helena has generally been rated as less promising than Welkom, because the grade of borehole cores has not been particularly exciting; but such comparisons involve assumptions which may not be confirmed when the ore bodies are examined. Meanwhile, the St. Helena property has the solid advantage, in terms of working capital, operating costs, and time required for preparatory development, of the shallowness of the reef. The present incline shaft with steam haulage will be followed by two vertical shafts when electric power is available; but much work remains to be done before a decision can be taken to erect an ore crushing plant. In the mines under Union Corporation management on the Rand itself, ore is not reckoned for calculation of proved reserves until it is blocked on three sides. But even when such knowledge has been gained, and there has also been experience of actual working conditions, estimates of future profitability and longevity made in the early years of working are likely to be falsified by the widest margins. At the present initial development stage, therefore, while attempts to make such forecasts for the OFS mines are obviously necessary as a basis for such decisions as the sinking of an incline shaft, similar exercises in arithmetic for the purpose of reaching any conclusions about share values would involve very long shots indeed. They certainly will not be attempted here. It may be noted simply that the St. Helena company is capitalised on the basis of share market values at about £13 million, with the 10s. shares at 51s. 3d.; it has about £1.7 million of resources in hand for shaft sinking, but another £2 million or so will probably be required for installation of reduction plant.

The second of the actual mining companies to be formed, Welkom Gold Mining Co., Ltd., is exploiting part of the former African and European Block 7, in lease areas Nos. 1, 2 and 3 respectively. All three are owned by the Welkom Gold Mining Co., but only the first (and incidentally the richest of the three so far as can be seen) will actually be worked by the company; the two others will be worked by daughter companies to be formed one year and two years hence. The initial

capital of the Welkom company is 8,000,000 5s. shares, quoted at 55s., and £4,000,000 Debentures, so that the present market capitalisation totals £26 million. When the second and third companies are formed, the senior company will be allotted 1,000,000 shares in each as consideration for the right to work the areas; and the balance of the present authorised capitals—4,000,000 shares of 5s. for each company—will be offered *pro rata* to Welkom shareholders. The debentures will be redeemed at par not later than 1963 and rank for earlier amortisation out of profits. The present Welkom shares thus have the full equitable right in all three of the projected mines. Borehole results, especially on the Welkom side of the border between the No. 1 lease area and Western Holdings (whose property, as the chart published last week showed, lies to the north-west), have been interesting, with values averaging around 500 inch-dwts. The reef dips generally to the east over the whole of the Welkom area, but the difficulties presented by the high temperatures to be expected at depth will doubtless be met to some extent by special ventilating systems and below-surface cooling-off rooms for workers.

It had been expected that the third mining—as distinct from prospecting—company would be formed by Western Holdings, to exploit the Second Lease area. But the directors recently announced that, as this area is virtually the sole remaining mining property owned by the company, it would develop it on its own account—news which provoked a sharp relapse in the price of the shares to around £5. At 92s. 6d. the indicated market capitalisation is about £13 million; to this there will have to be added the further £2 million or so which will be required to finance shaft sinking. The company owns also 968,750 shares and £500,000 Debentures in the Welkom company, and 215,000 shares in the St. Helena. A 20 per cent interest in the Second Lease Area is attributable to Union Corporation.

From the technical angle the neighbouring Blinkpoort property is interesting, but the Blinkpoort Gold Syndicate, Ltd., has only a 40 per cent interest in the vendor and subscription rights. Blinkpoort shares are dealt in in London under Rule 34 E, at around 73s. 9d., indicating a market capitalisation of some £7.4 million for Blinkpoort's share of the property, assuming its other assets are of little value.

The outline becomes less clear-cut in the Johannesburg Consolidated—New Union—Free State Development ("Freddies") group. "Freddies" itself has a mixed bag of interests, including territory round Odendaalsrust which is considered sufficiently proved to justify two large mines, and leases have been applied for over areas sufficient to support reduction plants with a crushing capacity of 200,000 tons per month; but the possibility of a third mine further north, adjoining the Wit. Extensions area, has yet to be demonstrated. Wit. Extensions itself,

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though in the New Union (Erleigh) group, has handed over the prospecting of its main area to the Orange Free State Investment Trust ("Ofsits"), ceding as consideration to the Trust a 60 per cent interest in the vendor and subscription rights of any company formed to exploit the property. Results to date justify the expectation of one mine, but the steep dip of the reef throws some doubt on the chances of a second mine in the eastern portion. The position of these two companies, Free State Development and Wit Extensions, has not crystallised to the same degree as in the instances referred to earlier.

Obviously, there must at this stage be a large element of chance in all OFS propositions, but it is perhaps least in the shares of the Orange Free State Investment Trust, through which holding company the Anglo American Corporation group has interests in most of the significant prospects and prospective mines in the OFS. The Trust's principal holdings are:

	Present Market Price	Approx. Market Value
364,930 African and European shares	90/-	£1,640
1,355,475 Welkom shares	55/-	3,730
£485,000 Welkom Debentures	Par	485
723,150 Western Holdings shares	92/6	3,345
61,588 Blinkpoort shares	73/9	230
1,019,075 St. Helena shares	51/3	2,640
		12,070

The Trust also has a direct 60 per cent interest in vendors' and subscription rights of Blinkpoort and Wit. Extensions. While a comparison of the current market value of the underlying shareholdings of a Financial Trust with that of its own shares may be misleading if pushed too far, it deserves to be noted that the present market capitalisation of "Ofsits" 7,000,000 10s. shares is around £25 million, at the present price of 70s. On December 31st last, as the report issued last week showed,

Business Notes

Cheap Money Now

The Stock markets this week, after their rather sharp relapse before the holiday, have been so inert that even the rumblings from Margate have had no noticeable reverberations in the City. There is no doubt that thoughtful investors are at last becoming more aware of the realities of Britain's economic difficulties, and their awakening seems to derive from the intensive focusing of attention upon the dollar problem. But in market circles there is no unanimity on the vexed question of how a further narrowing of the critical bottlenecks—in dollars and coal—would affect industry's earning power. The present uneasy market equilibrium seems to be supported by a facile assumption that what might be lost on the roundabouts through industrial dislocation might be made good on the swings of inflation. The short comment on that argument is that in such conditions inflationary pressures would be highly selective in their effects, even if price-control left them room to exert a due influence upon profits. One new factor is the impending share-out of the Argentine Rail purchase monies. The wider effects of that have hardly yet been appraised, but it looks as though it may provide some cushioning for the equity markets—at a time when a cushion may perhaps be particularly needed—though for gilt-edged it may tend to have the opposite effects. Details of the Argentine Rail companies' proposed allocations of the purchase monies and other available resources to the various categories of stockholders became available just as this issue of *The Economist* went to press. To assess the implications for the fifty or more stocks affected requires precise and detailed investment analysis—which is perforce deferred until next week's issue.

Meanwhile, one of the other major props for buoyant equities over the past eighteen months or so—the cheap money policy—now looks much less dependable than it did, and certainly has lost its power to exert further leverage. Gilt-edged securities in the past week or so have suffered a further attrition. It is tempting to ascribe this to a belated response to Mr Dalton's neglected restatement of policy in the Finance Bill debate—a

"Ofsits" shareholdings had a book value of £3,155,568, but at market prices (or cost for any quoted shares) the total was £10.9 million.

The main gold mining interest of African and European is based on Block 7 property, of which the proved parts have been included in Welkom in which a large interest is held. The company has substantial shareholdings in Western Holdings, St. Helena and Lydenburg Estates, as well as in Amalgamated Collieries, Union Steel, Grootlei and New Central Wits., and interests in land. Lydenburg Estates, in its turn, has as its main interest 109,172 Welkom shares and £510,000 debentures.

At least two years must elapse before anything much can be known about the underground structure of the OFS field. Several more years experience of actual working conditions and of profit-earning capacity will be needed to bring the possibility of dividends into view. At this early stage, inevitably, even the most general and cautious forecasts of dividend potentialities might turn out eventually to have been dangerously misleading. All that can be said with any assurance is that the more extravagant expectations that have been mooted ought to be heavily discounted. But, subject to these caveats, it seems that, if the more reasonable hopes for the richer areas are realised, there should be substantial profits eventually—promising reward to shareholders for the long-sustained patience and risk-bearing which, however attractive the prospects may seem in the early days, are inevitably required of them. Meanwhile, they should be prepared for alternations of excitement and disappointment such as were experienced, for example, in the long development period of the Rhodesian Copper Mines. The wise operator will try to buy on the ebb tide and sell on the flood—but for members of the public that is, perhaps more clearly in the mining share market than in most other sections, a counsel of perfection. Certainly, it is not their usual fate in this sphere.

statement quoted in *The Economist* last week but previously almost wholly overlooked because of the accident of its timing at the very end of the debate (involving a "continuation" report in *Hansard*). But in fact the knowledgeable institutional investors, whose operations normally dominate the market except in phases of major change of mood, hardly needed an admission from the Chancellor to confirm to them that the fire had gone out of the cheaper money policy, and perforce out of the gilt-edged market, too. And it is very clear that the general public, though dimly aware of the underlying drift of recent months, is not yet seized of the significance of Mr Dalton's admission. Even so, against the background of the boom and slump of the five months to last March, the calmness of the response is rather striking. The Chancellor's candid assertion that the objective of the whole spectacular effort has now been achieved certainly sits rather oddly beside his truculent riposte in the crisis economic policy debate, with its promise—never fulfilled—of a comprehensive defence in the Budget speech. Had the admission been made a few weeks ago, when the gilt-edged position stood out in the full glare of the spotlight, the effects would assuredly have been electric.

Holding the Line

Policy now is directed towards consolidating the objective of "2½ per cent at long-term." There is still the same ambiguity as before about the definition of "long-term," but if the authorities had thought they could confidently substitute "irredeemable," Mr Dalton would surely have said so. And Treasury 2½ per cent stock is still fully 3½ points below par. But an attempt to consolidate even the present basis is simply common prudence even from the limited standpoint of the technical problem which the authorities face in the market, apart altogether from the wider inflationary dangers which any alternative tactics would involve. The shadow of the large issues of compensation stock grows steadily nearer, and next year the market will have to face

heavy sales by many of those who have chosen the rail route into gilt-edged as well as sales by original holders of transport stocks. Obviously, it is not too soon for the authorities to begin active preparations for that situation. To meet it, they need to have their powder dry, but it certainly is not dry now, and the Argentine rail operation, by necessitating repayment of Argentina's present lendings to the Treasury, will exhaust more of the available ammunition. The role of the new savings which flow towards the gilt-edged market in the next six months or so should be to relieve the "departments" of their accumulated load.

That is what Mr Dalton ought to mean when he talks about the need now, in this new "consolidation" phase, to reduce the floating debt. The money which the public draws off its banking accounts in order to buy stock from the "departments" would in effect be cancelled because the Treasury would use it to redeem Treasury bills or Treasury deposits held by the banks, and the banking position would be correspondingly deflated. Any other form of floating debt reduction—except, of course, a similar repayment out of a true budget surplus—is a purely nominal operation only, devoid of real significance. But it is not yet certain that Mr Dalton, in calling for a reduction of floating debt, is in fact thinking in these realistic terms. He made great play with the book-keeping fact that, a week or so ago, the floating debt was reduced by the "record" amount of £139 million—but did not explain that most of this repayment derived simply from the credit to the Exchequer of the first instalment of the "clawing-back" of surplus balances of unspent votes which makes up this year's nominal prospective budget "surplus." Even so the extent that these funds may have been held in banking accounts outside the immediate reach of the central Exchequer, so that their return reduces bank deposits, the operation is of no real account—it neither reduces the inflation potential nor increases the real capacity of the departments to absorb gilt-edged. It merely window-dresses the level of bank deposits and floating debt, much in the manner in which they were window-dressed during the war when deposits were reduced and floating debt repaid by the device of borrowing (more expensively) on Tax Reserve Certificates. But some of these receipts are certainly even less tangible than this: they represent moneys of which the Treasury already has effective command, and all that happens is that they are credited to a different internal account.

The gilt-edged market need take no heed of such debt "reduction" as this. But if Mr Dalton really means to get his powder dry the market will inevitably feel him at work. Unless the public shows much less appetite for liquidity than in the past few months, the process of unwinding last year's departmental operations will hardly leave any scope for Mr Dalton to "advance later to other objectives." He has a sufficient task already.

Monetary Fund's First Operations

At last the International Monetary Fund has carried through its first exchange operation. For about two months after the IMF opened for business on March 1st the customers kept away, not because they did not want the goods on sale, but because rumours had got about that purchasers would have to pass a stringent qualification test and no member appeared anxious to risk a rebuff. Last week, however, two countries decided to break the ice. France applied for 25 million in US dollars and the Netherlands for 6 million of dollars and £1½ million of sterling. The requests were granted. These currencies were purchased against payment in the currencies of the buyers. The French purchase was justified by France's balance of payments difficulties resulting, in part, from the need to make large purchases of grain owing to the severity of the last winter. The Netherlands' case was similar, with the added reason that dollars and sterling were needed for short-term reconstruction purposes. France's IMF quota amounts to \$525 million, which would give her the right to purchase from the Fund \$53¼ million or its equivalent in a year—provided that the currencies were bought for purposes consistent with the Fund agreement. The first purchase therefore represents rather less than one-fifth of France's permissible yearly withdrawal. The Dutch purchases represent approximately the same proportion of the permissible maximum of £68½ million. Now that the ice has been broken, it may be assumed that other operations will follow—especially if the board of executive directors of the IMF lives up to the principle of living dangerously which found such admirable expression in its first annual report, with its suggestion that "in the early period of its operations the Fund may take risks that would not be justified under normal circumstances." Plenty of "risks" will be coming its way in the next few months.

A significant feature of the initial operations announced by the

Fund is that sterling should have been one of the two currencies purchased. When accumulated sterling balances have been immobilised by the agreements about to be negotiated, then, so long as current earnings of sterling remain freely expendable in any currency area in the world, current sterling and dollars should be virtually interchangeable currencies and sterling will be just as scarce a currency as the dollar. It is appropriate that a foretaste of this important fact of economic reality should be provided by the very first batch of operations announced by the IMF. These initial transactions illustrate how the agency of the IMF will help the United Kingdom to ease its own dollar difficulties. The purchase of sterling by the Netherlands will have reduced the IMF's holding of sterling by that amount and to that extent will make room for purchases of dollars or any other currencies by the United Kingdom against payment in sterling (which, in turn, will replenish the IMF's holdings of sterling). The limit of British drawings in any one year will still be set by the proportion of one-quarter of the UK quota of \$1,300 million. But the total amount that can be drawn by the UK will increase as sterling is purchased from the Fund by other members. This is because the ultimate limit to purchases by any member is reached only when the Fund holds an amount of that member's currency equal to twice its quota.

Cement Monopoly: Acquittal—

After a year of deliberation and a further six months' delay in publication, the report by the Committee appointed by the Minister of Works in December, 1945, to inquire into cement costs* was released just as last week's issue of *The Economist* went to press, and its content was then only briefly noted. It is clear that the most valuable evidence on costs and prices has not even now been presented in the report—a suppression which the Committee justifies by the well-worn plea that such facts ought not to be put at the disposal of a firm's competitors. But there are many devices—as evidence presented before the wartime Public Accounts Committee plainly illustrated—by which cost information of great general value can be presented in a global or disguised form. Without definite data it is impossible to discern what correlation exists between costs and size of the unit of production, method of manufacture and efficiency. Hence the report scarcely provides the means of achieving an independent judgment on the efficiency of the industry.

A summary of the report is included in this week's issue of the *Records and Statistics Supplement*. The Committee is satisfied that profits earned by the industry in the past have not been excessive by reference to capital employed. It finds no evidence that the Federation has abused its position, and considers that control has not been exercised for the sake of restriction of output. The Committee is satisfied, too, that the minimum price system is not, as a system, unsound, "nor in its intention does it work injustice on the consumer." It feels, however, that when the existing price controls are withdrawn, the Federation should be prepared to submit its price schedules to an independent body. Consultations with such a body should be held at appropriate, but not too frequent, intervals. Sufficient bargaining power, it is claimed, already exists between the manufacturers and those interested in the rebates on prices to merchants and large users of cement for it to be reasonable for adjustments to be left to the interested parties. Lastly, comes the only real note of criticism: the Committee is of opinion that the Federation's constitution "presents considerable difficulties to any outside interest establishing new works in this country independently of membership of the Federation." Except at this point the report appears to be a somewhat mild exhortation to the Cement Makers' Federation itself rather than an analytical appreciation of the industry's finances addressed to the Minister of Works. Indeed, if the Committee can be said to criticise, the criticism never obstructs, but emerges only obliquely or by implication—as, for example, in the advice to the Federation to seek in future expert and independent opinion before fixing its minimum prices.

—Or Not Proven?

Admittedly, on the charges of monopoly or unfair price discrimination, the circumstantial evidence is in favour of the Federation. As the report points out, its first task, on its formation in 1925, was to remove the chaos and unprofitability of cut-

* Cement Costs: Report by the Committee appointed by the Minister of Works: H.M.S.O. 9d.

throat price competition in a highly capitalised industry. From 1925 onwards the Federation can point to regular expansion of annual output (with the sole pre-war exception of the year 1932), to a steady price-structure, an intelligent distribution system and reasonable profits. The expansion in demand for cement, which began in the Federation's youth with the prosperity of the late 'twenties, was continued by the building boom in the 'thirties and then by the rearmament programme. So far as the industry was concerned, this steady expansion of demand was fortuitous. But the fact that these conditions obtained means that those who bring charges of restrictive monopoly against the Federation have in the home market, no rough and ready index in restricted output or rising prices, no standard of comparison, with which to confront the cement manufacturers.

On the other hand, there is *prima facie* evidence that the Federation's constitution does restrict entry into manufacture and that the number of merchants handling cement is strictly controlled, if not the terms of their rebates. The report gives no guidance on two important points. First, there is no indication of the cost build-up and no suggestion of the directions in which economies might be secured, whether in production or distribution. Secondly, it is not possible to form any firm idea of how far the Federation's price policy has maintained inefficient and normally redundant cement works in operation. There is, however, a hint in the report that price policy may have had some conscious influence in this direction—an impression which will continue outside the industry until the facts are known.

The cement industry has its post-war problems—a shortage of coal and bags, and difficulty in obtaining equipment to expand capacity. But the arrears of house and factory building to be made good ensure long-sustained activity once these difficulties are overcome. It would be to the advantage both of the industry and of cement users to clear up finally at the beginning of the post-war period the doubts about cement price policy. It is greatly to be regretted that the Committee—although apparently furnished with the relevant data—has not been able to carry this issue further towards a conclusion. As it is, its recommendations for a price review obviously deserve immediate action. In any case, there is still need for more published information about the industry. Until further evidence is forthcoming, the popular charge of monopolistic practices stands "not proven."

Spotlight on Cotton Machinery

The Committee of Investigation into the Cotton Textile Machinery Industry, set up by the Minister of Supply last

In addition to the short "Statistical Summary" which appears weekly in *The Economist*, a full service of statistical and factual information appears weekly in

Records and Statistics

Supplement to *The Economist*

Records and Statistics is a separate, self-contained weekly publication of from 16 to 24 pages. It includes not only many statistical tables but also factual records of public affairs, including Parliamentary activities and digests of state papers, and industrial and commercial reports from home and overseas. It is believed to be the most comprehensive statistical and factual report appearing weekly anywhere in the world.

The *Records and Statistics* Supplement to *The Economist* is available by postal subscription only. The subscription, which may be sent direct to this office or through a newsagent, is 30s. per annum. For those who are already direct postal subscribers to *The Economist*, the economy of posting both publications together makes it possible to quote a combined subscription of £4. Subscribers to *The Economist* who wish to receive *Records and Statistics* should notify this office as soon as possible, but are asked not to send any money until an account is rendered. It is regretted that it is no longer possible to supply back numbers of *Records and Statistics* or to date subscriptions back.

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

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2

summer under the chairmanship of Mr Justice Evershed, has issued an interim report.* The decision to issue such a statement has been based on the strong criticisms voiced in the Cotton Industry Working Party report and elsewhere on the spinning section of the textile machinery industry which is virtually a monopoly of Textile Machinery Makers Ltd.

The committee does not mince words. It considers that, since the spinning machinery makers returned to peace-time production in 1945, the TMM has been deficient in personnel both in its directorate and management; that the structure of the holding company and its subsidiaries has been over-complex; that the company has been deficient in research and technical development; and, finally, that it has failed to comply with modern standards of costing. In suggesting remedies for this state of affairs, the committee has rightly taken into consideration the fact that the Government is prepared to subsidise re-equipment of the spinning industry, a fact which underlines the need for efficiency in the textile machinery industry if public money is to be well spent. The committee recommends four remedies, all of which have been adopted or will be adopted voluntarily by the company's management, which has been re-inforced since the enquiry began. The committee is of the opinion that a new director with special experience of management should be appointed to the Board. Sir Percy H. Mills, managing director of W. & T. Avery, has already been appointed. At the suggestion of the committee, the financial structure of the group is being simplified by the liquidation of the intermediate holding company, the Werneth Investment Trust. To meet the recommendation for improved research, the company has appointed, in consultation with the Shirley Institute, a chief research officer. A new cost system has also been introduced, and the company has agreed in principle to introduce a scheme by which prices of machinery will be fixed on the basis of cost estimates and rates of profit agreed with the Ministry of Supply. This arrangement is endorsed by the committee.

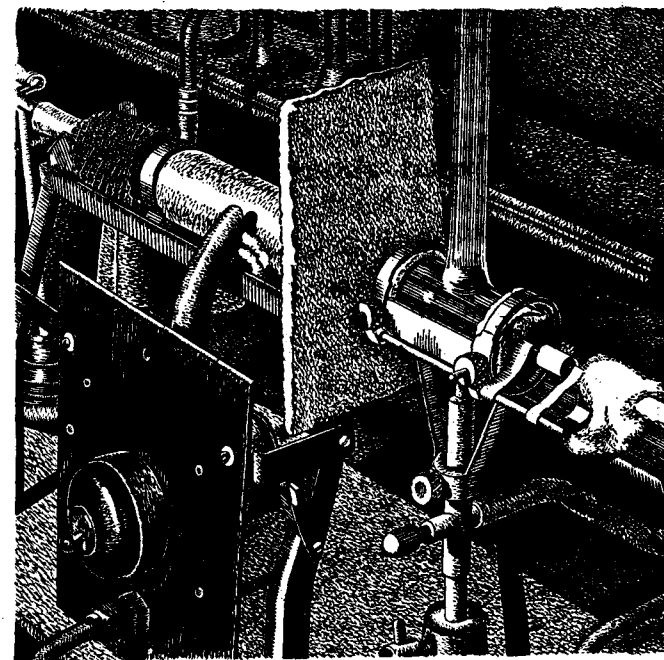
The sense of urgency which the committee has shown in pressing for reorganisation of the TMM group is welcome. Reorganisation of the cotton industry must begin with spinning, and any expansion or re-equipment of spinning capacity must be founded, for some time at any rate, on a re-organisation and expansion of the TMM group. It is too soon to say how large an expansion of capacity will be needed. The company is planning for a peak annual demand over the next few years, from both home and export markets, of £17½ million, but the committee puts the target for capacity at £20 million. Other investigations have suggested a figure as high as £30 million or even more. From these widely divergent estimates it is clear that the company will have to be prepared to adapt itself to quick changes of circumstance, and to develop a flexible production policy. The need for this will be accentuated by the fact that there may be a demand from the Lancashire industry for larger quantities of some types of machines, such as ring spindles, than for others. This might require a sudden expansion in one line of production only. To deal with such a situation, the best management and costing methods would be indispensable.

The forthright style of the Evershed Committee report sets a high standard of constructive criticism for the final report and the Cotton Board's report on redundant capacity which are to follow. Only when these other two are available will it be possible to gain a balanced view of the scope of Lancashire's re-equipment problem.

Canada's Exchange Control

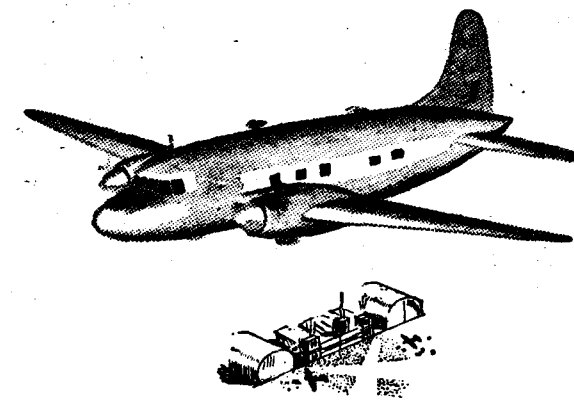
The regulations operated by the Canadian Foreign Exchange Control Board have this week been tightened so as to reduce from \$100 to \$10 the amount of US dollars which a Canadian resident is allowed to hold without selling it to the Bank of Canada. It was as recently as September, 1946, that the regulations were amended to remove the obligation to sell holdings up to US \$100 and to free the export of funds by resident travellers up to a figure of \$150, compared with the previous limit of \$50. The rapidity with which the reversal of these relaxations has come about is a measure of the speed with which the Canadian exchange position has deteriorated vis-à-vis the United States. The latest change in the regulations is aimed primarily at ensuring that the whole of the receipts from US tourists in Canada are effectively collected by the authorities. Ever since the easing of the regulations last September it has been found that an un-

* Interim Report of the Committee of Investigation into the Cotton Textile Machinery Industry. H.M. Stationery Office. Price 6d.



Trial by Fire

Give him a bag of coke, a bucket of water, and the necessary apparatus, and the chemist can build up thousands of different substances—from alcohol and 'meta fuel' to aspirin, motor spirit and food fats. Add a bottle of ammonia and he can turn out thousands more. To perform this modern magic he needs to know not merely what elements make up the substance he wants to prepare, but how much of each it contains. The majority of known chemicals contain carbon and hydrogen, usually oxygen, and frequently nitrogen. The chemist uses the combustion tube, illustrated above, to find out the proportions of these. A few milligrams of the substance are enough (and there are over twenty-eight thousand milligrams in a single ounce). These are strongly heated in a current of air or oxygen. As the substance burns, the carbon in it is converted into carbon dioxide gas, and the hydrogen into steam. These products are collected in weighed parts of the apparatus, and from the amounts formed the chemist can calculate the composition of the original substance. A simple experiment—yet it demands refined, reliable apparatus. Data provided by it lie at the root of modern progress in biochemistry, chemotherapy, dyeing, waterproofing, nutritional and agricultural chemistry, photography, and many other aspects of civilised life. Every working day throughout the year hundreds of combustion tubes are giving the result of this trial by fire which enables the British chemical industry to serve the nation.



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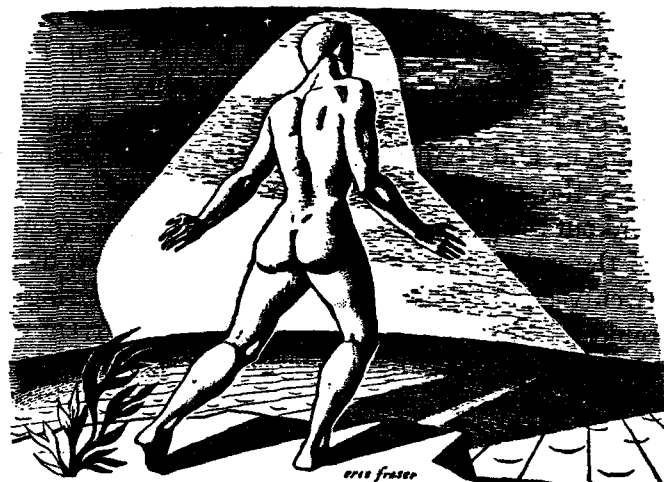
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justifiably large proportion of the US dollars brought in by tourists was seeping away and failing to reach the reserve held in the Exchange Fund Account. As this year's tourist income will play a decisive rôle in the Canadian balance of payments with the United States, it has been decided to take such steps as are possible to close this loophole.

The full text of the report of the Canadian Foreign Exchange Control Board for 1946, a cabled summary of which was cited in *The Economist* of May 3rd, has now reached this country. The report brings out with particular clarity the interrelationship between Canada's current deficit with the United States and its current surplus with the rest of the world. The heavy current deficit of \$603 million with the United States in 1946 no doubt arose to some extent from abnormal demands which had been accumulating for years, but the Foreign Exchange Control Board also associates it with the record peacetime levels of national income and expenditure in Canada. It proceeds to argue that this high level of economic activity is in part the result of the heavy flow of exports to the United Kingdom and Europe, itself stimulated by the granting of comparatively large overseas loans and credits by Canada. As American industry has progressed very rapidly through reconversion to peacetime production, whereas the restoration of the civilian industries of European countries has been much slower, the high demand for consumer goods in Canada has had to be satisfied by unusually heavy imports from the United States. Thus the very forces set in motion by Canada's record export surplus to non-dollar countries have contributed to the magnitude of the Dominion's deficit with the US dollar area. Inevitably, the Control Board's report closes with a reiteration of the importance to Canada of obtaining its income from overseas in the form of convertible currencies—but there is no suggestion of how the solution of the problem may be found.

Swiss Loan for Belgium

Switzerland, which has the distinction that its Central Bank is now turning away gold and US dollars, is obviously the country that should launch on a relatively adventurous scale into the business of foreign lending. There are some belated signs of grace in this respect. One of them is the announcement this week of a loan of 50 million Swiss francs to the Belgian Telegraph and Telephone system. The loan is guaranteed by the Belgian Government, bears interest at 4 per cent, is issued 99 and is repayable in whole at par on June 1, 1959. For a Government guaranteed loan of this medium-short character, this is fairly expensive borrowing. Allowing for the fact that the loan is repayable in twelve years, its terms will be found to accord fairly closely with the 4½ per cent which France is paying for its 30-year loan from the International Bank for Reconstruction and Development. These operations are setting the pattern for future international loan operations. It is a far better design than that which emerged after 1919 and, allowing for the risks of external lending, bears some relationship to the comparable prevailing level of interest rates for domestic issues in the markets concerned.

Coals to Newcastle

Efforts to import coal into Britain have long been advocated, but the bitter irony of Britain's plight is brought home afresh by the details—the paltry details, as they look beside any pre-war background—of Britain's application for aid to the European Coal Organisation. An allocation of 600,000 tons from American exports during the July-September quarter (at about \$22 a ton) has been made by the Organisation. But this takes effect only after normal European importers have had the opportunity to take up the first 9 million tons of American coal. This country's total bid was for 1.2 million tons over the quarter. The American authorities are apparently satisfied that, if the rate of loadings achieved at US ports in early May can be maintained in the third quarter, there is a reasonable prospect that this quantity may be available for Britain, but if there should be protracted strikes in the mines, only about 600,000 tons is likely to be forthcoming.

Even the larger figure is equivalent to less than two days' output from Britain's own mines—and would be provided at a cost of about \$26 million. This is black gold indeed, but in conditions of such acute scarcity as to curtail vital industrial production even this summer, not to mention the situation which might recur next winter, the demand price of marginal supplies for Britain is obviously far above the market price. The February crisis showed the importance of a few marginal hundred thousand tons in stock, and no means of purchasing assurance now can be

neglected—even when the price has to be paid in scarce dollars. As Mr Dalton reiterated at Margate this week, coal is the foundation of the whole national effort, in its external no less than in its domestic aspects.

Meanwhile, provisional coal output figures for the third five-day week are encouraging. Total output last week at 4,074,500 tons compared with 4,073,500 tons in the previous week. There are signs that the miners are beginning to set themselves a pace. Much depends on their maintaining it.

Wool in Transition

From a survey of the wool industry prepared by the Board of Trade, assisted by the Wool Control, and published in last week's issue of the *Board of Trade Journal*, it is possible to bridge some of the gaps in published information on the wool industry between the end of the Wool Working Party's proceedings and the onset of the fuel crisis. Between September last year and the end of February, total personnel employed (including administrative and maintenance workers) increased from 166,400 to 178,600. Of this increase, 4,500 occurred in the badly under-staffed worsted spinning section, but a quarter of it was represented by night-shift workers on a short week or emergency evening shifts. The labour shortage in spinning—only by contrast is it less acute in other sections of the industry—has been masked in 1947 by the fuel shortage, but if and when coal becomes more plentiful, labour will again become the limiting factor, unless recruitment can be improved to achieve the Working Party's tentative target of 200,000 workers in the industry as a whole.

The table below shows the variations in the different types of wool used in top making and woollen spinning in the first year of war and the first quarter of this year. It is unfortunate that the figures do not go back to a pre-war period, since war-time production included large Government contracts, which in the case of the worsted industry in particular called for an increased use of crossbred wools. As was to be expected, once Services contracts became less important, proportionately rather more merinos than crossbreds have been processed by the topmakers. By December last, topmakers were using a weekly average of 5.15 million lb of wool (excluding hair) compared with 6.8 million lb. in 1939-40, but only a third of this was crossbred, compared with about 45 per cent in the earlier period. There were signs, therefore, that by the end of 1946 the pre-war pattern of wool consumption was beginning to reassert itself—however slowly.

In the woollen spinning section the same slow process of return to pre-war mixing proportions was beginning to develop last year. During the war, inevitably, the proportion of noils, hair, waste and shoddy was increased. By 1939-40 it was as high as 50 per cent. But by December, 1946, it was down again—to 35 per cent. Over the same period crossbred wool increased from 31 per cent of the total spun, to 42 per cent.

WOOL* USED BY THE INDUSTRY AND TOPS PRODUCTION
(m. lbs. : weekly averages)

	Used in Woollen Spinning		Used in Top-making		Production By Tops	
	Merino	Crossbred	Merino	Crossbred	Merino	Crossbred
Sept., '39-Aug., '40.	0.66	2.49	3.66	3.14	3.29	2.92
From Weeks Ending:						
Dec. 21, 1946. . .	1.18	2.58	3.31	1.84	2.71	1.67
June 18, 1947. . .	0.97	2.11	2.88	1.53	2.37	1.39
Feb. 15, 1947. . .	0.90	2.16	2.26	1.26	1.86	1.14
Mar. 15, 1947. . .	0.79	1.84	1.66	0.98	1.33	0.89

* Merinos and Crossbreds : British, Dominion and S. American wools.

The production of tops has been held up by a shortage of labour during the transition period, but not so seriously as in other branches of the industry. The topmaking labour force is predominantly male and it has benefited from demobilisation rather more than have the spinners, who are more dependent on female labour. At 4.38 million lb. the weekly average output of tops in December had recovered to about 85 per cent of the 1937 level, but to only about 70 per cent of the level reached in the first year of the war, when the industry was working at pressure on Government, civil and export account.

Wool Textile Supplies

Changes in the composition of total wool consumption have been accompanied, and to some extent caused, by a changeover in

DELIVERIES OF WOOL MANUFACTURES
(m. linear yds.)

	On Govt. Contracts	Home Civil (incl. Utility)	Export*	Total
Worsted—†				
1942.....	6-59	...	...	12-69
Jan.-June, 1946.....	2-69	8-30	0-96	11-95
December, 1946.....	0-65	9-88	0-83	11-41
January, 1947.....	0-60	12-00	0-99	13-59
February, 1947.....	0-34	7-21	0-64	8-19
Woven Wool Fabrics—				
Sept., 1942—Aug., 1943.....	6-18	10-93	2-58	19-69
Jan.-June, 1946.....	2-56	12-33	3-05	17-94
December, 1946.....	0-78	12-05	3-79	16-62
January, 1947.....	0-82	16-43	4-62	21-87
February, 1947.....	0-44	9-59	3-25	13-28
Wool Blankets—				
Sept., 1942—Aug., 1943.....	2-32	0-48	0-07	2-87
Jan.-June, 1946.....	0-48	0-98	0-09	1-56
December, 1946.....	0-06	0-80	0-14	1-00
January, 1947.....	0-03	1-15	0-19	1-36
February, 1947.....	0-03	0-78	0-14	0-95

‡ Monthly averages on calendar months. † Wool content in million lbs.

SECURITY PRICES AND YIELDS

Prices, Jan. 1-May 28, 1947		Name of Security	Price, May 21, 1947	Price, May 28, 1947	Net Yield,* May 28, 1947	Gross Yield,* May 28, 1947	Prices, Jan. 1-May 28, 1947		Last Two Dividends	Name of Security	Price, May 21, 1947	Price, May 28, 1947	Yield, May 28, 1947
High	Low						High	Low	(a) (b) (c)				
British Funds*													
		Conversion 3% March 1, 1948-53.	102	102			113	106	%	Australia 3%, 1965-69.	110	110	%
		War Bonds 2% August 1, 1949-51	102	102	0 4 0	1 6 1	105	99	(d)	Birmingham 2%, 1966-71.	101	101	%
103	101	Exchequer Bonds 3% Feb. 15, 1950	101	101	0 9 3	1 6 7	102	100	(d)	Argentine 3% 1972.	101	101	%
102	100	War Bonds 2% Dec. 1, 1951-55	103	103	0 10 9	1 14 4	80/-	60/-	40 e 50 e	Anglo-Australian Corp. 10s.	125/-	121 3/4	4 2 2
105	103	War Bonds 2% March 1, 1952-54	103	103	0 14 2	1 17 6	42/-	36 1/4	25 e 40 e	Assoc. Port. Cem. Ord. Stk. £1.	154 1/4	155/-	2 11 9
108	103	Funding 2% June 15, 1952-57	104 1/2	104 1/2	0 12 10	1 16 9	96 1/4	79 1/8	7 e 7 b	Austrian Motor A. Ord. Stk. £1.	76 3/4	76 3/4	4 19 0
108	103	National Def. 3% July 15, 1954-58	106	106	0 15 3	2 2 10	245/-	197 1/8	120 b 15	Bass Ratcliffe Ord. £1.	217 1/8	217 1/8	3 2 0
109	103	War Loan 3% Oct. 15, 1955-59	108	108	0 17 7	2 10 3	108 3/4	58 7/8	12 b 15	British Oxygen Ord. £1.	106 3/4	108 1/4	3 14 0
108	103	Savings Bonds 3% Aug. 15, 1956-68	109	109	0 17 7	2 10 3	58 7/8	50 7/8	12 b 15	Burtons Ord. £1.	54/-	54/-	6 11 0
108	103	Savings Bonds 3% Apr. 15, 1956-61	103	103	0 19 11	2 2 4	29 1/4	24/-	8 e	Dorman Long Ord. £1.	26 3/4	26 3/4	6 0 3
109	103	Funding 3% April 15, 1959-69	106	106	0 1 3	2 7 6	49 1/4	68 1/8	12 e 15	Dunlop Rubber Ord. £1.	77 9/16	76 9/16	3 18 0
122 1/2	114	Funding 4% May 1, 1960-90	118	118	0 13 11	2 6 9	51 1/6	41/-	3 e 7 b	Imp. Chem. Ind. Ord. £1.	50 1/8	50 1/8	3 18 0
110	98	Savings Bonds 3% Sept. 1, 1960-70	107	106	0 1 2	2 9 1	49 1/6	40/-	7 e 10	Laurel Cotton Ord. Stk. £1.	46 1/8	46 1/8	1 15 0
123	98	Savings Bonds 2% May 1, 1964-67	102	102	0 1 4	2 1 0	47 1/8	47 1/8	10 e 8	Leaver & Unilever Ord. £1.	76 1/8	76 1/8	3 10 0
123	113	Victory Bonds 4% Sept. 1, 1920-74	120	120	0 17 10	2 7 0	77 1/8	62 1/8	10 e 12 1/2	London Brick Ord. Stk. £1.	46 3/8	46 3/8	1 15 0
111	103	Savings Bonds 3% Aug. 15, 1965-75	108	108	0 15 8	2 8 0	64/-	73/-	4 d 11	L.M.S. 4% 1st Pref. Stk. £1.	79 1/8	79 1/8	5 10 0
117	110	War Loan 3% (after Dec. 7, 1952)	106 1/2	106 1/2	0 15 8	2 8 0	35 1/2	47/-	24 a 4 d	N.-Eastn. Elec. Ord. Stk. £1.	35/-	34 1/8	4 0 0
117	110	Consols 4% (after Feb. 1, 1957)	115	114	0 13 7	2 8 3	64 1/6	47/-	24 a 4 d	P'chin J'nson Ord. Stk. 10s.	63/-	62 1/8	4 0 0
115	107	Conversion 3% (after Apr. 1, 1961)	112	112	0 19 7	2 9 6	39 3/4	35	169 58	Prudential A. £1.	38 1/8	38 1/8	1 18 0
100	93	Treas. Stk. 3% (after Apr. 1, 1975)	96	96	0 18 7	2 12 1	63 1/4	52 1/2	12 c 12	"Sewards & I oys Def. £1.	55 1/2	55 1/2	4 10 0
110	102	Treas. Stk. 3% (after Apr. 5, 1966)	106	106	0 1 4	2 11 8	108 9/16	91 7/8	12 b 12 1/2	"Shall" Transp. Ord. Stk. £1.	102 1/8	102 1/8	1 10 0
117	107	Redemp. Stk. 3% Oct. 1, 1948-96	112	112	0 1 5	2 10 2							

* To earliest redemption, except § flat yield and ‡ assumed average life 17 years 6 months
Net yields after allowing for tax at 28 in 1.

(Continued on page 867)

The general effect of the Orders is in accordance with expectation, except for the requirement of consent in those cases where previous issues have been made without specific permission. In a statement in the House, the Chancellor said that he had considered

In the matter of raising money, other than by issues of stock, the Control of Borrowing Order preserves the exemption ex-

(Continued on page 368)



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COLVILLES LIMITED

FUEL SHORTAGE AFFECTS OUTPUT

PROGRESS OF SUBSIDIARIES

FUTURE OF STEEL INDUSTRY

SIR JOHN CRAIG'S STATEMENT

The sixteenth ordinary general meeting of Colvilles, Limited, was held, on the 29th instant, at the registered office of the company, 195 West George Street, Glasgow, Sir John Craig, C.B.E., D.L., chairman and joint managing director, presiding.

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

Administration—Sir James Lithgow found it necessary to curtail some of his many activities and submitted his resignation from our board. We valued his stimulating help and his resignation was accepted with much regret.

Following upon the special resolution adopted at the last meeting, an executive board has been elected for the Colville Works as from January 1, 1947. By this policy we have brought into the control of these works members of our own staff who have served the company for many years and who have special knowledge and experience of the varied branches of our activities.

THE ACCOUNTS

The increase in the net profit is largely explained by the reduction in the rate of E.P.T. The trading results are so far satisfactory in that they have been achieved notwithstanding increases in costs in many direc-

tions without compensating advances in the price of steel. We are now reaping the benefit of improvements in plant and economy in the use of fuel, which have been steadily carried out in former years.

In 1937, we launched the first of our big extension schemes when we commenced the erection of coke ovens, by-product plant and two blast furnaces. The cost was over £2,000,000. At that time, we stated we had arranged to find half of the cost from our own resources and the balance through a loan for £1,000,000 from an insurance group. The plant came into operation in 1939-40. It proved invaluable to the country during the war. It also fulfilled all the expectations of the directors and, indeed, set up new standards of efficiency and economy for the country. Further, the method of financing worked out as planned and now to-day, as stated in the directors' report, the final repayment of £200,000 has been made. It will be gratifying to you to realise that there are now no debentures, debts or mortgages on any of the properties of the company or its subsidiaries.

DIVIDEND DECISION

In view of the increased earnings, the directors gave careful consideration to the question of the ordinary dividend. They recog-

nised the claims of the ordinary stockholders to share in the prosperity of the company, and it appeared that this year was an occasion when the ordinary dividend might be increased. The directors, in reviewing the conditions that have unhappily affected industry, and particularly the steel industry, in recent months, and the uncertainty of the present times, came to the conclusion that in the best interest of the company they should leave the dividend at the same rate as in recent years. The additional earnings they propose to carry forward. The amount thus to be carried forward into 1947 is:—For the company £618,419, and for the subsidiary companies £558,216, a total of £1,176,635, which is an increase over the amount brought in of £323,769.

Our published balance-sheet has shown a trading profit for the company and its subsidiaries amounting to a total of £2,902,407 for the last three years and during the same period the total net amount paid to the stockholders is £700,368. The directors trust that their policy will meet with your approval. It is in keeping with the advice that a large share of the earnings should be ploughed back into the business to maintain or improve the efficiency of production and the dividend-paying capacity of the company.

We recognise that this policy affects all our stockholders, the number of which is almost the same as I stated a year ago. At the end of the year there were 9,695 ordinary stockholders and 3,292 preference stockholders, a total number of 12,987, and of this number 11,164 stockholders hold less than £500 and 12,500 hold less than £1,000 stock. You will see how widespread is the interest in the company.

You will notice in the balance-sheet that we have carried to reserve the E.P.T. post-war refunds, as this money has to be spent on development.

The industry has established with the authorities a claim for deferred repairs, which

tions suggest that the undertone of the market remains weak. There was some excitement, however, in New York last week when rumours began to circulate that tentative bids were being made from Indian quarters for anything up to 10 million ounces of silver. These rumours did not stand up to verification, though there is no lack of attempts made by Indian quarters to circumvent both the existing embargo on import licences for silver and gold and the equally difficult obstacle of obtaining dollars with which to acquire silver in the United States.

Rubber Uncertainties

The price of rubber at Singapore, which has been declining since the beginning of the month, staged a modest recovery earlier in the week, when buyers from Europe and other parts of the world began to operate. But the market has since suffered another shock from the announcement of the US Reconstruction Finance Corporation that it is about to reduce its selling price for natural rubber from its 216,000 ton stockpile from 25½ cents to 23 cents per lb.

US domestic synthetic rubber is selling at 18½ cents a lb. (or about 11d. a lb.) and according to officials of the US Department of Commerce the war-time order stipulating the amount of natural rubber that must be combined with synthetic in making rubber goods will be retained, despite recent rumours to the contrary. The reasons given for this policy are, first, that the United States must maintain a strong domestic rubber producing industry for strategic purposes and, secondly, that there are not sufficiently large supplies of natural rubber in the country.

Indications are therefore that the rubber price will decline, and as the RFC has ceased purchasing operations since the beginning of April, a lower price might well stimulate American demand. Output in Malaya during the first four months of 1947 has totalled 212,000 tons of which about a half came from the estates and the remainder from smallholders. Production in the Netherlands East Indies also appears to be on the upgrade, with imports into Malaya in the period January-April, 1947, totalling 76,000 tons.

it was found impossible to carry out during the war and for which no provision was made when selling prices were fixed. Your company has a considerable share in the amount granted to the industry, which will be utilised in carrying out such repairs as quickly as circumstances permit.

PRODUCTION AND PLANT

You will perhaps recall that in the statement which I made to you a year ago I indicated that, for the first four months of 1946, our output showed an increase of about 15 per cent. over 1945 and that this could be maintained and even exceeded provided fuel supplies were available. Unfortunately, fuel supplies became steadily worse, both in quantity and quality, so much so that we had in some cases to close furnaces or reduce the working week, with the consequence that our total output for the year only exceeded the output of 1945 by about 4 per cent. There have been references from time to time to the shortage of steel supplies in Scotland, with the implication that this arose from lack of organisation or proper plant. It is not generally realised how serious are the effects of the fuel cut: today we would be producing 2,000 tons a week more pig-iron and 5,000 to 6,000 tons a week more steel if we had adequate supplies of fuel.

When it became apparent that coal supplies were to be limited, we took steps to introduce the use of oil in our melting furnaces. I am glad to say that this has proved so far successful and the results have justified us in extending its use. We are, therefore, remodelling some of our melting shops to make them entirely dependent upon oil. We hope in this way to be able to attain an output which would not otherwise be possible with the existing restrictions.

Our new blast furnace at Clyde Iron Works is practically complete, but I am glad to say the two existing furnaces are still in active operation and, as I previously explained, the third furnace was originally constructed to ensure a maintenance of output during the time when the existing furnaces would require to be re-lined. At the same time, when the situation regarding coking coal is clarified and supplies are assured, our plan is to build additional coke ovens so that the three furnaces can be in active production if required and thereby increase our output of pig-iron by 4,500-5,000 tons per week.

RESEARCH

Our research activities have continued throughout the year with sustained enthusiasm. There is no section of our production that does not come under the close scrutiny of our technical staff. There is no lack of problems, but there is a real scarcity of young men trained for scientific work and prepared to devote themselves to an industrial career. This is rather surprising because the opportunities for a successful career in the iron and steel industry are immense and I do not know of any other industry where the chances for rapid promotion are so favourable.

SALES

We have reviewed our steel deliveries for the year from the Colville Works and the following figures show the variety of trades which use our products:—

Shipbuilding and marine engineering	28.04
Railways, locomotive and wagon	
Building	10.29
Structural, mining and general engineering	10.05
Tube, rivet, bolt and nut trades, etc.	11.01
Semi-finished for re-rolling	18.58
Direct export	13.6
Stockholders	2.53
Unclassified	5.9
	100.00

A particularly disappointing feature of the year was the Government decision to reduce exports. Many of our friends throughout the world were looking to us for supplies when export was curtailed severely and it

was with great regret that we had to disappoint them. It would be difficult to give a pre-war comparison, but, generally speaking, we exported about 30 per cent. of our output and, although the figure for last year is 13.6 per cent., it is considerably less to-day because of these restrictions.

The question of transport has been one of constant anxiety, and time and again we have been on the verge of restricting our production because of the shortage of wagons. I am not thinking of the period of severe weather when abnormal difficulties were encountered. Throughout the year, the supply has been so irregular and insufficient that it has involved considerable expense in laying down and rehandling material.

SUBSIDIARIES

It is some time since I reviewed in any detail the position of our subsidiaries. No doubt, therefore, you will be interested if I briefly refer to them.

On the works of the Steel Company of Scotland, Ltd., we have spent a considerable sum of money. You may recall I stated that at Blochairn over £1,000,000 had been spent and I am glad to say that we are getting some benefit from this expenditure, although not to the extent we had anticipated, because of the fuel position. Improvements at the Hall-side works have also been made and conversion of the melting furnaces to oil has been approved by the board. The foundry at these works was fully employed throughout the year. It is well equipped to deal with castings of all types, including heavy castings required by the shipbuilding and engineering trades. The works of the Govan Shafting and Engineering Company have recently been re-equipped with modern plant for the bright drawing and turning of steel bars. They have a wide connection both at home and abroad, and, unfortunately, are quite unable to meet all the demands for their products.

LANARKSHIRE STEEL COMPANY

The Lanarkshire Steel Company had a good year. We have recently completed at these works the largest fixed melting furnace in Britain, which has proved a great success, so much so that we are in the process of rebuilding other furnaces on the same lines.

Smith and McLean had a successful year. There was an increasing demand for all their products and they have served many customers, as can be judged from the fact that they are regularly rolling about 3,000 tons a week of steel, principally into sheets.

The Clyde Alloy Steel Company has also found an increasing market for their products, both from the foundry and the rolling mills. They specialise in high-quality steel for the motor-car, aircraft and engineering industries, and the demand has so greatly increased that an expansion in their production is a subject which is at present receiving serious consideration by their directors.

COLVILLE CONSTRUCTIONAL COMPANY

The Colville Constructional Company is engaged in the production of structural steel and welded fabrication work for the engineering and shipbuilding industries. The demand for welded products has grown to such an extent that it has been found desirable to transfer the structural steel department to Mossend Works, and to leave their Gleggarnock department devoted wholly to the welding side of the business. The section of the Mossend Works which they are occupying is being thoroughly equipped with all the plant necessary to produce structural steelwork of all classes.

The Fullwood Foundry Company has a modern mechanised foundry for the production of ingot moulds for the group and also a smaller foundry for general castings. Both departments have been very fully employed during the year.

From the Carnlough Lime Company some of our limestone supplies are obtained, and here also modern plant is being introduced to facilitate the handling of their products.

As you are aware, our collieries have now been transferred to the National Coal Board,

and as from January 1st of this year we have ceased to have any interest in their administration. The price to be obtained is not yet determined, and it may be a considerable time before this is settled.

We have retained the brickwork, producing ordinary building bricks, formerly owned by Archibald Russell, Ltd., and have also acquired Rosehall Brickwork. Both these works are situated in Lanarkshire. The raw material comes from old colliery bings and by their removal we are serving the double purpose of improving the amenities of the district and producing bricks which are so much needed to-day.

During the year, we entered into an arrangement with Messrs. Clugston Cawood, Ltd., and formed a company, Colvilles-Clugston, Ltd. Messrs. Clugston have wide experience of dealing with slags, and we thought it would be useful to join with them in developing the production and distribution of slag products.

Colvilles-Clugston are laying down new plant at Clyde Iron Works, and as soon as it can be brought into operation we hope it will lead to the disposal of a large quantity of our blast furnace slag.

LABOUR AND PERSONNEL

Although it has only just taken place, I think I should make reference to an interesting development regarding working conditions in the steel industry. In consultation with the appropriate union, it was mutually agreed that in the interests of production we should introduce a continuous working week—in other words, there should be no stoppage at the week-end at the melting furnaces. We feel that in this innovation the national appeal for greater production is being met in an enlightened way, and, by agreeing to it, the employees in the steel industry have shown a real sense of the needs of the times.

The War Memorial Home, which was opened in June last year, has proved beneficial to a large number of the employees who, under the doctor's recommendation, have spent there a period of convalescence. The committee of management have been gratified by the appreciation which has been so frequently expressed by those who have recuperated at the home.

GENERAL POLITICAL AND ECONOMIC CONSIDERATIONS

The outstanding national feature of the industry during the year was the appointment in September of an Iron and Steel Board, and the Government have placed upon them the responsibility of dealing with all matters relative to the industry, both as regards production and development. The Board, under the chairmanship of Sir Archibald Forbes, is engaged in investigating the whole subject.

The British Iron and Steel Federation has recommended that the output of the steel industry in this country should be increased to 15,000,000 ingot tons per annum, and we have given an assurance that in this expansion the Scottish output will be increased proportionately.

As mentioned in the directors' report, we have prepared plans with this object in view, which show how this result can be achieved with due regard to economy in capital expenditure and without any sacrifice in efficiency or in the attainment of the lowest costs of production.

IMMEDIATE NECESSITIES OVERLOOKED

In former days, having reached such a decision, we would have proceeded with the construction of our schemes forthwith. To-day that is no longer possible, and it is now necessary that the consent of many interests be first obtained. We wonder sometimes whether in this process the consumers of steel in this country, who are suffering so severely from a lack of steel supplies, are not being asked to sacrifice too much in the interests of a planning policy which concentrates on the long-term aspect and forgets immediate necessities.

There are references from time to time to the Government's policy concerning the steel trade and to their schemes for bringing the industry under Government ownership. In consequence, there is great uncertainty throughout the industry. In our view, any decision to nationalise a complex industry like the steel industry could not be otherwise than damaging to the national economy.

We have little faith in the benefits which, it is stated, arise from centralised control, and we think that many of the ideas current on this subject at the present time exaggerate the assumed benefits which have not been proved and do not emphasise sufficiently the dangers which are latent in such policies.

SERVICES OF THE STAFF

I am sure you desire to be associated with the directors in expressing to the staff our appreciation for the loyal service they have rendered during the year. I would specially mention the works managers and foremen, who have had a particularly trying time.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors, Mr Peter Baxter and Mr. Henry Lithgow, were re-elected, and the auditors, Messrs Moores, Carson and Watson, were reappointed.

SUN INSURANCE OFFICE, LIMITED

FURTHER EXPANSION MR W. M. PRYOR'S REVIEW

In continuance of the custom which has been adopted in recent years the chairman has issued with the annual report and accounts a brief statement, summarised below, on the affairs of the office during 1946. The annual general meeting will be held on June 3rd.

In September, 1946, Commander Sir Robert Micklem, C.B.E., R.N., was appointed a director.

ACCOUNTS

Premium income in both fire and accident sections once again advanced substantially. In the aggregate the increase in premium volume in 1946 compared with 1945 amounted to £1,269,480.

It is perhaps worthy of note that in a year when throughout the world there has been so marked an increase in salary levels as well as in costs of materials and supplies the office has been able to conduct this substantial business at no greater cost by way of general expenses than 17.2 per cent. of the premium income. This figure compares with 16.4 per cent. in 1945.

FIRE BUSINESS

The advance in premiums amounted to £590,408. The claims experience at home and, generally speaking, overseas was again favourable. In Canada and in the United States of America, however, an underwriting loss was sustained. The underwriting profit resulting from last year's operations amounted to £289,318, which is equivalent to 7.83 per cent. of the premium income.

ACCIDENT ACCOUNT

There was an advance in premium income in 1946 of no less than £816,546.

As regards motor business, the toll of the roads both here and abroad has been heavy, outpacing the increases in rates of premium, although these have in some parts of the world contributed not a little to the higher premium volume. Rates are in course of adjustment upwards in many fields and a change has already been announced here which should go some way towards meeting the rising cost of repairs and the still advancing cost of settlements in the case of personal injuries as a result of accidents. Severe losses due to these causes have been sustained by the office and particularly in the United States of America.

The claims experience of burglary business abroad is tending to deteriorate and at home the results have again proved unfavourable.

Workmen's compensation business at home is still producing an unfavourable result.

Generally speaking, the rest of the business in the accident account has proved satisfactory but, by reason of the three features to which special reference is made, an underwriting loss amounting to £155,259 has been experienced.

MARINE ACCOUNTS

The figures contained in the 1946 account disclose a very satisfactory position. The office have been able to transfer £350,000 to the profit and loss account leaving the fund at £1,273,198, which is equivalent to 205.93 per cent. of the year's premium income.

PROFIT AND LOSS ACCOUNT

In the aggregate the three revenue accounts resulted in the profit and loss account benefiting by £484,059. Net interest earnings totalled £232,293, which amount is greater by £16,882 than the interest earnings of 1945.

Provision of £70,000 has been made for British taxation. The pension fund has again received a contribution of £100,000 and £10,000 has also been contributed to the staff widows and orphans fund.

An interim dividend of 1s. 6d. per share, less tax, was paid last January and a final dividend of 1s. 8d. per share, less tax, has now been declared. The book value of the investments stands at £12,024,183. The market value of the securities is substantially in excess of the book value.

In conclusion the chairman paid tribute to the zeal, efficiency and loyalty of the general manager, his deputy, the other members of the executive and the entire staff at home and overseas.

INDUSTRIAL AND GENERAL TRUST, LIMITED

EXPANDING REVENUE

The 59th ordinary general meeting of the Industrial and General Trust, Limited, was held in London, on the 22nd instant.

Mr L. A. Stride, the chairman, said that during the year ending March 31, 1947, their revenue had continued to expand, gross receipts at £604,453 showing an increase of £84,359, giving an overall yield of slightly more than 7½ per cent. on the balance sheet total of the investments. For the third successive year they were able to declare a bonus on the ordinary stock in excess of the dividend of 12 per cent. paid in each of the last ten years. For the year ended March 31, 1945, the bonus had been 2 per cent. and last year 3 per cent.; now they recommended 4 per cent., making the total distribution 16 per cent. for the year as against 15 per cent. last year.

Their investments stood, at or under cost, at £8,284,570. Last year there was an appreciation of well over 50 per cent. and at March 31st last the surplus over book values was more than 75 per cent. It was comforting to realise that their capital, debenture stocks, reserves and revenue carry-forward had, at the moment, substantial cover, but he must repeat the warning given at previous meetings that wide fluctuations in security prices had occurred in the past over quite a short period of years. The present unprecedented inflation resulted from the Chancellor of the Exchequer's cheap money policy and the depreciation of the £ and was aggravated by the terms of compensation—he might almost say confiscation—envisioned under the various nationalisation proposals. The search for adequate revenue-yielding investments was an investor's nightmare.

The report was adopted.

NORWICH UNION INSURANCE SOCIETIES ANNUAL MEETINGS

EXPANSION OF BUSINESS

The annual meetings of the Norwich Union Insurance Societies were held at Norwich on the 27th and 28th instant.

Speaking at the Fire Society's meeting, the chairman, Sir Robert Bignold, said: "I feel sure I shall have your indulgence in making brief reference to the year 1947. This Society was founded by my great-grandfather, Thomas Bignold, in 1797; thus this year marks the 150th year of its existence. During all that time there has been a member of my family actively associated with the Society."

During the past year the premium income was the highest in this long history of the Society.

FIRE, ACCIDENT AND MARINE ACCOUNTS

During 1946 the fire premium income has increased by £514,535 to £3,267,320. This expansion is well distributed between our home and overseas business. The amount of profit at £118,405 is an improvement on last year's figures, due largely to better underwriting results in the home field.

In contrast with the very noteworthy contribution we have received in past years from the accident account, the resulting transfer this year amounts to £44,607. The reduction shown is due almost entirely to adverse claims experience in the motor department. In all other accident departments the results were most satisfactory. It is gratifying to note an expansion in premiums of £487,754, making the total income in the accident account the highest ever recorded at £2,368,130. The net marine premiums amounted to £469,864, an increase of £22,370. The directors have decided to transfer a sum of £150,000 to profit and loss account.

The balance brought forward of £370,588 has been increased by the trading profit of £313,012, together with the sum of £138,650 for net interest. A total of £840,069 is available for disposal. Dividend, less income tax, requires £145,200 and home taxation £89,286; £100,000 has been transferred to general reserve, and it was considered advisable to strengthen the pension fund by the transfer of £150,000. The total assets of the Society, as shown in the combined balance-sheet, amount to £9,558,677, an increase of £406,076.

LIFE SOCIETY

Sir Robert Bignold also presided at the Life Society's annual meeting, at which he said: "At the end of 1938 our total funds were £48,124,000; at the end of last year they had increased to £63,723,000."

In 1938 we were able to show a gross return on our funds of £4 15s. 6d. per cent., and this has fallen in 1946 to £4 6s. 8d. per cent., while the position was made considerably worse by income tax, the net rate being respectively £4 2s. 7d. per cent. and £3 12s. 5d. per cent. In 1938 our total new business was £11,755,700, and last year the record figure of £23,597,000. Our premium income has increased from £4,550,000 to £6,090,000, and during the eight years we have paid out £9,700,000 in claims by death and £20,000,000 by maturity of policies. Expense ratio is 18 per cent. of our premium income against 15 per cent. for 1945. Our mortality has again been favourable and well below expectation.

We have added £757,000 to our British Government securities during the year, and these now stand in our balance-sheet at £15,310,000. During 1946 we contributed a further £452,000 of overseas currencies to the British Government, making the total under this heading since 1938 £3,262,000.

The reports were adopted.

GOVERNMENT RETURNS

For the week ended May 24, 1947, total ordinary revenue was £77,999,120, against ordinary expenditure of £56,829,109 and issues to sinking funds, £100,000. Thus, including sinking fund allocations of £1,250,945, the surplus accrued since April 1st is £209,872,665 against a deficit of £143,806,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousands)			
		April 1 to May 25, 1946	April 1 to May 24, 1947	Week ended May 25, 1946	Week ended May 24, 1947
ORDINARY REVENUE					
Income Tax	187,308	143,756	129,810	12,368	12,540
Stamp Duty	80,000	8,770	9,110	189	1,290
Excise, etc., Duties	155,000	24,004	24,964	3,020	3,550
Stamps	57,000	4,840	5,470	1,230	680
N.B.C.	202,000	4,234	4,005	706	290
E.P.T.	1,000	41,732	31,730	3,812	3,970
Other Inland Rev.	1,000	104	60	10	—
Total Inland Rev.	156,800	227,538	209,953	22,317	22,990
Customs	736,960	81,927	121,190	7,580	17,072
Excise	645,040	84,900	86,400	5,200	6,300
Total Customs & Excise	1,381,900	166,827	207,590	12,780	23,372
Motor Duties	50,000	4,245	4,897	—	—
Surplus War Stores	25,000	269	26,371	—	17,807
Surplus Receipts from Trading	55,000	—	—	—	—
Post Office (Net Receipts)	5,000	4,000	200	700	—
Wireless Licences	11,000	370	809	—	—
Crown Lands	1,000	160	160	—	—
Receipts from Sundry Loans	21,000	3,309	109	3,778	—
Miscellaneous Receipts	270,000	2,064	127,414	279	17,275
Total Ord. Rev.	2,461,000	409,330	577,592	45,105	77,999
SELF-BALANCING					
Post Office	144,230	15,500	18,300	2,200	2,600
Income Tax on E.P.T. Refunds	40,000	26,596	4,353	4,057	221
Total	2,645,230	461,426	599,993	49,365	80,820

Expenditure	Estimate, 1947-48	Receipts into the Exchequer (£ thousands)			
		April 1 to May 25, 1946	April 1 to May 24, 1947	Week ended May 25, 1946	Week ended May 24, 1947
ORDINARY EXPENDITURE					
Int. & Mon. on Nat. Debt	826,000	60,732	72,343	2,943	2,555
Repayments to N. Ireland	23,000	1,330	2,083	463	696
Other Govt. Fund Services	8,000	287	286	—	—
Total	857,000	62,349	74,712	3,356	3,251
Supply Services	2,625,200	420,720	222,682	42,930	35,540
Total Ord. Exp.	3,482,200	483,069	297,394	46,286	38,791
SELF-BALANCING					
P.O. & Broadcasting	144,230	15,500	18,300	2,200	2,600
Income Tax on E.P.T. Refunds	40,000	26,596	4,353	4,057	221
Total	3,666,430	524,165	320,047	52,543	41,612

After deducting Exchequer balances by £50,202 to £2,515,725, the other operations for the week decreased the gross National Debt by £20,300,970 to £25,463 million.

NET ISSUES (£ thousands)		250
P.O. and Telegraphs	270	
E.P.T. refunds	77	
Overseas Trade Guarantees Act, 1939, Sec. 4 (1)	16,128	
British Woods Agreements Act, 1939, Sec. 3 (1)	2,780	
Local Authorities Finance Act, 1945, Sec. 3 (1)	1,500	
War Damage Compensation	200	
Finance Act, 1946, Sec. 20 (7), Bank-note Credits	100	
Finance Act, 1935, Sec. 30 (1), 3 per cent. Local Loans Stock	21,270	

Statistical Summary

CHANGES IN DEBT (£ thousands)	
NET RECEIPTS	NET REPAYMENTS
Nat. Savings Certs. 2,200	Treasury Bills 6,973
2½% Defence Bonds 1,740	3% Defence Bonds 2,557
Other Debt —	3% Term Annuities 1,571
Internal 15,100	Tax Reserve Certs. 1,279
	Other Debt —
	External 1,227
	Ways and Means Advances 26,755
19,040	39,392

* Including £1,912,803 paid off at maturity.

FLOATING DEBT						
(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Treasury	Extr.	Public Dept.	Bank of England		
1946						
May 25	1950-0	2540-2	371-8	...	1482-0	6284-1
1947						
Feb 15	2165-0	2997-3	469-7	9-0	1540-0	6615-1
" 23	2185-0	2958-6	446-1	...	1538-0	6627-1
Mar. 7	2175-0	2968-5	530-2	15-0	1475-9	6713-3
" 8	2185-0	2900-4	582-1	...	1435-5	6812-9
" 12	2185-0	2890-9	582-6	2-25	1434-0	6799-7
" 22	2185-0	2899-7	618-5	...	1456-5	6954-6
Apr. 5	2185-0	2704-4	598-7	10-75	1445-5	6994-4
" 12	2185-0	2728-8	580-6	...	1445-5	6937-9
" 19	2185-0	2728-8	580-6	...	1465-5	6991-6
" 26	2185-0	2668-2	518-9	...	1465-5	6836-6
May 3	2190-0	2661-4	501-9	...	1463-5	6822-8
" 10	2190-0	2620-4	401-3	...	1463-5	6684-1
" 17	2190-0	2647-1	348-0	5-25	1463-5	6633-8
" 24	2190-0	2620-1	327-5	...	1463-5	6601-1

TREASURY BILLS				
(£ millions)				
Date of Tender	Amount		Average Rate of Allot- ment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for		
1946				
May 24 1947	120-0	232-9	150-0	10 1-85 54
Feb. 21	170-0	271-8	170-0	10 1-79 61
" 28	170-0	268-0	170-0	10 2-16 63
Mar. 7	170-0	267-0	170-0	10 1-15 43
" 14	170-0	265-0	170-0	10 1-59 51
" 21	170-0	268-0	170-0	10 1-66 46
" 28	170-0	266-0	170-0	10 2-51 42
Apr. 3	170-0	266-0	170-0	10 2-06 43
" 11	170-0	265-0	170-0	10 2-57 37
" 18	170-0	266-0	170-0	10 3-10 54
" 25	170-0	261-0	170-0	10 3-72 25
May 2	150-0	306-0	180-0	10 0-84 32
" 9	170-0	295-3	170-0	10 1-36 44
" 16	170-0	291-2	170-0	10 1-62 49
" 23	150-0	267-6	180-0	10 1-45 43

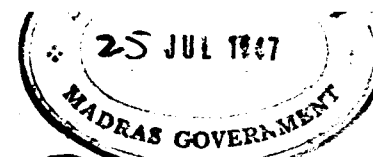
On May 23rd applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted at about 4½ per cent. of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at 99 17s. 6d. and above were accepted in full. (370 million maximum) of Treasury Bills are being offered for May 30th. For the week ended May 24th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)			
	Week Ended		Total
	May 15 1946	May 17 1947	May 31st 1947
Savings Certificates :—			
Receipts	3,080	3,350	62,708
Repayments	3,490	1,706	22,650
Net Savings	Dr. 460	1,650	39,050
Defence Bonds :—			
Receipts	2,080	2,190	13,830
Repayments	2,427	563	4,638
Net Savings	Dr. 377	1,627	8,998
P.O. and Trustee Savings Banks :—			
Receipts	13,383	11,901	90,375
Repayments	8,250	11,187	81,072
Net Savings	5,133	714	9,508
Total net savings:	4,306	3,991	57,568
Interest on certificates repaid	552	340	4,875
Interest accrued on savings remaining invested	2,832	2,247	15,835

BANK OF ENGLAND RETURNS MAY 28, 1947

ISSUE DEPARTMENT	
Notes Issued:	Govt. Debt 17,015,100
In Circulation 1394,117,811	Other Govt. 1434,224,176
In Bank Department 56,156,022	Other Secs. 751,858
	Gold 8,867
	Am't of Fld. 1450,000,000
	Notes (at 172s. 3d. per £) 247,833
	1450,247,833

BANKING DEPARTMENT			
Capital	14,553,000	Govt. Secs.....	329,595,660
Res.....	3,429,997	Other Secs.....	
Public Depts.....	4,992,505	Discounts and Advances...	8,662,804
		Securities.....	24,350,849
Other Depts.....			
Banks.....	801,900,778		
Other Assets.....	25,142,930	Notes.....	86,150,824
	327,043,658	Coin.....	1,294,481
	429,025,821		429,025,821



The Economist

Established 1843

One Shilling

June 7, 1947

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Chittagong	Lahore
Dar-es-salaam	Mwanza Tanga
Madras	Mombasa
Mandalay	Nuwara
Nairobi	Ellya
Nakuru	Entebbe
Uganda	Jinja
British E.A.	Kampala
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ASSETS EXCEED	£97,000,000
CLAIMS PAID EXCEED	£181,000,000
(1946 Accounts)	

OXFORD UNIVERSITY

TRINITY COLLEGE AND JESUS COLLEGE—LECTURERSHIP IN ECONOMICS

Trinity College and Jesus College, acting together, propose shortly to appoint to a Lectureship in Economics, tenable at both Colleges.

The appointment in the first instance will be for a period of two years from October, 1947. The stipend will be £500 per annum, with dining rights. Rooms will be provided by Jesus College. The Colleges will contribute appropriate sums to a pension scheme under the F.S.S.U.

The duties of the Lecturer will be to teach Economics, primarily for the Honour School of Philosophy, Politics and Economics. It would be an advantage if the Lecturer could teach Statistics for the Honour School. He will be expected to teach up to a maximum of eight hours a week for Trinity College and eight hours a week for Jesus College.

Applications should be made to the President, Trinity College, Oxford, and must reach him not later than July 1, 1947, with a statement of qualifications and two testimonials.

The choice of the Governing Bodies will not necessarily be confined to those who apply.

UNIVERSITY OF OXFORD

Applications are invited for the Secretaryship of the Delegacy for Social Training, vacant October 1st next. Secretary will be responsible for educational and administrative work of the Department. Stipend £900 a year, pension under F.S.S.U. and children's allowance of £50 each child.

Also Supervisor of practical work. Stipend, £500-£600, according to age and experience. F.S.S.U. and children's allowance of £50.

Applications with names of three referees, but no testimonials, should be sent, before June 9th, to the Registrar, University Registry, Oxford, from whom further particulars may be obtained.

UNIVERSITY OF EDINBURGH

The University Court invite applications for the post of Lecturer in the Department of Political Economy. The salary will be in the range £500 to £650 per annum, according to qualifications and experience, and the appointment, which is subject to the conditions of the Federated Superannuation System for Universities, will date from October 1, 1947. Applications, with a copy of two testimonials, should be lodged with the undersigned by July 31, 1947.

R. JARDINE BROWN, Secretary to the University.

UNIVERSITY OF ABERDEEN

LECTURERSHIP IN ECONOMICS.

Applications are invited for a Lecturer in the Department of Economics. Salary £500-£600, according to qualifications and experience. In addition, a Children's Allowance of £50 per annum for the first child and £40 per annum for each subsequent child, or while the child is undergoing full-time education, is payable. Applications should reach the Secretary to the University (from whom Forms of Application and Conditions of Appointment may be obtained) not later than June 26, 1947.

The University, Aberdeen. H. J. BUTCHART, Secretary.

UNIVERSITY OF READING

DEPARTMENT OF AGRICULTURAL ECONOMICS.

Applications are invited from graduates for the post of RESEARCH ASSISTANT in Agricultural Economics. Preference will be given to candidates possessing qualifications in Statistics. Salary according to the Ministry of Agriculture's scale for the Provincial Agricultural Economics Service.

Applications to be made not later than July 15, 1947, to The Professor of Agricultural Economics, University of Reading, 7, Redlands Road, Reading, from whom further particulars may be obtained.

UNIVERSITY COLLEGE, LONDON, will shortly appoint Two Assistant Lecturers (Grade III) in the Department of Political Economy, duties to commence October 1, 1947. Salary, £400-£500, according to qualifications and experience. Applications, to be received by June 14, should be addressed to the Secretary, University College, London, Gower Street, W.C.1 (from whom further particulars may be obtained).

UNIVERSITY COLLEGE OF SWANSEA

DIPLOMA IN SOCIAL SCIENCE.

The College offers, in October, 1947, a full-time course extending over two Sessions leading to the Diploma in Social Science. For graduates the length of the course may be reduced to one Session. Full details and forms of application may be obtained from the Registrar, University College, Singleton Park, Swansea.

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E. C. MACLEOD, Manager.

The Universities Bureau of the British Empire, 8, Park Street, London, W.1, has been requested to announce the following vacancy:—

THE UNIVERSITY OF SYDNEY

CHAIR OF GOVERNMENT AND PUBLIC ADMINISTRATION.

The Senate will shortly proceed to the appointment to the Chair of Government and Public Administration which will become vacant upon the retirement of Professor F. A. Bland. It will be glad to hear before July 31, 1947, from anyone who would like to be considered for the appointment. The salary is £1,250 per annum, but negotiations for a general increase in University salaries are in progress. There is retirement provision on the lines of F.S.S.U. and, in addition, the University pays £400 by way of annuity. One year's leave is granted on full pay every seven years or thereabouts. Travelling expenses will be paid as arranged at time of appointment.

Applications are to be sent direct to G. DALE, Acting Registrar, The University of Sydney, N.S.W.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

The Council of the College invites applications for the post of Assistant Lecturer in Economics (specialist in Pure Theory). Initial salary, £450 per annum. Two copies of application and testimonials (which need not be printed) must be received by the undersigned, from whom further particulars may be obtained, not later than June 30, 1947.

LOUIS S. THOMAS, Registrar.

University College, Cathays Park, Cardiff.

SECRETARY TO THE HOME COUNTIES LIBERAL FEDERATION

Applications are invited for this position, which will shortly become vacant. Commencing salary dependent upon experience and qualifications, but not less than £500.—Applications, stating age and giving details of experience and naming references, to be sent to the Chairman, Home Counties Liberal Federation, 34, Victoria Street, London, S.W. 1, within two weeks of the appearance of this advertisement.

INDIA—FUTURE OF BRITISH BUSINESS

Mr. P. J. Griffiths, C.I.E., I.C.S. (Retd.), Leader of the European Group in Indian Legislative Assembly, writes an important article in May 30th issue of CITY PRESS. Copies (price 3d., including postage) can be obtained from CITY PRESS Publishing Office, 44, Hopton Street, London, S.E.1.

OLD-ESTABLISHED British financial and commercial weekly published in India require an Assistant Editor. Some practical newspaper experience and university education preferable. Good terms and prospects for selected candidate.—Box 488.

AN advertisement for Engineer as set out below was published early this year in certain daily papers. It produced many interesting applications from people seeking a position as "Maintenance Engineer." We are seeking a man for a position of wider and more management or executive responsibilities than normally associated with "Maintenance Engineer." We therefore re-insert the advertisement. No previous applicant should re-apply. Fresh applicants should have a First or Second Class Honours Degree in engineering as one of his qualifications.

Engineer wanted by industrial undertaking making consumer goods and employing now 2,000 men and women in Somerset. Applicant should have professional qualifications, practical experience, and be capable of and new construction of both machines and buildings. Should be between 30 and 40 years of age. Commencing salary about £1,200, rising to £1,500 according to age and experience.—Reply, giving following details: age, education, particulars of all posts held, present salary and salary required, to Box 487. The firm's name will be sent to any possible applicant who wants to know before applying for the post.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 16, George Street, Mansion House, E.C.4.

COMMERCIAL EXECUTIVE desires change. 20 years with one of largest electrical manufacturers in country specialising in thermionic products. Full control over business, including financial responsibility for research.—Box 480.

C. & J. CLARK, LTD., Shoe Manufacturers, Street, Somerset, require Woman Secretary for the Chairman of the Company. Previous experience of similar work is essential. This post will appeal to those who like living in the country. Further information will be given on application.—Full particulars of age, education and experience should be given on application, which should be marked "personal" and addressed to the Personnel Officer.

NATIONAL TRADE ASSOCIATION requires Secretary (male preferred) for retail section working under its Director. Experience S.R. & O's and relations with Government Departments an advantage.—Apply Box 491.

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VOL. CLII NO. 5415
THE ECONOMIST, Brettenham House, 15, Lancaster Place, London, W.C.2. Telephone: Temple Bar 3316
ANNUAL POSTAL SUBSCRIPTION £3
BY AIR (U.S. and Canada only) \$24
Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Agreed Division

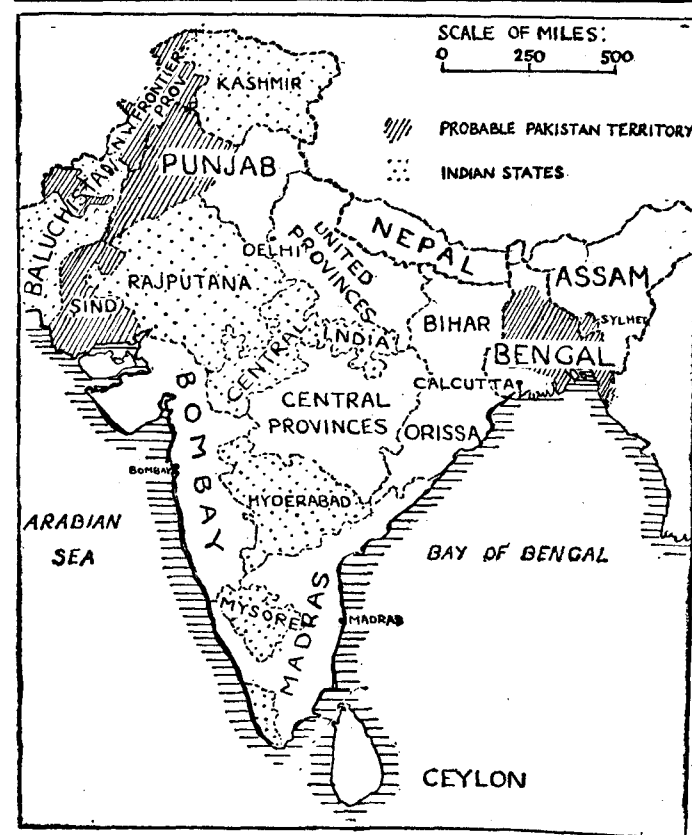
THERE have been many plans for India in recent years. But this week's White Paper differs from all the rest in two decisive respects. It is not a proposal for ultimate change but a plan for immediate action. And it has been accepted, on the day of its announcement, by the leaders of the three major Indian communities, Hindu, Moslem and Sikh. This is a very considerable achievement for the British Cabinet and for the Viceroy. Their decision in February to announce a date for the withdrawal of British rule from India was widely criticised (though not in *The Economist*), as reckless and panicky. But it has proved to be sound tactics and has brought the quarrelling Indian politicians much closer to an agreement than they have ever been before. To offer prizes for reasonable and responsible behaviour—which is the approach that has been made to India in the past two years—involves very obvious risks. But it works; and the risks are probably no greater than those of the former tactic of insisting on agreement before action, and therefore offering the prizes to the unreasonable.

The new plan is a partition plan. The fact is not admitted in so many words in the White Paper, the procedure of which might in theory produce a United India. But in fact it has been decided to divide India into Hindu and Moslem states and to do so by partitioning the crucial provinces of Bengal and the Punjab, in each of which there is a Moslem majority, but only a small one. In these two provinces, the Legislative Assemblies will first be asked to decide which state, Hindustan or Pakistan, the province would belong to if it were to remain undivided. Thereafter, the representatives of the districts with Moslem majorities (which are listed in the White Paper) and the representatives of the other districts will sit separately, and if either of these two halves of the Legislative Assembly votes for a partition of the province between Hindustan and Pakistan, then it will be partitioned. The first vote, that of the whole Legislative Assembly, will presumably, both in Bengal and in the Punjab, go for Pakistan by a small majority and thereafter the non-Moslem representatives, sitting separately, will vote for partition. But if by any chance the first vote should go for Hindustan (as it just conceivably might in the Punjab), the Moslem district representatives would certainly thereafter vote for partition. In either event, therefore, partition of the two provinces is certain.

The advantage of this scheme is that partition will reduce the risk of civil war in these two large provinces with small Moslem majorities and that it provisionally makes the partition by an objective test which does not require negotiations or fresh elections—namely, the last population census. However, it is hardly possible that a grouping of districts of which the boundaries were drawn only for purposes of local administration could automatically provide a good international frontier and it is therefore proposed that there shall be Boundary Commissions in each case to carry out "a detailed investigation of boundary questions" and to draw frontiers, partly "on the basis of ascertaining the contiguous majority areas of Moslems and non-Moslems" and partly "taking into account other factors"—presumably

such as communications, resources and the Punjab irrigation system. The Boundary Commissions are to be set up by the Viceroy with membership and terms of reference to be settled "in consultation with those concerned." There is no reason why these Commissions should not ultimately reach agreed solutions, but their tasks are not by any means simple or easy and with the best will in the world "detailed investigations" must take time. Until the frontiers have been fixed, if only approximately, neither Hindustan nor Pakistan can know what is the extent of its territory or its assets or liabilities and the danger of jumping claims by force will be continually present.

It is the great merit of the schemes proposed for the Punjab and Bengal that neither of them involves any new appeals to the electorate; in neither province is the communal tension to be further inflamed by election campaigns and polling with no prospect of being able to control the disorders which would certainly arise. In Sind, where the Moslem League has a large majority, the decision to join Pakistan will be an almost automatic one. In two other areas, however, the White Paper proposes decision by referendum. The first of these is the



North-west Frontier Province. By a curious paradox this province, the most thoroughly Moslem in India, has much less enthusiasm for Pakistan than have the Moslems who live nearer to numerically strong masses of Hindus, while the extreme poverty of the Province and its dependence up to now on subsidies from the central government have given it a vested interest in Indian unity. The province has in consequence continued up to now by a (mainly Moslem) majority to support the Congress cause, and two of its three delegates have taken their seats in the Constituent Assembly. But if Pakistan is created including Sind and West Punjab, the Frontier Province would be isolated from Hindustan and would be merely a narrow strip of territory between Pakistan and Afghanistan with virtually no economic resources and no outlet to the sea. The White Paper considers that, if partition is to be adopted in India, the Frontier Province "in view of its geographical situation and other considerations" should be given "an opportunity to reconsider its position" by means of a referendum, which is to be held "under the aegis of the Governor-General and in consultation with the

Provincial Government." A similar referendum is to be held in the Moslem-majority district of Sylhet in Assam to decide whether or not it should join East Bengal as part of the second new Moslem state.

There does not seem to be any good reason for either of these referenda. In particular, the one in the Frontier Province could be a most murderous affair. On general grounds it seems clear that, if Pakistan is established, the Frontier Province must be included in it. But nobody can tell what the result of voting is likely to be in this backward and turbulent area, even if the elections were free, for the conflict of Moslem League and "Red Shirts" has been so much tangled up locally with tribal, family and personal feuds that parish politics would tend to prevail even on an issue of such international importance. What is to happen, then, if the vote is against Pakistan? And how in fact is the freedom of the elections to be assured on such a crucial issue after there has already been so much violence? "Under the aegis of the Governor-General" means that a heavy responsibility is placed on the Viceroy for keeping order in what may be the most bitter election campaign ever yet held in India. The Provincial Government—Moslem but Congress—can hardly be relied on, in the circumstances, to refrain from using the methods of "Eastern democracy" to obtain the result it desires and these might be countered by armed bands brought in from outside the Province. It would surely have been less dangerous for the British Government to have laid it down that if Pakistan is formed the Frontier Province must be included in it.

In all probability, therefore, the plan will result in the creation of three new independent states, one Moslem in the North-West, a second Moslem state of Eastern Bengal and Sylhet, and an Indian state covering the rest of British India. The position of the native states is left undetermined. They are not to be coerced, but they are to be given every encouragement to seek association with one or other of the new states. Most of them will no doubt do so, though there will be difficult cases, such as Hyderabad and Kashmir. These problems will take some regulation, but the probability is that India will emerge as three states, each making a fairly compact appearance on the map.

None of the Indian parties is very pleased with the partition plan. Congress dislikes the division of India; the Moslem League dislikes being deprived of any part of Bengal or the Punjab, both of which it claims for Pakistan in their entirety; and the Sikhs fear that the partition of the Punjab will mean the vivisection of their community. But all three apparently realise that this is their last chance of avoiding a murderous civil war. The principle of partition, and some of the details, are therefore agreed. The British Government are evidently determined to take full advantage of this agreement while it lasts and not to provide any opportunity for it to be frittered away by delay. Accordingly, legislation is to be put through Parliament in the immediate future, and power is to be handed over, within two months or so, to provisional governments in the three new states. These states, until they decide otherwise (as they are to be free to do), will be regarded as *Dominions* of the British Commonwealth.

This decision is in reality the most controversial of the whole plan, though it has not been treated as such either in Great Britain or in India. Here, the Conservatives, under Mr Churchill's leadership, have accepted with relief the fact that the new India is not to be immediately divorced from the Commonwealth, while in India the politicians seem to think the continuance of a formal tie to the British Crown to be a reasonable price to pay for actual independence and self-government within a matter of weeks. But in fact the risks involved in so rapid a transfer of power are considerable. The problems of partition

are enormous. Modern India has grown up so completely as a unit that to cut it in pieces without doing irreparable harm will be a task which cannot even be begun in a few weeks. The administration machine will have to be, in many respects, taken to pieces and put together again. The seamless garment of the Indian economy will have to be divided and though the new states may eventually (as was argued in *The Economist* of May 17, 1947) be economically viable, there are problems of immense difficulty to solve meanwhile. The Indian Army is at present a unity which can hardly be divided without being destroyed. So is the irrigation system of the Punjab. There are questions of currency, communications and foreign trade to decide. But after the transfer of power there will be nothing but the common sense and moderation of the new Governments to guarantee success in these many and difficult operations. The White Paper speaks of settling some of them "under the aegis of the Governor-General." But the Governor-General in a Dominion has no powers of his own, and the Governor-General of three Dominions at once, which is the position Lord Mountbatten will occupy after August, may be in a very difficult posture indeed.

It is easy to see why this decision has been reached. The Indian politicians are clamouring for an immediate transfer of power; the structure of British Government is crumbling day by day. The chief British preoccupation, now that a transfer of power is inevitable, must be to get out while the going is good; and though the present agreement makes the going good for a few weeks to come, it would be very rash to assume that agreement will not soon stumble on one of the many hundred sharp stones that litter the way ahead. The policy of placing responsibility on the Indians and leaving them entirely free

After Margate

THERE was more than one duel in the sun last week at Margate. But, apart from Mr Bevin's resounding personal victory over his rebel opponents, none of the contests produced any conclusive results. Indeed, the Labour Party conference of 1947 will perhaps be remembered as much for the issues it left unresolved, and the questions it left unanswered, as for any definite trends or positive decisions that it produced. The one indisputable fact that emerged from last week's proceedings is that there will be no General Election before the present Parliament runs out.

On this assumption, the Government is evidently preparing to use the next two or three years as a breathing-space to consolidate its position, rather than to push forward with any new schemes. The danger signals of administrative overstrain have been observed. The Cabinet are still apparently determined to undertake the nationalisation of the steel industry, but this is to be the last big dose that Parliament, the Civil Service and the public will be asked to swallow until after the General Election. At the same time, the Labour Party will speed up its preparations for the next election and the formulation of its second five-year programme. It has decided to launch a propaganda fund, and to increase the membership fee, which together should bring in another £200,000 to party funds, while special efforts will be made to gain support in the rural areas and to retain it in the marginal.

It is in this sense that Mr Morrison's speech to the Conference, with its re-discovery of the "so-called middle class," was so pertinent. It is not perhaps so very remarkable that Mr Morrison should have spoken in this sense, since he has always had the sense to see that the Labour Party, if it is to survive the test of public opinion at the next election, must ally itself with, and not alienate, the middle-class. What was particularly interesting was that his appeal to employers,

both to decide what they do with it and to face the consequences of their decisions, has worked hitherto. But with the fact of partition the circumstances change, and the compulsion on Mr Nehru and Mr Jinnah to be reasonable will be perceptibly less once they have formally parted company.

It would be very foolish not to recognise these risks in the course that is being pursued. Yet the Government's courage has hitherto been rewarded with success. Mr Attlee and his colleagues, with Lord Mountbatten, have pulled off a political miracle—even if it is still only an incomplete one. It will have cheered many hearts to see this proof that the British people still have their secret of political suppleness; the boast is justified that there is not another breed of statesmen in the world who could have brought matters so far. It is true that the solution of the Indian problem that is now emerging has its drawbacks. It is a tragedy that one of the great political units of the world should be broken up—but some Indian unity may yet be saved, or later restored, and at least there is now a prospect that the parting will be in peace. It is sad that the long connection between Britain and India—which, in spite of its traducers, has brought benefit to both parties, the Indians not least—is now to end in a formal sense and that the glories of the Indian Empire are to pass away. But something may remain even of the formal ties if Dominion status is not renounced; and in any case the essential strategic and economic ties between Britain and India will remain, even if it is under different political forms. And to them will be added a new respect. This is the possibility that is now dawning. But it is still only a possibility. With praise for the Viceroy's courage and skill which have already achieved so much, will go hopes that his skill and courage will win the ultimate prize.

managements and "workers by brain" to co-operate with the Government, his barely-disguised rebuke to the Shinwell school of thought, was so well received by the Conference.

What Mr Morrison did not say specifically, although he implied it and Mr Dalton was rather more specific, was that it is no use appealing to entrepreneurs to cooperate in the production drive, while at the same time conducting a campaign against the profit motive. A great deal was heard at Margate about incentives, and it is surely time that the Labour Party and the trade unions should recognise that the business community, as well as the workers, need incentives to production. A little less sympathy for the "so-called middle class" and a little more willingness to allow them the means of existence, would have been more convincing. More especially if the tempo of nationalisation is to be reduced, the overwhelming part of the national income in the coming years is going to be earned by private enterprise, and in their own interests Ministers ought to pay some attention to providing the conditions in which private enterprise can be both efficient and fruitful. They may, if they wish, cherish the belief that the private manager in every industry is in the waiting room for the gas chamber. But they ought to admit to themselves that he is going to be there for a long time to come.

The issue which was not resolved at Margate, but which ran like a persistent thread throughout the debates, is the constitutional one—what is to be the future relation between Party and Government? The party conference has long regarded itself as the supreme policy-making body, and so long as Labour was in opposition, no difficulties arose. But the situation is very different with Labour in power. Are Cabinet Ministers to come to the conference, as Mr Attlee implied, to make their annual pilgrimage to the Socialist Lourdes, to

"brush up" their Socialism and renew their contacts with the rank and file? Or do they come to be told what to do and when to do it? Six out of the seven members of the National Executive elected to represent constituency parties are also Ministers of the Crown. They have been told by the conference to give themselves instructions, against their own judgment, on the question of the tied cottage and on equal pay for equal work. The immediate importance of this cleavage has been exaggerated. Mr Bevan's formula, that the Conference can decide on matters of principle but must leave the timing to the Government, will be followed and the Cabinet will simply ignore instructions that they find inconvenient. The whole issue, indeed, might be dismissed as academic, were it not for the strong feeling it has undoubtedly engendered in the party. If the coming years bring as much economic trouble as seems likely, the loyalty and cohesion of the Labour Party will be put to a very heavy strain and grievances that are now well below the surface may become important.

Of far more urgent importance than this mainly domestic issue, however, is the conflict over wages policy, which is fundamentally the conflict between the industrial and political wings of the movement. The miners' resolution, calling for improvements in wages in the undermanned industries, was accepted by the Executive, and, *ex hypothesi*, by the Government. This was hardly more than a formal obeisance to the notion of including wages policy in the Government's economic planning. Those unions which are in a strong bargaining position, especially the miners, are to have their rapacity dressed up as "wages policy," and that is about all. But even this limited and more than faintly hypocritical interpretation of a conscious policy for wages was too much for Mr Deakin of the Transport and General Workers' Union, who saw in it a threat to the collective bargaining system and feared the effects upon his own members if discrimination were granted in favour of other unions. The issue is whether the trade unions are to admit any restraints upon their separate bargaining powers in the interests of a

coherent economic policy. The realistic answer is that they are not. "Wages policy" will be used to justify some increases in wages; it will not be allowed to stop others. The clash between the Minister of Health and Mr Luke Fawcett, the building union leader, was another facet of the same problem. The case made out by Mr Bevan for providing incentives, in the form of output bonuses and payment by results seems, to the outsider, logically unanswerable. Yet it drew a storm of protest from the union side, which sounded much more sincere than the protestations that productivity must be raised.

The difficulty that the outside observer must feel in interpreting the results of the Margate Conference is to know how many of the fine words there uttered are likely to be matched by actions. Mr Morrison knows—and some of the others are beginning to have a glimmering—that the Labour Party faces an uphill task. The present indications are that it will be beaten at the General Election—that statement is based on the evidence that the two major parties are now approximately equal in the public esteem, and on the probability that the next two years will be a period of great economic difficulty. The Labour Party's chances of reversing the present probabilities depend, more than anything else, on the success they have in confronting the economic problems of the country and in convincing the middle vote that they are not an exclusive class party. But their attempts to have a coherent economic policy are obstructed at every turn by the jealous particularism of the unions. And there are very few members of the Party who can bear to admit that there has never been, and is not now, a positive majority in the country for socialism. Only those of them who cannot control their tongues will make the mistake that Mr Shinwell and Mr Dalton and Mr Aneurin Bevan make, of deliberately infuriating the middle class. But very few of them will be able to bring themselves actually to do anything helpful for the middle class or for the private-enterprise profit-earning system by which it earns its daily bread.

The New German Government

THE new agreement between the British and American military authorities for the effective fusion of their two zones is undoubtedly a marked improvement on the cumbersome, confused and self-frustrating machinery that has existed hitherto. The essence of the new plan is to place above the six States, or *Länder*, a responsible German Council which can exercise some of the more important functions of a zonal Government. In this way, the process of extreme splintering in German economic and political life which was the immediate result of the joining together of the two zones has been arrested and a first step taken in the direction of effective central organs of government. The members of the new "Economic Council" will be elected by the various *Landtage*, or State legislatures, in proportion to the populations of the States and to the party strengths at the most recent elections for the *Landtage*. The functions of the new Council appear to be virtually as wide as the normal economic powers of any central government, and their exercise is to be directed towards "permissible economic reconstruction," a somewhat indeterminate phrase which was substituted at the last moment for an earlier version, which would have empowered the Economic Council to "direct the economic reconstruction of the two zones on the basis of a new plan for the agreed level of industry."

The Council will have an executive agent, the Executive Committee, which will bear to it something of the relation of a cabinet to a parliament. The Committee, however, will not be chosen from the Council, but each *Landtag* will nominate one representative to serve as a permanent member. At the

lowest level in the new hierarchy are the bizonal departments—for food and agriculture, finance, transport and so forth. In the past these departments were the only instruments of fusion and consisted of the appropriate Ministers from the various State Governments, together with an independent chairman. Now they will cease to have the character of inter-ministerial conferences and become permanent departments on Civil Service lines and each will be headed by a permanent Executive Director, nominated by the Committee and approved by the Council. The new structure is completed at each level by agencies for Anglo-American control. The Council will be subordinate to a Bipartite Board consisting of the Military Governors, the Committee will be supervised by a Bipartite Control Office and the Departments by bipartite panels.

The advantages to be derived from the new structure are obvious. A very real clarification and concentration of authority have taken place. Responsibility has now been more or less unequivocally transferred to the Germans and from the Economic Council down to the departments the chain of decision and execution is clear. At the same time machinery has been introduced which makes it possible for the Germans to exercise a complete oversight over all the interrelated sections of their domestic economy and to evolve a consistent economic policy. It will no longer be possible, as it has been with the complete separation of the various German Committees that has prevailed hitherto, for the Germans dealing with economic policy to promote a completely different policy from that proposed by the Finance Committee. At the departmental level,

more efficient administration should follow from the abolition of the conferences of Ministers drawn from the different *Länder* and from the substitution of genuine executive departments. Since Germany has been suffering for two years from the lack of genuine government—quadrupartite deadlock is no substitute for it—it is encouraging to see the emergence, in all but name, of a genuine government for Western Germany.

Yet it must be remembered that so far the new plans exist only on paper. Even if the machinery is better, it is still incredibly cumbersome. Each State repeats at its lower level the structure of parliament, cabinet and civil service, and this demands for the routines of administration far more Germans than can possibly be called efficient administrators. Germany presents the paradox of a country that has at once too much and too little government—too many offices and controls and co-ordinating committees, too little drive and decision and oversight. Since the new machinery adds to the number of governmental agencies, serious consideration should be given to the possibility of simplifying its operation by removing Allied control from all but the highest German authority. Another danger lurks in the interpretation to be put on "decentralisation." The Economic Council has it is true, the right to impose its decisions on the States whereas the old committees had not, but the agreement lays it down that "maximum use" is to be made of the State Governments in administering the decisions of the Economic Council and only those who have followed the relations between the old committees and the States can realise quite what powers of obstruction a State as isolationist as Bavaria can exercise.

Moreover, it is not certain that the new Economic Council will itself be determined to put strong pressure on the States. In the latest elections, the bourgeois parties—the Christian Democrats and the "liberals"—had everywhere, save in Schleswig-Holstein, a majority over the Social Democrats. The CDU, particularly in the South, is the spearhead of the movement for States' rights and *laissez faire* economics. If the Economic Council faithfully reflects the voting, there may be an anti-centralist, anti-planning majority in the Council itself. To hold that this could limit the potentialities of the new structure is not to assert any theoretical superiority of Socialism but simply to recognise the fact that the economic margins are exceptionally narrow and that priorities and allocations—in other words planning—are essential for the survival of Germany.

Another obstacle to the effective working of the new system lies in the nature of the powers conferred on the Economic Council. The aim of the merger of the two zones last year was, as is well known, "self-supporting." The two zones are to pay their way and the import-export programme is clearly the central point in any scheme for the reconstruction of the zones. But it is not clear whether the Economic Council is to have any more control than had the earlier committees

over this vital sector. It is true that the Council's list of powers includes "internal and external trade," but it is apparently not suggested that the Anglo-American Import-Export Agency should be divested of its present authority. Yet if the Economic Council cannot control the flow of imports or plan its own export programme, can it be said to have received adequate authority for the economic reconstruction of the zones? It should be possible to give the Germans a general budget to work to over, say, three or four years and leave it to them to develop the practical details. Such a scheme would, incidentally, put an end to the present arrangement whereby if the Germans manage to provide more foodstuffs from the zones, their allocation from overseas is promptly cut—an obvious and direct incitement to non-production and non-delivery in Germany.

This difficulty over the import-export programme is only one part of a much more complex problem, one which the adoption of new governmental machinery hardly touches. The question which must determine all the new agencies' hopes of success is one that they themselves cannot solve. Can the Anglo-American Zone, under any type of administration, good or bad, really be made to pay its way? Can it produce the exports? Having produced them, can it market them? If in fact self-sufficiency is an economic impossibility, no improvements to the machinery of government will have the desired result.

It must be frankly admitted that the prospects are not good. Nominally the production of exports still suffers from the disabilities imposed by the first Level of Industry plan. Under this plan, it will be recalled, a large number of German industries were restricted to a certain output. The decisive figures were the limitation of steel production to 39 per cent of pre-war capacity (7.5 million tons), light metals to 54 per cent, basic chemicals to 40, heavy engineering and heavy electrical engineering both to 31, light mechanical and electrical engineering to 50, machine tool production to 11 per cent. Yet before the war no less than 65 per cent of Germany's exports were provided by these restricted industries. It has now been estimated that to secure self-sufficiency for the two zones, exports would need to be about 65 per cent higher than the pre-war figure, owing to the loss of Eastern German supplies, the greater cost today of imports of food and raw materials and the disappearance of Germany's external assets. Can it be supposed that this great increase can possibly be secured if the industries which produced the bulk of exports before the war not only do not expand, but are positively restricted?

In a sense, the theoretical position under the Level of Industry plan is academic to-day. Neither zone has anywhere near reached the permitted levels laid down in the Plan. The present flow of exports is still little more than a trickle. For instance, exports for the first quarter of 1947, which were

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expected to be \$87 million, have proved to be only \$31 million. The first aim must therefore be to expand industry to the permitted levels and not to be unduly concerned about observing the restrictions.

In another sense, however, the question of the Level of Industry is the opposite of academic. The absurdity of the old plan is now obvious to everyone. The British and the Americans are agreed in principle on an upward revision (even Mr Molotov agrees to this), and the figure of 10 or 11 million tons of steel has been widely quoted. Such a revision is obviously an overdue and highly sensible step and some bewilderment may be caused by the fact that while the first draft of the new zonal agreement suggested that such a plan was under consideration, in the second draft the suggestion was deleted. However, it must be remembered that one of the purposes behind the old Level of Industry Plan was to assess the amount of surplus German industrial capacity available for reparations. Recently there have been suggestions from Germany, demands from the Inter-Allied Reparations Agency in Brussels, and hints from the Board of Trade, suggesting that one of the purposes of a new Level of Industry Plan would be not only to increase the permitted scale of German production, but also to make a new assessment of available reparations so that, in the near future, the surplus capacity could be removed and the question of reparations from the western zones settled once and for all.

If this is the case, it is certainly fortunate that the suggestion of a new Level of Industry Plan has been withdrawn. Without prejudice to the possibility of delivering reparations in the future, it must be said that wholesale dismantlings of factories in the British and American zones in the immediate future would have so disastrous an effect on what is left of German morale that it would break down completely, carrying with it the whole present attempt to build up an administrative structure in Western Germany for which Germans are to be fully responsible. There can be only one policy in the coming months, that of encouraging by every means an increase of production in the two zones. The destruction of productive capacity, in obedience to some theoretical calculation of permitted levels, is simply not

compatible with any economic recovery, and if this is what an "increase" in the permitted level were actually to mean, then it would be a mockery.

Unhappily a solution of the problem of producing sufficient exports in the two zones—still remote enough, in all conscience—by no means exhausts the problem of making Western Germany self-sufficient. Even if the exports were produced in sufficient quantities, could they be sold abroad? Above all, could they in the next five or six years of world shortage and crisis earn the hard currency necessary to buy the food and raw materials the zones need to feed their workers and manufacture their goods? *The Economist* has on many occasions expressed its scepticism of the viability of a West German state unless certain pre-conditions were fulfilled, of which the chief is the existence in Western Europe of a large unified economic area producing enough and consuming enough to provide both Germany and the Western industrial nations with a market capable of absorbing all their manufactures. As things stand to-day, there are already signs that even a slightly revived German industrial activity is causing anxiety to other producers in the West. The frictions will grow worse as the flow of German exports increases. To this difficulty must be added the problem of the dollar, which the Germans share with the rest of Europe.

The new constitution that the Americans and the British have given their joint zone is, beyond any doubt, a great improvement on the old. But whatever the administrative structure in Germany, it cannot iron out the basic contradiction—the fact that the zones cannot and will not pay their way. To solve this dilemma the problem of Western Germany must be merged into the wider problem of Western Europe. Closer economic integration in the West could provide the necessary markets, while the provision of dollars on the scale required to reconstruct Western Europe in general could include an allotment for specifically German purposes. These projects may sound visionary, but unfortunately the solution of the zonal problem on the present basis is no less so. When ruin has reached such vast proportions, plans equally vast can alone begin the task of repair.

Deadline for the Refugees

THE Conference on Refugees at Lausanne closed on May 21st in an atmosphere of encouragement and relief. The adherence of Australia and China brought the number of signatories of the International Refugee Convention to sixteen, and with their signatures came the assurance of 75.8 per cent of the fund. Since 75 per cent of the necessary money and 15 signatures were sufficient to bring the International Refugee Organisation formally to life, the uncertainty of recent months—whether or not any refugee organisation would come into being at all—was settled before the ending of the Conference.

The delegates could also find some encouragement in the resolutions to which they had agreed. The Preparatory Commission of the International Refugee Organisation (the IRO) is to accept direct executive authority on July 1st, when both Unrra and the Inter-Governmental Committee on Refugees (the IGCR) officially go out of business. There will thus be no awkward gap during which the displaced persons might have been left with no body or organisation specifically responsible for them, or transferred to the care of local military authorities or governments—some having, some lacking the resources necessary to deal with them. The delegates probably recognised that the future budget of IRO (\$112 million) is very small and that very few days remained in which to carry out the transfer of authority from the old agencies to the new. But, in comparison with the deadlock which had existed before the Conference, the results seemed encouraging and many of the

delegates dispersed feeling confident about the next stage.

In fact, this next stage has already run into considerable difficulties. Mr Altmeyer, Secretary-General of the Preparatory Commission, faces the herculean task of creating, in precisely three weeks, a staff capable of dealing with the problems, administering the care, overseeing the living conditions and safeguarding the future of over a million men and women, representing a dozen different nationalities, living mainly in refugee camps and scattered widely through Europe and the Middle East. The last stages of repatriation have to be worked through. Meanwhile, the first phase of a vast operation of resettlement has opened. The oversight of camps and repatriation the IRO must take over from Unrra. The openings for resettlement are to be transferred to it from the IGCR. For instance, at Lausanne, IRO had to undertake responsibility for the ships already chartered by the IGCR for transporting refugees to the New World (opportunities for settlement there are discussed in an article on page 894). Under these conditions it can be readily imagined on what a scale and with what skill and experience an international organisation must work to deal with problems so complex, so vexed politically and so vast.

There is clearly only one source from which an effective organisation can be recruited in so short a time. The staffs of Unrra and IGCR alone have the experience and it is there that, in the first resort, the obvious field of selection lies. Unrra has done its utmost to make a transfer smooth and effective by

giving unstinting help to the Preparatory Commission's work. Moreover, it has concentrated all its headquarters staff for refugees in Paris where, as a result, there now exists a potential headquarters for IRO. The course of wisdom would obviously be for the Preparatory Commission to take over the Paris offices and part of the staff, and use this interim machine in the next months while the final shape of IRO is being determined, and the men and women chosen to become its permanent staff. But the truth is that delays and obstacles have been placed in the way of this obvious task of common sense and Mr Altmeyer is having a difficult task in building his new machine.

The blame must not be laid at his door, however. He is the victim, not the cause of the present confusion. The reasons are to be found at the higher levels of political responsibility, in Congress, in British Military Government, in the Foreign Office. The chief reason for the IRO's hesitancy in taking over a working staff from Unrra and the IGCR lies in the fact that Unrra has become involved in the anti-Russian, Communist-baiting politics of the American Congress. Unrra is one of the few international organisations in which the Russians are still working. That, in itself, appears to be enough to damn it. Moreover, in the refugee question, Unrra has been handling dynamite. The bulk of the displaced persons came from countries which have either become part of Russia (such as the Baltic States and the Polish Ukraine) or have acquired governments friendly to Russia. Whatever policy had been pursued by whatever authority, the cry would have been raised in Eastern Europe that undue pressure was being placed upon the Displaced Persons to stay away from their homelands, in the West that they were being forced to return. Both criticisms have been made continuously, but since, on the whole, the majority are returning home (many are peasants and labourers, little concerned with politics) and in particular since in the last six months by special inducements, such as the guarantee of rations, a large number have been persuaded to go back to Poland, the cry of unfair interference has recently been raised more loudly in the West than in the East and has come at a time when, in any case, American opinion of Russia was passing through a phase of hysteria. The result is that a powerful anti-Unrra lobby has developed in Washington, inside and outside Congress, and its activities have caused the Preparatory Commission to hesitate and hold back.

The situation is all the more unfortunate, in that Congress's attitude is, on the whole, completely wrong-headed. That individual camp officials may have shown undue "zeal" for repatriation is possible. That some of Mr La Guardia's political directives were open to question may also be true. Yet all unbiased evidence points to a high level of objectivity and responsibility among local Unrra officials and, on the whole, a very close watch was kept on Mr La Guardia—by Unrra itself. But perhaps the best vindication of Unrra's record is the second political difficulty in which it has fallen—the dispute between the Preparatory Commission and British Military Government.

British Military Government's record, with regard to refugees in the last year, more honestly merits than does Unrra's the charge of undue pressure on the displaced persons. It is by Military Government order that the rations of the refugees have been lowered and that they have been compelled to go out to work, often under German overseers. Bad conditions, low rations and forced labour are the methods which Unrra is accused of using in order to force the refugees to return home. But, in fact, Unrra has fought a strong battle in the last few months to defend the refugees against precisely this type of pressure on the part of Military Government.

The reasons for this must be understood. To Military Government, refugees are difficult and unruly elements in a zone in which discipline must be maintained. The area would undoubtedly be easier to run if the DPs were not distributed throughout its length and breadth. From this fact spring the

desire and the pressure to accelerate their repatriation. The need for order and discipline has also led the military authorities to demand full and direct responsibility for refugees, now that Unrra is coming to an end. For several months, a sort of running fight has been carried on between Military Government and the Preparatory Commission, the former demanding direct responsibility, the latter pleading for international control. The British Government, although it pays lip service to the international approach, has inclined to the side of the military and, in their endeavour to strengthen their case, the military authorities have not scrupled to join in the campaign of black-guarding Unrra as a means of fighting the idea of international control in general. And by a curious irony, they now accuse Unrra of practising those very methods of pressure—for "Communist" purposes—which Unrra has tried to circumvent. Yet, in spite of all these difficulties, the outline of an agreement between the British military authorities and the Preparatory Commission was reached at Lausanne, according to which Military Government would act as the executive agent for refugee work under IRO supervision. But later reports suggest that the detailed working out of this agreement is proving much less satisfactory.

Military opposition is not the only factor in inducing hesitation and suspicion in the British Government's approach to Unrra and the IRO. The Foreign Office has accused Unrra of helping the Jews to find their way to Palestine. In so far as Unrra camps in Italy have opened their gates to Jews moving from Central Europe to the Mediterranean, they have, in a passive sense, assisted the Jews. Since, however, their constitution forbids them to refuse entry to *bona fide* refugees coming within the Resolutions passed by the Council of Unrra—which the would-be immigrant Jews undoubtedly do—they could not, in fact, turn them away. But this is a very different thing from the accusation made against them—that of actively fostering and forwarding the movement of Jews. It would be as reasonable to accuse the British and American military authorities of conniving at Jewish immigration, simply because they have often failed to stop Jews at the frontiers as they move on to Italy.

The impact of these three political factors on the problem of setting up a functioning refugee organisation has inevitably been very serious. Unrra remains the only source of trained officials. Its headquarters in Paris is the only functioning unit which can be ready in time. The Congressmen who witch-hunt for Communists, the British military officers who try to get control of the awkward problem of refugees in order to "liquidate" it in their own way, the Foreign Office officials who write long notes about the presence of Jews in Unrra camps in Italy, all forget one thing—that time is running short, that IRO does not yet exist, and that if in the next four weeks no energetic and positive steps are taken, Unrra and its existing organisation will come to an end and no authority will exist capable of carrying on the work. Even if every accusation against Unrra were true, it would remain the only instrument ready to hand and the only source of effective executive power in the next months. Since most of the charges are demonstrably untrue and contradictory, there can be absolutely no reason or excuse for further hesitancy.

The responsibility lies squarely on the Governments which have signed the IRO convention, and in particular upon the American and British Governments. If they act decisively in the next weeks, the Preparatory Commission can come into vigorous life. If not, it is difficult to see what are its chances of success. The needed action is twofold, on the one hand, to pick five or six key men, either inside or outside Unrra and IGCR, and place them as reinforcements in Mr Altmeyer's high command. The second is to transfer sufficient secondary staff from Unrra and take over the Paris office, so that there need be no interruption in the work for refugees on July 1st.

NOTES OF THE WEEK

'Dogged Does It'?

Long before Mr Bevin reached the rostrum at Margate, the Conference had rejected the leadership offered them by Mr Crossman, Mr Zilliacus and Mr Mikardo. Not one of the "rebels" was elected to the Party Executive. And when, later in the week, Mr Bevin gave the delegates a discourse which toured them "round the world in 80 minutes," he was given a thunderous ovation. Yet it is not many weeks since American newspapers were prophesying Mr Bevin's dislodgment by his critics, and in Moscow, watchful eyes were following the fortunes of the rebel group.

The reason for the reversal of these forecasts and for Mr Bevin's continued ascendancy probably lies more than anything else in a combination of two factors—his own vigorous personality and the apparent absence of any alternative to the policy he pursues. The truth is that the group who wrote "Keep Left" have no dramatic alternatives to offer the Labour movement. They may write good sense on demobilisation, but what can be said of their main proposals? To advocate friendship with Russia is becoming less and less convincing in face of Russia's apparent inability to respond. Mr Molotov's "noes" at Moscow still echoed at Margate. To propose less dependence upon the United States is to propose something many British people might welcome, but which they do not see how to bring about. The problem of canalising American economic assistance into politically acceptable forms is hardly touched on in the pamphlet "Keep Left." But this is the real problem. To propose, as Mr Zilliacus did, that British foreign policy should be based on the United Nations and on unity within the Security Council, is likely to extract only a disgusted snort from the weary British. Back to Uno—and the veto! It hardly makes sense, let alone policy. The delegates at Margate, like their countrymen all over Britain, would like to work peacefully with America and Russia in the Security Council, they would like to know that American wealth is to be devoted constructively to the reconstruction of the world, they would like to see the atom bomb under international control, Germany re-integrated into Europe and the boys brought home again, but they do not know how to bring these things about. And Mr Crossman, Mr Zilliacus and Mr Mikardo do not tell them.

So Mr Bevin did not have a very rough passage after all. He dealt with the prevailing confusion of thought on foreign policy in the Party—and in Britain—in three ways, each very effective. He used his very impressive personality to plead with the delegates to "trust the man on the job." He then reminded them that he had warned the Party not to expect results in less than four or five years, that he himself had almost been "born again" in becoming so patient, and that he was going to have another dogged try in November to improve matters. Lastly, and very skilfully, Mr Bevin took his listeners all round the world, touching in brief detail on a vast variety of topics and if the delegates were not confused at the beginning of his survey, they certainly were at the end, and probably went away glad that Ernie and not they had to deal with the problems.

In general terms, Mr Bevin is justified in his approach. His patient and persistent handling of foreign problems in the last two years has certainly earned him respect abroad and sympathy at home. The Foreign Minister has, moreover, a great deal of common sense and a forceful method of dealing with his colleagues and his opponents. Yet is it really true that "dogged does it"? Or, at least, is doggedness enough? One would like to be certain that the combination of Mr Bevin's empirical temper and the Foreign Office's constitutional preference for dealing with issues "as they arise" were not impeding the development of a constructive and positive British foreign policy in areas in which the British already have a certain initiative or where a little effort would give them a measure of leadership. For instance, a growing body of opinion in the United States is beginning to ask what plans the European nations could themselves evolve as a preliminary to receiving American economic support. Is the British Government to take no initiative either with its immediate neighbours in Western Europe or with the European Commission? Again, Mr Bevin threw out some tantalising hints on future policy in the Middle East.

There are great possibilities. I am not in a position this afternoon to tell of them [a typical touch] but later on you will discover that there are great schemes for irrigation and other things on the way.

But the Foreign Secretary spoke in similar terms many months ago and there is so far little sign of the preparations in terms of planning and staff for any adventurous policy.

In short, while no one thinks the problem of foreign policy as straightforward as do Mr Bevin's critics, many of his warm supporters are perturbed at the sense of drift and waiting on events which characterise certain key sectors in the nation's external affairs. In these matters, patience is not enough. Foresight and action, "lucidity and daring" are even more necessary.

* * *

The Use of Womanpower

There is no *prima facie* reason to suppose that the Government's latest appeal to women to go into industry will be any more successful than the previous, somewhat spasmodic, efforts that have been made from time to time. There is, however, a greater sense of urgency about the present recruitment campaign, and the efforts are being concentrated in those districts which are particularly short of women workers, rather than diffused over the country as a whole. The Ministry of Labour has immediate vacancies for 300,000 women and girls, and the industries which are most in need of women are clothing and textiles, especially cotton spinning, boots and shoes, hosiery, hospitals and laundries. Although there are at present 700,000 more women in industry than there were in 1939, the figure is about 1,150,000 below the peak of war-time mobilisation, and the shortage is particularly acute in the industries which can contribute most towards exports.

If flattery and persuasion could work, there is no doubt that thousands of women would respond to the Government's appeal. The women are being told that they alone can save the country, as they did during the war. But the present campaign differs from war-time mobilisation, in that it is more localised and is not backed by the powers of compulsion. The idea of direction, considered by the Cabinet at one stage, has been rejected as impracticable.

But is the campaign likely to produce more than a few thousands here and there? Is it not likely that most women who are free to work and want to work are already doing so? A woman who worked during the war, but whose husband is now demobilised, may not find it worth her while financially to return to industry, while the physical difficulties of running a home and looking after a husband and family in 1947 conditions may be a real deterrent even if she is willing. And one cannot ask for a boom in the birthrate and for women to return to employment at the same time. Local district committees, which include representatives of women's organisations, have been set up to make the arrangements to facilitate women's working, even if they have homes and families to run. This presumably will mean bringing pressure on the local authorities to open nurseries; but even at their peak during the war, nurseries, which are themselves uneconomic in woman-power, only enabled comparatively small numbers of mothers to work. The regional authorities will doubtless also be asked to make the necessary transport arrangements. One solution might be to extend part-time working. This involves a considerable amount of planning and re-arrangement which firms may not be prepared to undertake, and the success of the part-time nursing schemes in Gloucestershire and elsewhere should be brought home to them. It is by no means clear whether the appeal for women is purely a short-term one, to tide over the immediate crisis, or whether there will be longer-term opportunities for women's employment. If the latter, then Government and industry will surely have to re-adjust their attitude to the question of women's employment as a whole.

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Dilemma of Equal Pay

The Government's urgent call for women workers makes their dilemma on the subject of equal pay all the more acute. The straightforward argument is that if the Government wants more women to work it must recognise their claim to equality—the rate for the job—and that it is no use procrastinating on this issue any longer. This view is so obvious that it is going to be very hard for the Chancellor of the Exchequer, who must inevitably be its chief opponent, to counter it. The claims of

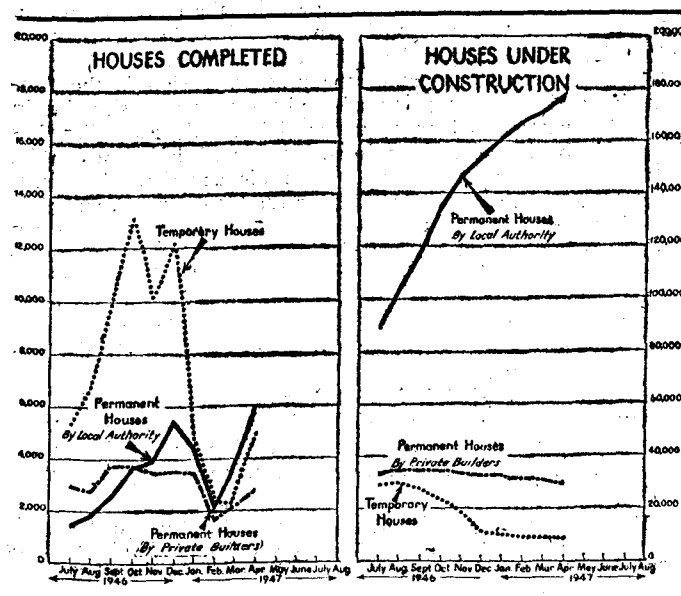
equality were strongly supported at the conference at Margate last week, when the delegates flatly refused to follow the Executive Committee's lead and voted in favour of the immediate introduction of equal pay for men and women in central and local government service, in the teeth of Ministers' arguments against it.

But economic and financial questions are rarely straightforward. There is very little reason for thinking that more women would be forthcoming for either industry or government service, if the principle of equal pay were put into practice, and it might easily mean that in those trades where the margin in favour of employing women arises from their lower wage rates, the numbers employed might actually be reduced. On the financial side, the direct cost of granting equal pay has been reckoned as £10 million for the civil service and £20 million for local government service. Neither of these sums is really large, but no power could stop the example of the civil service being used as an argument for equalising rates elsewhere; indeed the Royal Commission on Equal Pay was at its least equivocal when it considered the repercussions of a government decision on equal pay for the civil service on the demand for adjustments elsewhere. Since the Labour movement, the trade unions and the Conservative party all support the principle of equal pay, and the bargaining strength of labour is more powerful than it has ever been, it must be assumed that there would be a sudden rush towards equalisation once a hole appeared in the defences. The aggregate cost to the nation would be large, with, as far as can be seen, only the compensating advantage that justice—long overdue—would be done. But will the price of justice be too high? No one has suggested that equal pay will proportionately increase output, and if it does not, then its results will be inflationary. Could not honour, justice and expediency be satisfied by the Government accepting "equal pay" in principle, and promising to implement it as soon as exports reached, say, 50 per cent above their pre-war level, or within a specified number of years? A statement by the Chancellor of the Exchequer has been promised for next week.

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Incentives for Building

If the Government is on the retreat about equal pay, Mr Bevan, in his Margate speech, was certainly on the offensive about housing. There was again a collision with the trade unions, who hotly repudiated any suggestion of increasing output by a system of payment by results. But the unions appear to be speaking with two voices on this issue, for only two days before Mr Key, Minister of Works, had announced in Newcastle that a committee representative of both sides of the building industry had reached the conclusion that a system of payments by results was practicable, and should be introduced as soon as possible, and that it only remained for both sides to reach agreement on details. Which voice will prevail? There is certainly nothing which would accelerate the production of houses so much.



Mr Bevan rebutted the suggestion of a national housing corporation, but his plea that the administrative apparatus behind the housing programme was not to blame for the delay in carrying

it out is not justified. The case for a Ministry of Housing, which was excellent two years ago, is now dead; so probably is that for a national housing corporation. These administrative instruments were needed when the schemes of operation were being worked out, and to create them now would merely upset all the machinery which has at last got into place. But it is not fair to whitewash the present administrative machine and to put all the blame on to the supply of labour and materials. For it was the administrative machine which allowed far too many houses to be started in proportion to the resources available to complete them. For that Mr Bevan and his chosen instruments—the local authorities—are to blame. Last October, at the outset of winter, 20 houses were being put into contract for one completed. Even if this proportion is now reduced to five to two, and drops to one to one in December, the situation of last October should never have been allowed to arise.

The diagram shows that there are now some 208,000 new permanent houses under construction, but that only 8,750 were completed during the month of April. After the disastrous February and March, completions by local authorities have at last risen again to just above the rate for December, 1946 (5,464 in December and 5,989 in April). But private enterprise has not done more than slightly to improve on the March figures. With the clamp-down on further licences this is inevitable. These figures are given in greater detail in the *Record and Statistics Supplement* which summarises the April Housing Returns (Cmd. 7129 and 7130).

* * *

Widening Rifts in Europe

For two years the political complexion of most European Governments has accurately reflected the uneasy truce and vestigial desire for co-operation characterising relations between the Big Three. Where zones of influence actually overlapped, the resulting tension led to the exclusion of "untrustworthy" groups—for instance, the Right in Rumania or the Left in Greece. But in areas of relative calm such as Finland or Western Europe, coalition governments including Right, Left and Centre have managed with varying degrees of success to co-operate.

Now the consequences both of Russian intransigence and of the Truman Doctrine are revolutionising the political scene in Europe. For some months past, American commentators have prophesied that Russia would call the Communist parties out of the Governments in Western Europe and order them into opposition. The remodelling of Hungary on the lines of "eastern democracy" was also foreseen. Now these prophecies appear to be confirmed in the event. Both in France and in Italy, the Communists no longer participate in the government, and M. Ramadier has accused them of deliberately fomenting the present wave of strikes in France in order to paralyse the administration. In Hungary, the purge of Smallholders and reshuffle in the Cabinet have virtually transferred power to the Left.

It should not be thought, however, that these significant changes have taken place solely on Soviet initiative. In Italy, the majority party, the Christian Democrats, have taken the offensive, and it was a series of moves on the part of the Prime Minister, Signor de Gasperi, that finally led to the creation of a solely Christian Democrat Ministry. It is universally believed in Italy—with relief or anger, according to circumstance—that American support encouraged the Prime Minister, and that further American economic aid was made conditional upon the construction of a "purged" Cabinet. Mr Marshall has certainly confirmed this impression by his particularly cordial welcome to the new government.

The Russians, who have taken the offensive for so long, cannot legitimately complain if other Powers follow suit. But this fact does not make the situation in Europe any less disquieting. The rift between Right and Left is widening daily and, as Mr Bevin reminded his colleagues at Margate,

the most dangerous thing to play with in small countries is civil war. It sometimes leads Great Powers to take sides and produces big wars.

An improvement in the European political scene must inevitably wait on an improvement in Great Power relations—yet another reason for pursuing that improvement with a Bevin-like patience and tenacity. Apart from this major factor, however, is the United States Government really well advised to give such warm-hearted support to a minority government such as Signor de Gasperi's, from which not merely the Communists but all parties of the Left are excluded? If the extension of American aid can be made to fall so easily into the pattern of anti-working-class ideology, the hopes for reconstruction and a measure of social stability in Western Europe seem small indeed.

Government Without the Left in Italy

The first anniversary of the new Italian Republic was celebrated on June 2nd in rather disquieting circumstances. After another "crisis" lasting nineteen days, a Cabinet has been formed of which the large body of Italian Leftist opinion can justly complain that it flouts the electors' verdict of exactly a year ago. Leftist opinion goes further; it dislikes a change which it attributes to the growing interference in politics of the *Azione Cattolica*. For the new Government is based on a single party, the Christian-Democrats reinforced by a number of experts, including Professor Einaudi at the Ministry of Finance and by Count Sforza who retains the Ministry of Foreign Affairs. Since the opposition is now composed of the combined Socialist and Communist vote, the new Government, even with the support of every Liberal, *Quahunquista* and Monarchist in the Chamber, will scarcely be able to scrape together a majority.

There are two arguments in favour of Signor de Gasperi's decision. One is that he is following the example of M. Léon Blum in forming a one-party Cabinet to tide things over until the elections. To this one is bound to say that the parallel is not exact, since the Italian elections may be nearly a year distant. The second contention which is made to justify the new Italian Government is that it has been formed in order to create confidence in America and to secure the further financial help which is a *sine qua non* for the Italian economy. But this argument overlooks the supreme disadvantage of having the majority of the organised workers in opposition. The *Confederazione Generale di Lavoro* (the Italian TUC) opened its first Congress since the Liberation in Florence on June 2nd, and it will certainly provide the new Government with some painful reminders of the workers' dissatisfaction and of Communist influence among them (which cannot fail to be increased by the creation of an "anti-labour" government).

It is thus no enviable task that awaits Professor Einaudi in his new task. He is a man of the greatest eminence in Italian public life, and few public men enjoy the reputation of complete integrity and disinterestedness he has earned over long years first as an anti-Fascist and, since the Liberation, as Governor of the Bank of Italy. Yet it may be questioned whether the extreme liberalism of the new Finance Minister's approach to economic problems and his preference for the orthodox financial policies of severe deflation and retrenchment can meet an economic crisis in which unemployment is already widespread and in which financial stability is certainly more menaced by the non-taxpaying, black-marketing, dollar-hoarding Right than by any activities of the workers.

New Government in Hungary

While enjoying a holiday in Switzerland (apparently "arranged" between himself and the Communist leaders) Mr Nagy has been relieved of the Premiership, and succeeded by his Minister of War, General Dinnyes, a member of his party. The Foreign Minister, Gyöngyössi, and the Secretary-General of the Small Holders' Party, Father Balogh, have also given up their jobs, and are replaced by other Small Holders. Outwardly this is only a reshuffling of personnel. The Small Holders' Party keeps the same Cabinet posts, and the coalition remains in being.

In fact, the situation has substantially changed, and Hungary has been brought one stage further along the road to "eastern" or "popular" democracy. Ever since the genuine elections of October, 1945, gave the Small Holders' Party 55 per cent of the votes, the Left parties have been restive and the Russians apprehensive. Soviet discontent was manifested in the unfavourable terms granted to Hungary by the peace treaties. In February came the "conspiracy," which gave the Communists an opportunity to let loose a campaign against the Small Holders, designed to split them in two. In this campaign, deliberate confusion was made between the real conspirators, pathetic romantics from the old Hungarian army and bureaucracy who hoped to restore the semi-feudal society of Horthy's day, and the political leaders of the Right who made plans for the exclusion from the government (by constitutional means) of the Communists and the creation of a new ministry based on the Parliamentary majority of the Small Holders' Party. To the latter category belonged the Small Holders' General Secretary, Bela Kovacs, who was arrested by the Russians in March. After two months' silence, during which Kovacs's whereabouts has been a mystery, the Russians now announce that his confession "implicates" Premier Nagy.

The attack from the Left during the "conspiracy" crisis failed to split the Small Holders' Party. The peasant members of Parliament, and the peasant supporters of the party in the country, held together remarkably and showed an obstinate passive resistance. But the Left only postponed their attack, and have now returned to the charge. It seems fairly certain that, adopting the methods used in Bulgaria and Poland, they will make the official leadership of the Small Holders' Party pass into the hands of its left wing; this will then join in a "democratic bloc" with the Left parties for elections in the autumn, which will presumably be on the model of Sofia 1946 rather than Budapest 1945.

This crisis has been expected on general grounds for a long time, but the exact reasons why it should have come now are less clear. There has been disagreement within the Coalition on the future of the National Bank and the main commercial banks, which together control the greater part of Hungarian industry. The Left demanded nationalisation, while the Small Holders urged state control. The new Cabinet has already acceded to the Left's wishes. A second problem concerned German assets in Hungary, which, according to the Potsdam agreement, passed to the Soviet Union. There was disagreement between Left and Right about what were German assets, and the question was complicated by the Soviet demand that while all German property should belong to Russia, all liabilities arising from such property should be paid by the Hungarian Government. Moreover, according to some reports, the Russians are also pressing for the transfer to Russia of certain assets in the old German-Hungarian trade balance which, in spite of being generally in Hungary's favour, contained items to Germany's credit. These demands would place a further heavy burden on the intolerably strained Hungarian economy.

But behind these economic questions, overshadowing everything else, is the strategic issue. The Soviet Government, which will shortly have to withdraw its troops from Hungary, is resolved to ensure that the Hungarian apparatus of state is firmly held by "reliable" hands, and that the Truman Doctrine cannot be extended to the Danube Valley. The Americans, whose growing economic influence in Hungary was yet another reason for the timing of the Communist coup, have now, obligingly from the Communist point of view, stayed the proposed American loan to Hungary and have sent Notes demanding a full explanation of the so-called "plot" from the Soviet authorities in Budapest.

M. Ramadier Under Fire

Exasperation has prevailed in Paris this week. The heat wave combined with the food shortage—itsself aggravated by the bakers' strike—has raised tension to a new level. Idle bakers standing shoulder to shoulder with enraged railway workers striking for more bread have been demonstrating outside the Hotel Matignon, and strains of the "Internationale" have risen into the hot afternoon with police reinforcements looking on imperturbably.

The most serious aspect of the present tension is the fast-spreading strike in the repair yards and the menacing situation in the newly nationalised northern coalfields. M. Ramadier has rightly attributed the sudden intensification of the wage conflict to Communist "orchestration." The big agitations date from the departure of the Communists from the Government, and they have clearly no intention of allowing the Coalition to show it can manage without them. If the Communists were to attempt to force the issue at this point, the strength behind them would undoubtedly spring from the genuine discontent of the underfed workers and their queue-weary wives. It is, for instance, widely agreed in Paris that bread is now scarcer and worse than it was under the Germans.

Nevertheless, the situation should not be over-dramatised. The Communists are unwilling to provoke violence for fear of a Right-wing counter-coup from which their party would be the first to suffer. As the Communist trade union leader, M. Benoit-Fanchon, put it:

We do not want a major clash which would play into the hands of reaction. We prefer to resort to guerilla tactics of which we have had four years useful experience. We shall fight the wage battle factory by factory.

Yet this wage battle itself can have the most disrupting effect. The experts do not believe that the upgrading of wages is possible as long as the shortage of coal continues to hold up production. In an authoritative statement, the National Council of Credit

affirmed this week that the only way of stabilising the regime and producing an atmosphere in which large-scale investments of capital can be coaxed into the work of reconstruction lies in improving the flow of supplies and the distribution of food. For this reason the Government's hard-pressed planner-in-chief, M. Jean Monnet, has agreed to undertake yet another mission to Washington and will leave next week to negotiate with the Americans for a larger wheat allocation to France in 1948. No doubt the Government is wondering whether the "tough line" with the Communists will improve M. Monnet's chances.

National Service in the Lords

The second reading debate on the National Service Bill in the House of Lords, as an inevitable result of the Conservatives' majority tended to concentrate on the Government's ill-timed reduction in the period of whole-time service from eighteen months to twelve. And both the Government spokesmen were so occupied in putting the best possible construction on the decision that they gave little information on its effect on military training. There can be no doubt that, vacillating as the Government's attitude was, from the economic and social point of view the shorter period of service is preferable. But will the effect on the armed forces mean that the reserves of conscripts will not be efficient, fully trained soldiers, sailors or airmen, but "half-baked"—in Lord Moran's phrase? The folly of using half-trained men in battle has been exposed in two major wars. Is twelve months' conscription going to be worse than no conscription at all?

In both the Commons and the Lords, doubt was expressed by many speakers, who all spoke with authority, whether twelve months was sufficient to give the training in technical arms necessary for present-day warfare. Are, therefore, these technical branches to be manned wholly by Regulars, and if so, what will be the effective strength of the armed forces? In neither House of Parliament has the Government given a clear statement on what will be expected of a conscript in his twelve months' service. He will have some training; he will do some garrison work, including the occupation of Germany, during which he will receive more training. But what will he be fit for when he has served his time? Lord Moran made an effective case for abolishing conscription altogether, so convinced was he of its social disadvantages and so little impressed by the evidence of its military necessity. In *The Economist's* view the justification of conscription is the need to have large numbers of trained reserves that can be rapidly mobilised, not the need to fulfil commitments, the extent of which in eighteen months' time, when the Bill comes into force, is at present unknown. If, therefore, the conscripts will not be adequately trained, the question of the length of service ought to be reviewed. It is probable—it is certainly to be hoped—that the "experts" are wrong and that a sound training, in all but the most specialised branches, can be given in twelve months, even if combined with garrison duties. The Service authorities have always overstated their claims for time, money and men. But the Government should be pressed for a specific assurance before the National Service Bill receives the Royal Assent.

Irish Politics

The second reading of the Northern Ireland Bill, which does no more than permit a slight increase of the legislative powers of the Northern Ireland Parliament, is to be made the occasion of a strong protest by some 200 MPs, nearly all of them Labour, against the suppression of democratic liberties in Ulster. The indignation of the MPs is very natural, even though they are treading on thorny and dangerous ground. The problem is an old one. Ever since the Civil Authorities (Special Powers) Act was passed by the Northern Ireland Parliament in 1922, during the period of internal strife and terrorism, the Ulster Government has had the power to imprison without trial, to deny access of any sort to prisoners, to suppress newspapers and to prohibit political and other meetings. The Act, which was originally intended to be temporary, has never been repealed. This is an amazing infringement of democratic rights to be found in a part of the United Kingdom. Whether or not the Northern Ireland Government can substantiate its claim to have used these powers with moderation, there can be no doubt that they are too extensive to be justified as a precaution against terrorism.

The truth is that Ulster, for all its welcome loyalty to Britain, is deeply unsettled and divided. The large Catholic minority is permanently restive under the tutelage of Orangemen, while to complicate matters the traditional hegemony of the Unionists is

threatened by the growth of a Labour party. The great issue of the border still overshadows Irish politics. The Unionists in Ulster are prepared to resort to political jerryandering, to an unfair arrangement of Parliamentary constituencies and so forth, to make quite sure of remaining separate from Eire; at the same time, the nature of the Government of Northern Ireland is Eire's first grievance against Britain and a great obstacle to better relations between London and Dublin. It is a pity that old political feuds should even now handicap the closer economic integration of Eire and Britain, which is so strongly in the interest of both countries.

Only moderation and tact—and, it may be added, time and luck—can ease the intractable nature of the Irish problem. After Eire's neutrality in the war, the people of Great Britain can hardly be expected to take any initiative in persuading the six counties to join the twenty-six, or indeed to consent to the unification of Ireland, unless this were to be shown unmistakably to be Ulster's will and included some strategic guarantees; but equally there can be no approval here of the Unionists' tactics in Northern Ireland, which are of doubtful service to their own long-term interests.

Parliamentary Seats

The Parliamentary Boundary Commission has now issued its proposals for the redistribution of English seats in the House of Commons. It proposes that the total number of seats in England should be reduced from 510 to 488. The biggest change is the elimination of 22 seats in the County of London. The rest of the country, despite considerable rearrangements—under which, for instance, London suburbs gain and the older industrial areas lose—will retain as many seats as before. The average electorate under the new arrangements will be just under 60,000—not 50,000 as has been widely reported. However, although the bad anomalies have been cut out, the new constituencies are by no means uniform in size, and vary between electorates of 40,000 and 80,000 and higher. Somewhat surprisingly the extremes are to be found in the reorganised London boroughs, where the new Paddington seat has 87,032 and the new Bermondsey seat has 41,735. The revised directions from Parliament, under which the Commission was obliged to pay more attention to the preservation of administrative and historical units and less attention to considerations of mathematical uniformity, have been faithfully carried out. The result is a fair and reasonable compromise which, if it errs at all, does so in the better direction of respect for tradition.

The political effect of the proposed changes will probably not be considerable; but insofar as there is one, it will operate to strengthen the influence of the marginal middle-class elector. The areas which lose most seats—London (22 losses), Liverpool (3 losses), Manchester (2 losses), Birmingham, Sheffield, Bradford and Plymouth (one loss each)—returned between them at the last election 89 Labour members to 19 Conservative members—a proportion of Labour to Conservative that is almost twice as high as for the country as a whole. Seats are gained by new suburban and industrial areas, whose allegiance to Labour is less deep-grounded or more dubious. The long-term effect may not be great; but the Commission's report should cause uneasiness among Mr Shinwell and his fellow-provokers of class strife.

Conference in Canberra

The Australian proposal for a Commonwealth conference in Canberra to discuss peace terms for Japan is a very sensible one, and it is much to be hoped that at least one Cabinet Minister from London will be able to attend it. It is in the first place very desirable that there should be Commonwealth talks in preparation for the Japanese peace treaty, for it must be clearly understood in London that on Pacific affairs Australia will never consent to the procedure of Great Power steam-rollering used in the making of the peace treaties with the European satellites and that any disposition here to ignore Australian feelings in this matter would put a most dangerous strain on harmony within the Commonwealth. Secondly, it is in any case good that Commonwealth conferences should be held from time to time elsewhere than in London, and particularly that Canberra should now be the scene of such a conference, both to convince Australians and New Zealanders that their remote situation in the South Pacific does not involve indifference to their problems in other parts of the Commonwealth, and also, from the side of this country, to show appreciation of the generosity of these two Dominions in food contributions during recent months.

Talks on the Japanese treaty will undoubtedly have to deal with some delicate points, for not only have there been disagree-

ments between London and Canberra on certain aspects of post-war policy towards Japan, but there has also been some conflict between Australian and American points of view in which Anglo-American, as well as Commonwealth, relations are involved. Left to themselves, the British people, overburdened with "commitments" of all kinds nearer home, would be inclined to "quit" the Pacific and leave that whole region of the globe to Powers more closely concerned with its affairs. But two of those nations happen to be British Dominions and, as long as the Commonwealth is to be a reality, this is a mode of retreat which is not admissible. The recent debate on foreign affairs in the House of Commons showed a lively opposition to the idea of fading out from the Far East and it is indeed vitally important to prevent the growth of a belief that British interests diminish in proportion to distance from London. The British Commonwealth is essentially an oceanic association, and because it extends to the Antipodes as well as to the Western Hemisphere it is incompatible with any narrowly regional view of world affairs.

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Anglo-Soviet Trade Negotiations

Progress in the Anglo-Soviet trade talks at present awaits the return from Russia of Mr Klentzov, head of Russia's permanent Trade Delegation in London, who is now in Moscow for further briefing on the vexed question of the 1941 agreement and its orderly winding-up. Here, as elsewhere, the Russian tactic seems to be the bracketing in one rubric of unrelated matters, with a view to using any lever afforded by negotiation A to win concessions in negotiation B. There is no logical reason why agreement on future exchanges of Russian wheat and timber for British machinery and equipment should depend on the liquidation of the 1941 agreement, but that is how the Russian mind works, and its workings are as much part of the economic data as the statistics of wheat acreage.

No question has arisen of any further large long-term credits to Russia, reports to the contrary notwithstanding. For such credits there could be no conceivable justification; Russia, in spite of its almost pathological reluctance to use its considerable gold stocks, is, if anything, better placed to finance the proposed transactions than is Britain. The Russians would, indeed, prefer the British Government to act as their procurement agent for obtaining their imports from this country; but it is more likely that they will, in the main, be left to do their own shopping, armed with whatever credits accrue to them from their agreed deliveries—credits which can, in individual cases, be supplemented by the Export Credits Guarantee Department.

It would be a pity if haggling over the machinery of exchange should hold up the deal. For what distinguishes these negotiations from others lately carried on with other delegations is that the Russian export goods are those which Britain basically needs—wheat, timber, base metals, dairy produce from the Baltic States—and not pleasant, but inessential, frills like champagne and pineapples. (Not all of them will be forthcoming immediately, but Russian harvest prospects are at present excellent, and timber deliveries could follow quickly on the supply from Britain of saw-mill equipment and bulldozers.) Moreover, they are goods at present derived overwhelmingly from the dollar area. No question of "discrimination" in the sense abhorred by the United States authorities is likely to arise, but certainly a successful outcome to the negotiations would chime in very happily with the drive to economise on dollar imports and to develop European contacts. Indeed, while it would be far too optimistic to expect any trade agreement to have much immediate effect in improving political relations, an imaginatively conceived and wholeheartedly implemented pact would do something to restore European economic unity and so provide the groundwork from which, in the long run, political goodwill might spring.

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Order in Indonesia

When people sit opposite each other with weapons in their hands, neither fighting nor agreeing, there is no reason in the abstract why they should not continue in such a peaceful deadlock indefinitely. But in practice, if neither side will give way, the guns are likely to start going off sooner or later. In Indonesia they have never really ceased, for although a truce is supposed to be in force, skirmishing with irregulars goes on, and there is so far no sign of any progress in negotiations for a settlement which would render the uneasy confrontation of armies

unnecessary. The world has more or less forgotten about Indonesia, and as the British forces have long since been withdrawn, their presence there no longer disturbs the Ukraine. But the situation is having its effects both economic and political on the Netherlands, and indirectly the whole of world economy is suffering from the delay in organised rehabilitation of this very important primary-producing territory.

The Dutch are unwilling to concede the Indonesian Republic's demands for independent control of foreign affairs and finance and for the withdrawal of Dutch troops. On the other hand, if the Dutch are not going to coerce the Javanese more actively, it seems that they might as well yield, for they are unlikely to bring the Javanese nationalists to terms by holding on to a few fragments of territory, as they do now. Time is on the side of the Javanese as long as there is no fighting, for the economic strain of the present deadlock is more serious for the Dutch with their developed European economic system than for their opponents who base their regime on an almost self-contained rural society. There is thus a very strong temptation for the Dutch leaders to follow the example of the French in Indo-China and let the guns decide. So far no foreign nation has recognised the Indonesian Republic *de jure* or questioned the ultimate sovereignty of the Netherlands. But if matters continue to drift and real and legal authority remain as widely separated as they are now, some nations will begin to consider special arrangements with the Indonesian authorities for commercial purposes, which will go far to give the Indonesians the international recognition they seek. No doubt this is what Dr Sjahrir and his colleagues are hoping. But they also know that nobody did anything to help Viet Nam when the French used force. From both the Dutch and Indonesian points of view it would be wise to come to terms quickly while there is still time.

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Development by Groundnuts

The two most frequent criticisms of the development and welfare policy in the British colonies have been that the money made available by the British taxpayer under the Colonial Development and Welfare Act is far too small for a proper development policy to be carried out and—a criticism which is most often voiced by the colonial peoples themselves—that the £2 per head of the colonial population, which the £120 million total of the Fund represents, is proffered with an irritating, patronising air of philanthropy.

The scheme, announced last February, to invest some £23 million in the mechanised cultivation of groundnuts in East Africa goes some way to meet both these criticisms. Certain areas in Tanganyika, Kenya and Northern Rhodesia are to be farmed by mechanised methods to produce groundnuts for the world market in edible oils. Progress has already been made in clearing the bush, extending the railway system and fixing the location for a new harbour. The United Africa Company (a subsidiary of Lever Bros. and Unilever) have hitherto acted as agents in getting the scheme started, but, with their own full agreement and in accordance with a plan outlined when the scheme was first announced, a public corporation is to take over; the members of it have already been appointed. Its headquarters will be in London, but control will eventually, it is hoped, be vested in the three colonial Governments whose territory is affected.

This groundnut scheme is no piece of philanthropy to keep the colonies quiet, but aims at creating an industry with a market waiting to be served, a market which is suffering from a shortage of supplies. Risks are being taken on some of the technical problems, such as the feasibility of the plan for the rotation of crops, but risk-taking is a wholesome innovation in public development in the colonies and in this case courage deserves to be commended. The sum of at least £23 million which is being invested is a very large sum by colonial standards—a sum big enough to begin a frontal attack on East Africa's chronic problem of poverty and low productivity. Thirdly, the scheme is a result of co-operation between Government and private enterprise, another refreshing feature.

These three points are themselves sufficient to justify the scheme being considered an important experiment in colonial development, and it is not surprising that possibilities for adopting it elsewhere in Africa are already being investigated. A mission has been appointed to study the introduction of mechanised groundnut cultivation in West Africa where the groundnut is already farmed by small peasant proprietors. There are obvious difficulties here in adjusting peasant conservatism to modern methods. But it should be emphasised that such schemes, in East Africa or elsewhere, must be judged first of all on their

economic merits. The welfare of the people involved in them is important and must be watched carefully, but if a long over-due agricultural revolution is to be carried out successfully, there must not be too much compromise with uneducated prejudice. The ultimate aim should not be lost sight of. This aim is the raising of the colonies' standard of living; it is not merely the mitigation of the poor conditions of life—the bad health, the ignorance—which their present poverty forces upon them.

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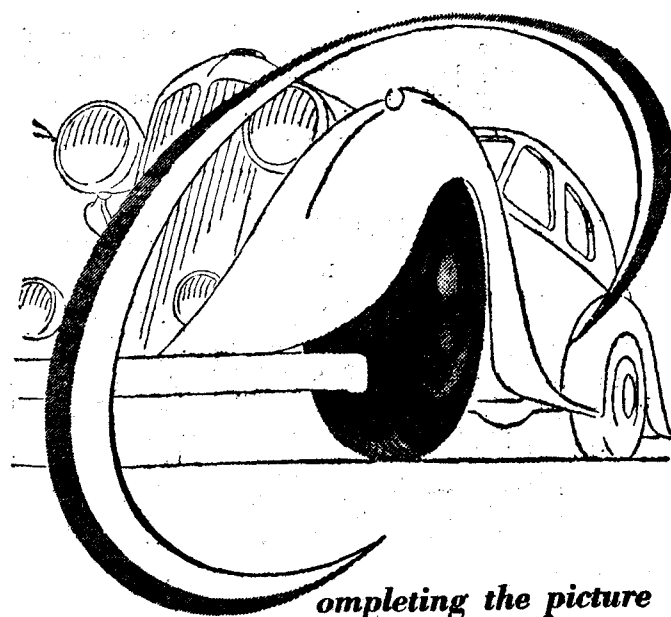
School and Life

The first report* of the Central Advisory Council for Education (England) is something of an event, for the Council was appointed in December, 1944, and has taken a full two years before being ready to proffer its advice in January, 1947. (Printing difficulties have been the main cause of the delay since then.) At this pace it will be 20 years before England has a record of reports behind it of anything like the order of the equivalent Committee in Scotland which has produced ten excellent reports in the last five years.

As a publication the report is attractively laid out and printed, but it is a little difficult to decide to whom the subject matter is directed, for it is too general for most teachers, and probably too specialist "for the wider audience" the Council have in mind. But it will be a great pity if it is not read, for no discussion could be more germane to the problems of education at the present time than one directed to the transition from school to independent life. The Council intend to publish a series of reports on this general theme, and this first one is designed as a factual background. It is the more the pity that so many of the facts which the Council must have obtained during their inquiries are rolled up into generalisations which have lost their pungency.

The two most interesting sections of the report deal with the conditions in the schools and with the transition from school to work. On the first the Council have some very damning things to say about conditions in primary schools, where the classes are far too large, the accommodation old and unsuitable, and the pressure increasingly serious, as the high wartime birth-rate

* "School and Life." HMSO. 2s. 6d.



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brings large numbers of children into the schools. The difficulties of building at the present time are well known, but the urgency of improving conditions is not so widely recognised by the general public. On the second question, the Council have some valuable suggestions to make on how to bring the child into closer contact with the adult life into which he will soon be stepping, yet without distorting his general education with too vocational a bias. The work of the Juvenile Employment Service is highly praised, and the schools are advised to bring more information about local industry and trade into the classroom.

Shorter Notes

In a Parliamentary answer this week, Mr Ness Edwards stated that approximately 10,000 voluntary workers from displaced persons' camps in the British zone of Germany had been brought to this country. They consist almost entirely of Balts and Ukrainians, and are being placed in agriculture, the textile industry and laundries, as well as in nursing and domestic work in hospitals and farmers' households.

In an article in *The Economist* last week, page 838, the number of psychiatrists in the Services was incorrectly given as 95, and it was stated that they had some 1,000 non-technical assistants. The number of psychiatrists, at home and abroad, was actually 275, and the non-medical staff, technical and non-technical, engaged in psychological work in the Service Departments was 1,776. These figures refer to the position at the end of 1943.

Sir Stafford Cripps announced in the House of Commons this week that from November 1st all outstanding clothing coupons in the 1945-46 and earlier books will be invalidated. This step was being taken, he said, to ease the burden on shopkeepers. It may be conceded that each succeeding issue of clothing coupons increases their variety and complicates the shopkeeper's task, but the small advantage for the shopkeeper which will be won by the cancellation of old coupons will surely be more than offset by the disadvantage to consumers as a whole that will result from the rush to spend them before November 1st. People who have hoarded their coupons have been doing the nation a service. They should not be forced either to spend them now or to lose the advantage of their past economy.

M2.

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Letters to the Editor

Hunger for Books

SIR,—Mr Vyvyan's letter in your issue of May 31st is unfair to the publishers on whom schools and universities depend: those who are primarily concerned to produce books for systematic education have concentrated on necessities at the expense of many desirable books. In practice established publishers cannot switch quickly from one kind of book to another, and educational publishing is a specialised trade requiring extraordinarily long-term plans.

Excess of demand is now a general feature of our economy. But special causes have produced the exceptional shortage of textbooks. For seven years, under the pressure of other needs, the Government has restricted the total supply of books. Its drive to export not only books, but the scarce means of producing them, widens the gap between supply and demand. Its plans for expanding school and university education (raising the school-leaving age, supplying free class books, etc.) have created a sudden extra demand for textbooks. Yet because it feels unable to distinguish between more and less necessary books, it does not give priority to systematic education.

Class-books are a special case. They should be available in sufficient quantity, in many subjects and at many levels, just when classes need them. Their efficient distribution depends on a large reservoir of publishers' stocks, perhaps equal to the average sales of three years or more. The using up of these stocks during the war masked the effects of short-sighted official policy. Now that they are gone, orders fall direct on jammed, under-manned and irregularly-supplied production lines. The resulting disorganisation and waste in school and university work will continue until the reservoir is restored, and as yet there is no prospect of that.

On the whole, publishers have done what they could to work under this combination of planlessness and conflicting plans. It is for the Government to choose between three alternatives, all painful and slow in producing results:

(i) To raise the means of production (insofar as it controls them) until all demands for all books are supplied. The paradox that a full market requires less supply than a hungry one might prove true for books.

(ii) To cut its educational plans until they square with the restricted supply of the books they require.

(iii) To give such priority as it can to the books needed for systematic education, with the realisation that many good and valuable books are not in this category.—Yours faithfully,
The Clarendon Press, Oxford

KENNETH SISAM

SIR,—As one not unconnected with publishing I should like to reply to some of the wilder ideas put forward by your correspondent, Mr Michael Vyvyan, in his letter in your issue of May 31st.

More educational books, including university text books, are being produced and sold than during the period on which publishers quotas are based and the shortage is due (1) to increased demand, (2) to the need to replace stocks depleted and irreplaceable when the publisher's quota was lower than now, (3) to the loss of publishers' stocks by enemy action and (4) to the loss of booksellers' and library stocks by enemy action.

There is no remedy for this state of affairs other than the provision of more materials, particularly paper and cloth. This will not provide an immediate remedy, but the effect of an increase in the paper provided to-day will be felt in a year's or eighteen months' time.

What can be bought in the bookshops is not a measure of publishers' output, but of certain publishers' failures—for the most part "non-quota" publishers. The true facts are that at least 70 per cent of the books published by quota publishers are educational, sold either at home or in the export market. Of the remaining 30 per cent, anything up to 40 per cent is exported (because it is often the book criticised by the bold as useless, that provides the easiest export) so that only 18 per cent of the total book production of quota publishers is non-educational for sale in the home market, and this includes all modern fiction, poetry, travel, etc., as well as the so-called "worthless."

Mr. Vyvyan is so clearly wrong in his basic assumptions that it seems almost unkind to point out that it is not true to-day

that "people will buy anything between new covers," and the very books Mr. Vyvyan sees in the bookshops should tell him this. The wanted books do not remain in the bookshops, nor do many booksellers, generally speaking, stock educational books.

The peculiar mental process that leads your correspondent to the conclusion that it is in the interest of publishers to concentrate on withholding educational books (if that is what he does mean) is psychologically interesting but unsound, because most educational publishers publish no intentionally ephemeral books at all, while an examination of the output of "mixed" publishers shows that nearly all are devoting to educational books more than their pre-war proportion of paper.—Yours faithfully,
ROBT. H. CODE HOLLAND

President, The Publishers Association
28/30 Little Russell St., W.C.2

Scope for Import Cuts

SIR,—The article in your issue of May 31st entitled "Scope for Import Cuts" is a most forceful presentation of the difficulties that will be encountered in any attempt to close the gap between export and import values. May I suggest that curtailment of foreign currency available to Britons travelling abroad, except of course on essential business journeys, would materially assist in closing the gap on the overall balance. Actually many holidays are spent in Sweden and Switzerland, and the currencies of these countries can scarcely be classified as soft.

Enjoyable as holidays abroad may be, it cannot be contended that their retention is of greater importance than the supply of food to the people or raw materials to essential industries. It would be interesting to know the number of persons travelling abroad from this country during the past twelve months, for if this number should be as large as, say, 1,500 per day, it will be seen that at £75 per head the amount for the year would be of the same order as the value of our pre-war coal exports.—Yours faithfully,
JAMES C. W. DRABBLE

34 Southsea Terrace, Southsea, Hants

[In 1946, £9,000,000 of foreign exchange was spent by people going abroad on commercial visits and £13 million on non-commercial visits. It is expected that corresponding figures for 1947 will be appreciably higher. But it must be remembered that in many cases this expenditure of sterling enables foreign countries to buy British exports which otherwise they would be unable to do.—EDITOR.]

From *The Economist* of 1847

June 5, 1847.

It is understood that Parliament will be prorogued before the end of the month, and that in the ensuing month a general election will take place. It will be remarkable for the absence of party ties and party principles. The distinction between Whigs and Tories is at an end. The Protectionists, too, are scarcely heard of, and the Free Traders, as a political party, embrace all sections of politicians. There is no grievance and no cry. There are laws to be amended, numerous evils, chiefly the offspring of ignorance, to be removed; but there are no great wrongs to be redressed. In this respect, the functions of the House of Commons are at an end. It no longer stands between the people and the crown—claiming redress for them before it will grant any Aids. . . . Since the Corn Laws were extinguished, there is no flagrant injustice to remedy. . . . The kingly power is not threatened, the church is not in danger, the aristocracy is safe, public liberty is secure, the Pope is not at our heels, there is no pressing and general demand for any particular species of reform. Candidates must stand on their personal merits, and electors may choose, untroubled by political passions, the gentleman whose principles and conduct they prefer. Such a conjunction of circumstances seems favourable to the election of proper men, and, apart from those family and territorial influences which send members of the aristocracy into Parliament from their names or their connexions, without any regard to their fitness, we may expect that the new Parliament should contain many new, and more than the ordinary proportion of clever, diligent, thoughtful legislators.

Russia's Strength

SIR,—Embedded in the fine amber of your leading article on May 17th reposes a preposterous little fly. May I point it out to you—quietly, before it starts to buzz?

The Soviet Government, says your writer (page 747), need fear no organised criticism at home. "In their use of police methods they are as far ahead of the British and Americans now as they were behind them in industrial methods twenty-five years ago." Well! You know what it is meant to mean, and so, of course, after the moment's shock, would most of us. But in view of the wide influence so justly enjoyed by *The Economist*, the almost *ex cathedra* authority it has attained in some quarters, would it not have been safer to inoculate that mischievous little word "ahead" at least with a couple of quotation marks?—Yours faithfully,
RONALD LAMBTON.

19 Winchester Road, Hampstead, N.W.3
[Experience is constantly demonstrating the danger of indulging in irony. The trouble is we can rarely resist the temptation.—EDITOR.]

Prisoners of OZNA

SIR,—Is there not some confusion about the point under discussion in your Note on this subject in the May 24th issue and your correspondent's letter in the following week's issue? Three distinct matters have been mentioned; and by their interweaving the case against OZNA has been made to seem stronger. Each point, itself unproven, is taken as evidence about the other two.

The first is whether or not OZNA ill-treats its prisoners. The second is whether or not Yugoslav citizens are terrorised by fear of imprisonment or worse into telling fairy tales to visiting foreigners. The third concerns the intelligence or good faith of the British parliamentary group which visited Yugoslavia and some OZNA prisons in November, 1945.

I was sent by my newspaper to accompany the Parliamentary group in 1945, and I associated myself with their report. At that time, of course, I was no doubt subjected to the same inevitable window-dressing on the part of the Yugoslavs as they were. But I had already spent some years in the country; I knew the language; and I knew by sight some of the people we saw in jail. Since then, I have spent most of eighteen months in Yugoslavia as correspondent for my paper. May I therefore make one or two comments on the three points I have mentioned?

Any regime which arrests people for their political activities lays itself open to the charge of "terrorism" in this country. And once the word has been used, it can be made to convey anything from simple arrest for crimes which would not be crimes under English law (such as incitement to racial hatred), to every excess of brutality in the Gestapo repertory.

That the Yugoslavs habitually arrest people who have com-

mitted no crime in English law is true. In this they are in no way peculiar. But that, having jailed them, they then ill-treat them, is a story for which I personally have been unable to find a scrap of evidence. If they do, then no doubt they put themselves to the enormous trouble of keeping teams of OZNA men—who must be pretty competent actors—to stand-in for prisoners every time a foreigner visits one of their jails. This remarkable feat of organisation should certainly command our respect if not our sympathy; though it might be simpler to refuse foreigners permission to make the visit. I have visited other jails, including the main one in Zagreb, and talked to many prisoners, since 1945; and so have many other journalists. The standard of administration varies; but in all cases they are clean; cells are not overcrowded; food is good; and the prisoners look, and say they are, healthy. They all say they have not been beaten up or otherwise tortured. The only alternative to believing them is to believe the stand-in story. Personally, having suffered a good deal of exasperation at the Yugoslavs' apparent indifference to the elementary needs of public relations, I am not inclined to credit them with the more elaborate explanation.

As to the terror which is said to keep people hiding their anti-Government views, I think a few months in Belgrade or Zagreb would disillusion the most sceptical. Whatever the faults of the Yugoslavs, whichever camp they belong to, reticence is not one of them. If you are a foreigner it is impossible to escape from the people who have a grudge against the regime. They ring you up; they waylay you in coffee houses; they write to you; they send their friends to you. Since they are concentrated in the main towns, most of their contacts are foreign diplomats and journalists. One man whom I have known for five years is a bitterly anti-Communist Agrarian who works in a Ministry. I have lunched with him regularly once a month for a year. His views are well known. But so far he has kept his job and his freedom.

Rumours flourish in Belgrade in these circles. A few weeks ago a colleague of mine whose knowledge of Yugoslavia is unimpeachable felt obliged to tell his friends that he had at last received definite information that Mr "Solly" Brajlovic, a correspondent of the Associated Press who had been arrested on a security charge, had been murdered in prison. Before I left Belgrade Mr Brajlovic was back in town, having had his sentence reduced for good conduct, and lurching with his friends.

Lastly, the MPs. I would mention only one point. Many of the people whom we saw in prison in November, 1945, were well-known public figures. One was Cincar-Markovic, the ex-Foreign Minister. Another was Dragi Jovanovic, notorious mayor of Belgrade, who has since been publicly tried and executed. Their identities are not open to doubt. They were not, I assure you, OZNA agents.—Yours faithfully,

KENNETH SYERS

News-Chronicle, Bouverie Street, E.C.4

Books and Publications

Crime and Retribution

"Der SS-Staat." By Eugen Kogon. Verlag der Frankfurter Hefte. RM 8.60.

DR KOGON, an Austrian Catholic writer and sociologist, might with justification have written a book of his personal sufferings during the seven years which he spent as a political prisoner in Buchenwald. Instead, he has done something of more lasting value. He has compiled a factual text-book of the concentration camp system, accompanied by an unemotional description of methods and typical incidents, which are given their right significance by being set in their proper framework. It is only a pity that he did not have access to more captured Nazi documents, which would have given his work greater scope.

Among other things, Dr Kogon gives the facts about the internal power wielded by the prisoners themselves in the camps. Unpleasant stories have been circulating about the rôle played by the German Communists in Buchenwald, and Dr Kogon does a service by showing that all political prisoners benefited from Communist supremacy, though they used it ruthlessly.

His restrained treatment makes Dr Kogon's facts all the more revolting. One follows the writer through the process of degradation to which the new prisoner was subjected, through the various departments—the parade ground, where the daily dead were laid out for the roll-call, where prisoners sometimes stood eighteen hours at a stretch, or were assembled to watch one of their com-

pany flogged naked on a heap of stones; the quarry, where shooting was the kindest of deaths, the "hospital" where the sick were despatched with injections; vivisection laboratories; the cells for special tortures; and the "riding-stables" for mass executions.

Dr Kogon rightly shows the concentration camp and its bestialities to have been an essential part of the Nazi system—or, perhaps, of any system in which the State is supreme.

Great profits accrued to the State from the camps, which came under the SS Economic Administration Headquarters. The SS hired prisoners to a number of armament and construction firms. A balance sheet which was drawn up for the SS Headquarters shows the following picture: "average wage, less food and wear and tear of clothing, RM 5.30 a day; assuming the average life of a prisoner to be nine months, this equals RM 1431 per prisoner; this profit is increased by utilisation of the corpse as follows: gold from teeth, private clothing and valuables, less cost of cremation, at least RM 200. The total profit from turnover of prisoners therefore amounts in 9 months to RM 1,631 per head, not counting special revenue from sale of ashes as fertilisers."

The total number of deaths in Buchenwald alone was 55,000. Figures found at the SS Headquarters relating to only five months in 1942 showed that, without counting the "extermination camps" there were over 200,000 deaths against 264,000 new prisoners. With the extermination camps, it is probable that the grand total during the whole period was in the neighbourhood of 7½ million. (It will be recalled that a study of Genghis Khan was obligatory for sections of the SS.)

Dr Kogon accepts that the German people were, on the whole, ignorant of what went on in the camps; and the British and Americans made a bad psychological mistake in not differentiating between them and the SS, or between direct guilt and indirect responsibility. Nevertheless, what can be said for that vast majority of Germans who now, when faced with the facts, still refuse to believe or condemn them? What can be said for the people who showed no pity for the miserable wrecks whom they saw on their long marches from camp to camp; for the women who helped to shoot them down in the last days of chaos; for the judges who allowed them to be handed over to the SS; for the High Command which approved Hitler's dictum that Russians were animals, and raised no protest against the shooting of all officers, political commissars, and party officials, and the deliberate starving to death of the Russian and Polish rank-and-file; for the Germans who knew during the war that some Russians were reduced to cannibalism, and considered it rather funny; for the business managers who used the half-starved slaves from the camps for their profitable armament firms, and for the priests and pastors who, with the exception of Niemöller, never called for prayers on behalf of the prisoners? As Dr Kogon says, the list of those who might have done something, if only a little, is long. His book is essential material for that depressing occupation, study of the German mind—one which, more than most, suffers from the belief that Authority can do no wrong.

"The Nuremberg Trial." By R. W. Cooper (with a Foreword by Sir David Maxwell Fyfe). Penguin Books. 1s.

WHILE the full official record of the Nuremberg trial is being published in an endless series of volumes which few will ever read, there is plenty of room for a brief, but comprehensive, account of it, such as is now given to the public in a Penguin by a writer who observed it as special correspondent of *The Times*. The book has evidently been put together from notes taken at the time, and in some passages transcripts of prosecution speeches have remained in the first person, creating some uncertainty as to the extent of the author's own comment; but on the whole, a clear and well-balanced picture of the trial emerges, and the Foreword contributed by Sir David Maxwell Fyfe raises at the outset the basic question of the justifiability of it all. As Sir David points out, the trial was not in principle an innovation, as far as crimes against the laws of war were concerned, for it was already "well-established international law that their perpetrators can be punished by the state whose nationals have been outraged." As regards responsibility for atrocities (Counts III and IV in the indictment), the trial of the major war criminals at Nuremberg did not differ essentially from the trials of German concentration camp guards and suchlike held locally by the various Allied nations, and it may be pointed out that all those condemned to death were convicted on Counts III or IV. What was new, of course, in the Nuremberg trial was the criminal charge of planning and waging aggressive war—a charge based on the claim that the Kellogg Pact had made aggressive war a crime. As Mr Justice Birkett put it: "To initiate a war of aggression is not only an international crime; it is the supreme international crime differing from other war crimes in that it contains within itself the accumulated evil of the whole."

There is no doubt that these words reflect the opinion of the liberal democratic world and that the Nazis' leaders were justly found guilty of this crime on the evidence presented. The only real flaw in the judgment—but it is a serious one—is that the evidence disclosing the secret clauses of the Ribbentrop-Molotov Pact of August, 1939, showed that the original aggression which started the Second World War was prearranged between Germany and the Soviet Union. It is rare in criminal procedure—at any rate at the Old Bailey—for the prisoner in the dock to be able to implicate a judge on the bench of the crime of which he stands accused, and it is not surprising that at Nuremberg the judges of the three Powers which were not implicated in the attack on Poland did not quite know what to do about it; they solved the problem by not referring to the embarrassing evidence in their judgment. In the future there is likely to be more criticism of the historical distortion thus involved than there could have been at the time. But there need be no fear that the verdict of the future will be that the convicted men did not deserve death; on the appalling evidence of "genocide" alone they earned their ropes many times over. The trial was worth while if only because it established once and for all by a vigorous legal procedure and by a mass of unchallenged documents, which were above the level of mere propaganda or personal reminiscence, the monstrous premeditated cruelty of the Nazi regime.

Self-Government in West Africa

"Path to Nigerian Freedom." By Obafemi Awolowo. Faber and Faber. 137 pages. 7s. 6d.

"The Gold Coast Legislative Council." By Martin Wight. Faber and Faber. 285 pages. 12s. 6d.

THERE is at times an element of smugness in British colonial policy. It derives from the recently-accelerated progress towards self-government in many colonial areas. The West African colonies, in particular, are apt to be singled out to prove the dictum that "whatever's best administered is best." Evidence of progress is not wanting. Nigeria and the Gold Coast now have Legislative Councils with unofficial, locally elected majorities. They both have long term plans for economic and social betterment—and enough funds available to make a start in carrying them out. But what have the Africans to say about all these schemes for their advancement? Their criticism is apt to be woefully ill-informed about the facts or too violently opposed and incoherent in its attitude to interest any but those who are already converted to the same viewpoint. But when an African critic arises who shows a maturity of judgment which is prepared to admit that there is something in his opponents' point of view, it is time to take notice.

Mr Awolowo is such a critic. His book is important for two reasons. First, it is an intelligent, and in places persuasive attack on the new Nigerian constitution, with its sanctification of the system of indirect rule, and also on the dilatoriness of British colonial policy in general. Second, it is written by an African from the southern Nigerian community (both Ibo and Yoruba) which produces in the press and elsewhere much violent, irresponsible criticism and little coherent argument to support it. If Nigeria is to attain successful self-determination in the next decade it will need to rear many more like Mr Awolowo.

The author is at his least convincing when he disparages the flexibility in the new constitution which allows the three areas of Nigeria, that is the North (Hausa), the West (Yoruba) and the East (Ibo) to progress at different speeds to suit their varying traditions and outlook. But this split-up of Nigeria is connected with the indirect rule of the chiefs, and the author, as an educated southerner, has little time for the chiefs and their ways. His most convincing passages are those which make a plea for a rate of political progress which is not entirely in the white administrator's discretion. There are many who may agree with him that "it is better to go a little too fast, than to move much too slowly."

★

Mr Wight's book on the Gold Coast is much more meticulous—as becomes a more academic work. This is the second volume of the series on studies in Colonial Legislatures published under the auspices of Nuffield College. Its interest is mainly historical, since much of the book was written before the new constitution granting an unofficial African majority was introduced. But even those who are unattracted by the development of the Gold Coast Legislative Council may gain some further insight into colonial problems by comparing the African speeches in the Gold Coast Legislative Council proceedings with Mr Awolowo's book. They may think that if the Awolowos had been a Gold Coast family, the path to Gold Coast freedom might have been a book written by Mr Awolowo's father.

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AMERICAN SURVEY

Frustration in Housing

(From Our U.S. Editorial Staff)

MORE and more serious leaks are appearing in the programme to put an adequate roof over the American head. The lag in construction during the first four months of 1947 indicates that dwelling units started this year may fall short by a quarter to a third of the record of a million units that was predicted a few months ago. Since last November, the number of dwelling units completed has consistently exceeded the number started, foreshadowing a reduction in the number of new homes available for occupancy later this year. During the first quarter of this year, 137,100 units were started as compared with 139,600 in the first quarter of 1946, while completions in the first three months were 176,200 as compared with 61,600 in the first three months of last year. High current completions result from the carryover of unfinished units from last year, when for the want of a bathtub or some other key article or material the house was frequently lost to use.

To a large extent the falling off in the number of units started reflects the prevailing high level of construction costs. Even official indexes show costs 25 per cent above a year ago and 75 per cent above pre-war. When statistical inadequacies are allowed for, the true picture is more extreme. Worse yet, firm commitments from contractors are usually unobtainable, so that the finished cost can be expected to be considerably higher than the estimate made when construction is planned or started.

As a result, builders of rental housing, which is in particularly short supply, have in large numbers deferred construction. In New York City alone, large life insurance companies are reported to have shelved \$75 million in contemplated projects. The difficulty can no longer be attributed to a squeeze of profit margins by rising costs and controlled rents because permissible rentals on new building are being revised. The difficulty is that rental housing investment is undertaken for a generation, and it seems obvious that today's crest in prices and costs is unlikely to prevail for that period; the potential investor fears competition in the not distant future from less costly and probably more attractive structures.

In the case of homes for sale, where the builder realizes his return immediately instead of over a period, the lesson is learned even sooner. Whereas homes stood untenanted last year for want of some item to bring them to completion, they now stand empty because buyers are either unable or unwilling to pay the price. The number of available unsold units is small, but nevertheless significant. Public housing, which is a very small factor in this country, suffers from the same ailments.

Washington remains as confused in this situation as it has been about housing for a long time. It is still trying preponderantly financial devices which are just what are not needed to meet this specific problem of costs. The outstanding Bill before Congress, revived from the last session and supported by the Administration, is the Taft-Wagner-Ellender Bill; the Baldwin Bill is similar in nature, offering the same medicine only in larger doses. Both would enact lower interest rates, lower initial payments and longer periods of repayment—that is, easier finance. The report of the Senate Banking Committee on the first of the above-named Bills aptly summarises the approach taken: "Private enterprise has the capacity to build housing in much greater volume but it cannot be expected to build what it cannot market." This is of course pure ambiguity: while factually correct, it simply ignores the root trouble of costs as the major marketing factor.

But if any one factor explains the current housing shortage, it is not finance. The large liquid savings accumulated in public

hands during the war are coupled with loan terms of extreme ease. Veterans can borrow the entire purchase price if it is regarded as anywhere near reasonable by the Veterans Administration (whose definition of reasonableness makes it nearly synonymous with generosity). Most other people can borrow 90 per cent of the appraised value, which value in practice moves toward market price with no great lag. Both veterans' and most other loans are or can be guaranteed or insured by the Government to overcome any squeamishness which might beset a lender. The maximum rate which can be charged on a veteran loan is 4 per cent, for others 4½ per cent, and these rates are being reduced in some places. Borrowers make monthly repayments of principal over two or three decades. This very easy credit is one of the major factors which, in the sellers' market, produce very high prices for houses. At the end of 1946 home mortgage debt owed by American citizens hit an all-time peak of almost \$25 billion—and much of it was incurred to purchase homes which several years from now may well be worth less than the lien standing against them.

★

Nor is the difficulty the result of any deficiency of organisation in Washington, as might be implied by still another of a long series of reshufflings just proposed by the President under the Reorganisation Act. The capital abounds with housing agencies, mostly dealing with the currently irrelevant factor of finance, and not willing, or not able, or not permitted, to deal with the heart of the problem. This is not to arraign the personnel or endeavours of the agencies; they are conscientious and able and they are resisting the adverse developments as much as is politically and legally possible.

But the basic difficulties lie in the technological and organisational backwardness of the construction industry, the anachronistic methods in use in American home-building. Both entrepreneurs and labour in the construction industry are obsessed with the notion that there is only a limited amount of work to be done and that their function is to obtain as large a share as possible for themselves. Workers generally (there are exceptions, as to all generalisations) oppose new labour-saving methods and voluntarily restrict their own output; the unions engage in jurisdictional disputes among themselves to monopolise the lion's share of work for their own members. Material-makers produce only specific products, which have to be assembled by contractors, mostly small, so that really large-scale operations are scarce. These preventions of improved methods and lower costs are solidly reinforced by obsolete and generally highly restrictionist local building codes, in which some or all of the factors of production have a vested interest. Because of these factors, plus transition difficulties in some products (mostly ending rapidly), many materials have been costly and even then not obtainable in volume. These conditions make for high cost and relative scarcity of housing in this country in both the short and the long run.

Though it is being choked off by costs and prices, the need for housing remains great. Two years ago the National Housing Agency estimated that more than 1½ million houses would be required each year for ten years to raise all housing to standards of minimum adequacy and to provide for new families as they are created. The President in his recent message to Congress again indicated that the job of adequate housing will require a

decade. Put the speed with which these needs will be met depends almost solely on the speed with which the cost problem can be solved.

This situation has a long arm: prosperity in the economy will be difficult without a large volume of housing construction. In 1936 housing construction failed to reach a high level and recovery was dampened. A recent study by the Twentieth Century Fund on "America's Needs and Resources" calls for better than 1 million units a year as a *quid pro quo* for reasonably prosperous business conditions.

But in the shorter run, by the same token, a large volume of housing construction at to-day's inflated prices—and therefore

at to-day's inflated debt levels—holds promise only of grief for both the home investor and the entire economy.

The best hope for the nearby future is that the pattern of the years after the first war will be repeated. Rising prices and costs then also choked construction. But costs and prices were responsive to a decline in volume after only a few months and in 1921 volume began a long rise which persisted for several years. The best and only hope for adequate housing in the longer run is for a reduction in restrictionism and for improved organisation and technique of the industry. But these are severe conditions and are only aggravated by the congressional pre-occupation with financial tricks.

A Hundred Notorious Years

By a Correspondent

ON June 10th the *Chicago Tribune* is a hundred years old. Except during the first eight years, it has been controlled by one family, Joseph Medill and his descendants. Medill, himself, was dictator of its policies from 1855 until his death in 1899. Fifteen years of quiet followed, during the regency of James Keeley, an English-born editor, before Colonel Robert Rutherford McCormick, Medill's grandson, came to the throne on which he still sits.

Colonel McCormick has accumulated an international reputation for political eccentricity, while his great ability in the management of his newspaper and the extension of its empire has been ignored. His curious theories he inherited from his grandfather; his imaginative direction is his own. But, while the circulation of the *Tribune* has grown from 18,000 in 1861 to over a million today, its political influence has been steadily declining. Medill, single-handed, was able to elect Abraham Lincoln, the representative of a party new to American politics. McCormick, in four attempts, could not once defeat Franklin Roosevelt even in his own Chicago. Medill, however, passionately wanted to see Lincoln President. His grandson only wanted to stop Roosevelt. He never believed in the Republican candidates he reluctantly supported, all of whom, in his opinion, were riddled by internationalism.

When Chicago was young it suffered from a cultural inferiority complex, which the *Tribune* was able to turn to advantage. Denunciation of anything and everything outside the Middle West was always certain of popularity; and Medill was expert at denunciation. But the enemy was on the other side of the Alleghenies, not across the Atlantic. A New Yorker was trusted as little as an Englishman. When the *New York Herald* dared to support General Grant for the Presidency in 1863 the *Tribune* told "This organ of . . . the Thugs of New York, that it must keep its copperhead slime off our Illinois General. . . . Unless it keeps its unclean and treacherous hands off of him, it may expect to get tomahawked." The language today is less vigorous, but the sentiment lingers on. The Eastern seaboard is believed by McCormick to be populated by "hand-kissers," always ready to betray the United States in return for a knighthood.

A ruthless nationalism was the motive for Joseph Medill's loves and hates. He wanted the United States to extend over the whole of North America. Any country which stood in the way must be attacked. Even before the Civil War was won, he wrote to his brother, then serving in the Union Army: "It is very possible that we shall have two wars when this one is ended—one to clear the British out of Canada and the other to clear the French out of Mexico. This continent belongs to the Free American race and they are bound to have it—every inch of it, including the West Indian Islands." In 1946, Colonel McCormick adopted "*Tribune's* Platform For America," which was printed every day on the leader page. One point of this platform was "Get European Governments out of America." The truculence now hides behind a paternalist mask. Talk of war has given way to offers of statehood. While Medill could say: "We shall permit no nation to abuse Mexico

but ourselves," McCormick preaches Pan-American union.

The famous, and much misunderstood, Anglophobia is only a part of the American Imperialism which has been the most consistent policy of the *Tribune*. Britain "owns" much of the territory designed by God to be a part of the United States and is for that reason the chief object of attack. But every now and then, when the Colonel pauses for breath, it is possible to see that his attacks on the British are impatience at their senseless independence. In 1943 there appeared an editorial called "States Across the Sea," in which he suggested that the British Empire should be admitted to the Union. "Great Britain could come in . . . as four states . . . Canada could constitute another state . . . Australia, New Zealand and the contiguous islands might form still another." This offer was a serious one and the Colonel was very offended when it was treated as a joke.

Three years later he returned to the subject, feeling that "the English ruling class is now the English ruled class. It is being ruled with considerable vindictiveness by the lower-class men who have succeeded to power. The old ruling class might welcome the protection of our Bill of Rights. . . ." The offer of statehood was renewed in greater detail and the leader ended: "Perhaps it is not impossible that we can form a real world parliament with these countries which share with us a common language and have, or used to have, a good many of our liberties. If they will not have it, the only alternative is a Pan-American nation." It would be too much to expect Colonel McCormick, for whom Senator Taft is a New Dealer, to have any sympathy with a Labour government, but the admission that the British people used to have liberties would have been thought dangerous radicalism in his grandfather's day. Another example of the weakening of the family's moral fibre was noticed in Chicago a few months ago. In 1884, the *Tribune* had suggested a method of dealing with beggars: "The simplest plan . . . is to put arsenic in the supplies of food furnished the unemployed or the tramp. This produces death in a short time and is a warning to other tramps to keep out of the neighbourhood." In the spring of 1947, Colonel McCormick paid a ceremonial visit to Mexico and, commenting on the number of stray dogs to be seen everywhere, remarked in a message to his paper that he had heard that food was very short in Europe. Why not, he said, round up the homeless dogs of Mexico and send them as food—free?

Though the Colonel's policy is only an emaciated version of his grandfather's, he has proved to be an even more efficient manager. Medill built the *Chicago Tribune* from an ailing small-town newspaper to an important metropolitan daily with a circulation of 100,000. Colonel McCormick has taken it from the 250,000, at which Keeley left it, to over a million. More than that, he has added to the property the *New York Daily* and *Sunday News*, the largest radio station in Chicago, two paper companies in Canada which produce all the newsprint for the family papers, and the shipping companies which take the paper through the Great Lakes to the Tribune Tower in Chicago. Another valuable property is the Chicago Tribune-

New York News Syndicate, owned jointly by the two papers, which distributes the comic strips on which their enemies believe and hope their circulation is based. The *Washington Times-Herald* is owned by McCormick's cousin, Eleanor Patterson, but the money which bought it is Medill money.

The financial basis of this empire is deceptively simple. The Tribune Company was formed in 1858 with a capital of 2,000 shares. It is unchanged today. Of these shares, 1,050 were retained by Medill and are now held by the Medill Trust which controls the Company and all its subsidiaries. The income from these shares was left by Medill to his two daughters and their children. The other 950 shares went to early partners of Medill's or to original members of the staff. Their descendants now draw large incomes, but have no voice in the management. As the shares change hands privately, and very rarely, it is only possible to guess their value, which has been recently estimated at \$40,000 a share, giving a total capital value of \$80 million for the whole enterprise.

The control is now in the hands of Joseph Medill's surviving grandchildren. Colonel McCormick's was one of four. His only brother is dead and his children have his share. On the other side of the family, Captain Joseph Patterson died last year, leaving three daughters, and Eleanor Patterson is still alive and has one. There is much speculation on the future of the Tribune Company when the older generation have gone. None of Medill's great-grandchildren, whatever their ability, show any love for the policies which have given the *Chicago Tribune* a hundred years of notoriety. Colonel McCormick himself, who might have been expected to produce a sturdy Mid-western heir, is childless. He will be 67 this year, a lonely, dignified figure, the last surviving example of the type he hates most in the world—the feudal British aristocrat.

American Notes

The Budget and Tax Rates

After many weeks of sterile debate, the Tax Bill which is now emerging from Congress can scarcely bring a great deal of satisfaction either to President Truman, or to the Republican majority in Congress. The Administration has lost the struggle to maintain current tax rates and put a buffer against inflationary pressures, while the aggressive majority spokesmen in the House of Representatives have fallen down very badly in their effort to reduce expenditures by as much as \$6 billion. And delays have played havoc with the timetable theoretically established by the Legislative Reorganisation Act.

Over the fiscal year 1947-48, the Presidential estimates allowed for net receipts of \$37.7 billion, and expenditures of \$37.5 billion. The House submitted a subsequent expenditure total of \$31 billion only, a figure revised by the more sober Senators to \$33 billion. In conference, the Senators have won at the expense of such enthusiastic Congressmen as Representative Taber, whose praiseworthy zeal for economy is hardly matched by a commensurate knowledge of the items most appropriate for revision. The Senators have also fought down all attempts to impose a flat reduction of 20 per cent over all income ranges (a proposal which quickly turned sour even in the Republican camp) and all efforts to make tax reductions retroactive to January 1st last. Reliefs now voted would cost \$4 billion over a complete fiscal year. On net incomes below \$1,000 the tax cut is 30 per cent; from \$1,400 to \$136,700, 20 per cent, and from that level to \$302,400, 15 per cent. Above \$302,000, 10.5 per cent will be saved. Labour organisations have bitterly opposed this formula.

On Budgetary prospects, the White House and Congress are poles apart. The Senate has projected 1948 figures as: national income \$170 billion, expenditures about \$33 billion, and revenues \$41.4 billion. But Mr Snyder, the Secretary of the Treasury, rejects all such optimistic estimates. The Treasury now forecasts a somewhat lower figure for national income, and a revenue total not more than \$38.8 billion. Congressional expenditure lists, he further asserts, must be revised upwards as time goes on, and a national debt of \$258 billion must be reduced. Unfortunately for the Treasury, Congress refuses to believe that revenue will be sharply affected by a declining level of national income, and it is reinforced in opposition by the fact that Presidential estimates for a \$2.3 billion deficit for 1947, have now been revised to predict an actual surplus of \$1.2 billion.

Between these projections, quite obviously, there is room for honest differences of opinion based on the probable course of business. Over the remainder of 1947 the actual cash surplus, resulting not only from direct Budgetary operations, but from trust fund and other receipts, might be large enough to bring a decidedly deflationary influence into the business situation, if current signs of hesitation are being interpreted correctly. On the other hand, the Treasury view is presumably influenced quite largely by the longer-term prospect of further and substantial relief work overseas, a programme which would not, in all probability, be confined within Budget estimates, but which would, nevertheless, support industrial activity at relatively high levels. The only moral would seem to be that present budget procedure has nothing like the flexibility needed for such a volatile economy amid present uncertainties.

The Treasury has used suggestions of a Presidential veto to bolster the official view in Congress, and Mr Truman is known to oppose many clauses of the Bill. On balance, however, it seems unlikely that a veto will be imposed. The Democrats have succeeded in taking the edge off an indiscriminate economy axe, and the Treasury has scored its debating points. A veto—even if sustained in Congress—would probably not be worth the confusion and damage it would cause.

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Mr. Hoover's Prescription

Mr Hoover, the Republican elder statesman, has enjoyed a very cordial reception for his view that further delay in signing the peace treaties would impose an intolerable burden upon the world, and specifically upon American resources. Mr Hoover had been asked by Mr Taber, chairman of the House Appropriations Committee, whether he believed the War Department's request for the appropriation of \$725 million for Germany, Japan, and Korea was really necessary, and if so, to discuss measures to lighten the demands upon American taxpayers in future years. Mr Hoover supported the appropriation, but he recommended separate peace treaties with Japan and with the merged British-American zone of Germany, as the first step toward making the occupied countries self-supporting and relieving America and Britain of a drain at present without perceptible end. Senator Vandenberg has since shown considerable sympathy for the idea that if no progress can be made in step with Russia, the United States must proceed without her. In Congress it is even more evident that American patience is about exhausted.

That impatience is shared on this side of the Atlantic. The difficulty with Mr Hoover's statement—which is certain to be popular with the economy bloc that Mr Taber heads, as promising the surest method of providing early relief for the American taxpayer—is that it is so partial a view. Few Europeans would quarrel with the demonstrable need of eradicating the great international poorhouses of Germany and Japan, and making those workshops of the world not only self-supporting, but substantial contributors, in the form of coal and other goods, to world recovery. But this is only a part of the whole problem of European economic recovery, which Mr Acheson put into its proper perspective last month. The European crisis of 1948 and 1949 will not be met, though it may be ameliorated, by any measures, however admirable, taken in Germany. The danger is that Congress may be tempted to believe that German recovery is a substitute for world recovery and for a broad and constructive American policy to secure it. And on the political side, a point to which neither Mr Acheson nor Mr Hoover has given its proper value is the alarm which will be aroused in Germany's neighbours by such statements as that there is no need for large-scale reduction of German and Japanese industry to assure their permanent demilitarisation. Mr Hoover might feel differently if he had been born in Coventry, or Alsace, instead of Iowa. Such a view would be acceptable in Europe as part of the larger scheme of European economic unity now being urged by so many influential American voices, only if accompanied by assurances of security measures far more substantial than the United States is likely to

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give. Mr Morgenthau's scheme for "pastoralisation" has now given way to Mr. Hoover's scheme for industrialisation. In this doctor's dilemma, the physicians see chiefly what they want to see. Mr Hoover is like a doctor dealing with a broken leg without noticing that the patient is suffering from pneumonia and nervous prostration as a result of having his house burned down.

Decision on Labour

Early this week the Senate and the House agreed on the final terms of the Labour Bill to be sent to the President. Because of the threat not only of a Presidential veto, but of losing the support of those marginal Senators necessary to override a veto, the House has given way on virtually all of the main points where it would have meted out far more drastic treatment to the unions than the Senate. Gone are the ban on industry-wide bargaining, the permission for employers to obtain court injunctions against labour unions in certain circumstances; even the Senate strictures—as well as the harsher House bar—on union welfare funds have been softened so as not to interfere with old-established funds like those of the International Ladies Garment Workers. In its final form the Bill sets out to do five things for which there is unquestionably majority sentiment in the country: to arm the government with means of fighting paralysing strikes in basic industries; to strengthen the conciliation branch; to rectify the balance of the Wagner Act so that unions, as well as employers, will be forbidden to indulge in certain unfair labour practices; to diminish jurisdictional strikes; and to democratise the internal affairs of the unions by compelling publication of financial reports. There may be substantial doubts about the means adopted to secure these ends—for example, whether the encouragement of separate craft and professional unions will not stimulate, rather than eliminate, jurisdictional raids, and whether the anti-Communist ban will not merely drive the party underground and encourage abuses.

But the main sense of the Bill goes in the direction most Americans desire, that of bringing Big Labour under the law. By their unexpected temperance, the Republicans have refused to provide the President with substantial excuses for a veto which would be acclaimed by labour and secure the union vote for Mr Truman in 1948. Once more the decision may lie as much with Mr John L. Lewis as with the President. Negotiations between Mr Lewis and the northern and western mine owners, who represent 75 per cent of the industry, have temporarily broken down. Mr Lewis would like an increase in wages of 35 cents an hour; the owners offer 15 cents. Can Mr Truman take the chance of robbing the government of the weapon of the injunction provided in the new law for precisely such an emergency three weeks before the date of a possible coal strike? If the Senate were certain to override a veto, Mr Truman might try to have his law and eat it too. Or he may accept the law with a promise to push for amendments next session. The awkwardness of combining the functions of national leader and party leader implicit in the labour decision would be greater if the unions had been more successful in delivering the labour vote last November.

New Angle on Tariffs?

Considerable interest attaches to a recent move by a Republican Senator (Owen Brewster, of Maine) for a general reinforcement of the powers now held by the Tariff Commission. By this proposal, the Tariff Commission would become a Foreign Trade Board and hold a much wider responsibility for foreign economic policy. For example, Senator Brewster declares that it should be able to:

Study all factors affecting the balance of international payments between the United States and foreign nations and submit recommendations to Congress and the President respecting such changes as may be necessary to encourage foreign trade and travel.

Co-ordinate activities of all Government agencies dealing with foreign trade, including statistical data and all information collected and disseminated by them.

Encourage foreign travel, and promote international fairs and exhibitions.

This Bill, which is now in the hands of a Senate Committee, raises several interesting issues. It is not known, for example, how far Senator Brewster has been notified of support within his own party, and it is certainly more than doubtful whether the Senate committee concerned will agree to let the machinery

relax sufficiently for a debate on the floor—the legislative programme does not seem to leave a great deal of time for the introduction of Bills which were not on the original list and the urgency of which many Senators would be disposed to deny. There is, moreover, considerable room for doubt on the question whether such a reinforced Tariff Commission would be the appropriate body for determination of high policy. It is quite obvious that the present confusion of Federal agencies should go, but Mr Marshall is busily reorganising the State Department on precisely this issue of foreign economic policy, and it would seem to be a more suitable move for the Tariff commission, with other related agencies, to work within the boundaries set by a special branch of the State Department.

Debate on the status of any new body, however, is less important than the realisation that the facts of economic life are beginning to percolate through Congressional corridors. Senator Brewster, as a good Republican, stresses the benefits of foreign travel and is wary about specific tariff cuts. But he at least is not seeking additional barriers against foreign goods; he is "concerned over the growing imbalance of exports and imports, and is expected to declare that it is the policy of Congress to secure a better balance." It will be amusing to listen to such Republican stalwarts as Senators Wherry and Millikin and Representative Knutson, if and when Mr Brewster introduces the Foreign Trade Board Bill of 1947. But it is none the less an interesting reaction, and may possibly mean that Mr Stassen will not be quite without friends as Presidential candidate in the Philadelphia convention next year.

In the meantime, the immediate mood of the Republican majority is to resist every effort by the State Department to avert a breakdown at Geneva on the issue of the US wool tariff. So far, negotiations between the State Department and the joint Congressional committee have brought no retreat from the recommendation for a 50 per cent "fee" to bolster the 34 cents per lb. duty now prevailing. The present Robertson Bill would also give domestic wool growers a premium on the extremely generous support levels attaching to other major farm produce groups.

Shorter Notes

The Committee on Un-American Activities of the House of Representatives no longer looks for Communists under the bed, but behind the screen. Its current investigation has taken it to Hollywood, which, to the surprise of the average film-goer, turns out to be the secret weapon of the Soviets. There may well be some truth in the allegation that Communism flourishes among screen writers. Some escape is necessary from the tedium of Grade B's. But to take as evidence of a Communist conspiracy, Miss Ginger Rogers's courageous refusal to mouth the subversive line: "Share and share alike—that's democracy" reduces the whole process to the level of farce.

Most Federal agencies are confirming recent indications of a business slow-down. The Reserve Board's Index of Industrial Production (seasonally adjusted) declined to 187 in April, the March peak being 190. Preliminary reports for April also indicate moderate declines both in durable and non-durable industries and in industrial employment.

Since January, gold imports have totalled over \$1 billion, a rate exceeded only in the immediate pre-war years when the flow of capital from Europe was reinforced by war material purchases. This figure, of course, is the counterpart of the heavy export surplus noted here last week. The gold stock now totals \$20.9 billion after transfers to the Monetary Fund.

President Truman has received a report from his special Civilian Advisory Commission recommending six months' compulsory military training for 18-year-old youths. The cost is estimated at \$1.5 billion yearly, and the Commission (which also advocates an immediate programme of factory decentralisation) declares that failure to adopt the plan "will invite extermination in atomic warfare."

THE WORLD OVERSEAS

Communism in Eastern Europe—I

(By a Special Correspondent)

THE contrast between the omnipotence of Communists in Eastern Europe to-day and their almost complete absence from the surface of political life between the World Wars has led many Western observers to conclude that Communism is a mere import from the USSR, lacking any real roots in the East European countries themselves. This is a serious error.

Before 1914 Socialist movements existed throughout Eastern Europe. Those of Poland, Czechoslovakia and Hungary were based on an already numerous industrial proletariat, and were influenced by Austrian and German Social Democracy. In Rumania, Serbia and Bulgaria there were few industrial workers, and the Socialists recruited their support not only from them but also from discontented peasants and small officials. In these three countries the structure and ideology of the Socialist parties more closely resembled those of Russia than of Central Europe.

When the Third International was formed, the prestige of the Bolshevik Revolution was such that in all these countries except Poland the Socialist party majorities at first chose Communism rather than Social Democracy. During the twenties, thanks partly to the Communist failures in Hungary and Bavaria and partly to the strength of Central European traditions, the Social Democrats recovered the majority of the workers in Czechoslovakia and Hungary. In Rumania the workers' movement was repressed from 1919 onwards, and was never strong, though it is probable that among the minority of politically conscious workers Communism was more attractive than moderate Socialism. Yugoslavia and Bulgaria both had strong Communist parties at the free elections immediately after the war, but both were soon forcibly suppressed. The Yugoslav party was banned in 1921 and remained illegal right up to the Axis invasion. The Bulgarian party was dissolved in 1923, obtained a semi-legal status from 1931 to 1934, when it was finally suppressed by a military *coup d'état*.

It is important to realise that many of the East European Communist leaders of to-day suffered heavily for their cause between the wars. Rakosi, now Hungarian Vice-Premier, spent fifteen years in prison. Gheorghiu-Dej, now Rumania's economic dictator, was eleven years in gaol. Traicho Kostov, secretary of the Bulgarian party, was so tortured that, fearing he might betray his comrades, he threw himself from the fourth floor of Sofia Police Headquarters. He failed to kill himself, but went back with both legs broken to prison, where he spent several years. And, indeed, there are few prominent East European Communists who have not at some time been maltreated by the police of the old regimes.

The Russian Model

The legal situation under the pre-war regimes did not (with the exception of Czechoslovakia) reflect the real strength or weakness of Communism. The parties had to work underground, as had the Bolsheviks in Russia, and the police methods which they had to fight were probably more efficient, and certainly more cruel, than had been those of the Tsars. It was therefore not merely admiration of Soviet achievement, but the similarity of their tasks, which caused them closely to follow Russian models. The parties were based on strict conspiratorial secrecy and severe practical and ideological discipline. They regarded themselves as the vanguard of the proletariat, a training school for the leaders of the future revolution. They had two sources of strength. One was the devoted labour and heroic courage of their members, the other was the sympathy of the common man. The latter factor varied between different countries depending on the extent of social oppression and discontent and the national attitude to Russia. It was a common habit of the East European dictatorships to denounce as "Communists" all who resolutely criticised social and political abuses. The average peasant or citizen knew little

about Communism, but he knew the word, because it was used as a term of abuse by the spokesmen of the regimes, which he had good reason to dislike, against enemies whom he seemed to fear. He was therefore inclined to sympathise with the Communists, and even to identify the word "Communism" with civil liberties.

German conquest and occupation gave the Communist parties their chance. In Yugoslavia from 1941, in Greece and Albania from 1942, and in Bulgaria and Slovakia in 1944, the Communists led the most active forces of resistance. Much righteous indignation has been spent on the "unscrupulous tactics" of the Communists in "pretending" to be patriots in order to "deceive the people." One can only remark that they carried the pretence rather far, for tens of thousands allowed themselves to be killed in battle or tortured to death in prison or camp. The motives of the Communists were of course always to achieve their form of social revolution and to establish their form of government, and this they made little attempt to hide. Undoubtedly they "had political aims," and were "devoted to Moscow," but the essential fact remains that they fought the enemy, and fought him hard. Their military methods were necessarily improvised and primitive, but their achievement certainly compares favourably with that of any of the other "rival resistance movements" of the traditionalist forces.

There is of course one striking exception to this—Poland. Here resistance was controlled by the men of the old regime, who were able to unite under their command people of many political categories, stretching even far to the Left. The "Home Army" was not only brave but efficiently organised. The Communist resistance group (*Armia Ludowa*) was small, and what little merit it won was more than compensated for by the manner in which its Soviet protectors treated the Home Army, both during and after the Warsaw rising. When Poland was finally cleared of Germans, much of the traditional Russophobia of the Poles had revived and the Communists enjoyed little popularity.

In Bohemia, Hungary and Rumania there was little effective resistance. Yet at the moment of liberation the Communists were popular in these countries too, for the peoples were in a revolutionary mood and were immensely grateful to the Russians for expelling the German armies.

The strong position occupied to-day by the Communists was not obtained by the same means in each country. In Poland and Rumania the present regimes were put in power by direct Soviet intervention. In Bulgaria a broad coalition was formed after a *coup d'état* in which several political groups had taken part. The Soviet authorities did not put the Bulgarian Communists in power, but they certainly helped them to obtain the upper hand within the government during the following months. In Czechoslovakia and Hungary provisional governments were formed, which represented several parties, and which the Soviet authorities recognised. Free elections followed later (October, 1945, and May, 1946). The Communists won 40 per cent of the votes in Bohemia-Moravia, 20 per cent in Slovakia and 17 per cent in Hungary. In Yugoslavia and Albania the Communist-led resistance forces took over power in their own territory, of which some had been liberated by their own efforts and some by the Soviet and Bulgarian forces (East Serbia, East Macedonia and the Voivodina), while some had been simply evacuated by the enemy (north Albania and part of Croatia and Slovenia).

Types of Communist Regime

Three types of regime are found in Eastern Europe to-day. Yugoslavia and Albania have had from the beginning one-party regimes. Albania before 1939 had no political parties in the modern sense. The present leaders are Communists, but most of their supporters are men of no political antecedents at all. The Yugoslav People's Front was built up during the war. It has always been led by Communists. Several formerly prominent

members of old parties have joined the Front as individuals, but their parties have not. Two splinter groups, the left wings of the Croatian and Serbian Peasant Parties, have joined in a body, but have no real independent activity. The Yugoslav People's Front has never claimed to be a coalition of parties.

The second type is found in Poland, Rumania and Bulgaria. It may be described as the "bogus coalition." The Bulgarian coalition was originally very representative. But the Communists and Agrarians soon began to quarrel, and by the summer of 1945, after the two Agrarian leaders, G. M. Dimitrov and Petkov, had been expelled as a result of Communist pressure, only a small rump of the Agrarian Party was left in the government. A similar process took place within the Bulgarian Socialist Party. In Rumania six months of friction led to a final breach in March, 1945, between the Communist-led Left block and the old Peasant and Liberal parties, since when the former have ruled alone. Of the various groups belonging to the present Government the only one which shows any trace of independence in its relations with the Communists is the Social Democratic Party. In Poland, the old Peasant Party of Mikolajczyk was formally included in the Government until the recent elections, but there was no genuine co-operation on either side. The Left parties include, as in Rumania, a rump peasant and a rump bourgeois party, both of which

are powerless. The relations of Socialists and Communists are not so clear, and it seems possible that the former may have far more real power than any non-Communist party in Rumania or Bulgaria. To this category should now be added Hungary. After two years of friction but co-operation within a coalition, the conservative Small Holders' Party is in process of being split by pressure from the Left and from the Russians. A rump Left wing is taking over power on the Bulgarian model. On the Left the Socialists, as in Poland, still possess some degree of independence from the Communists.

The third type is Czechoslovakia. Last summer the Czech Communists won the highest proportion of votes that has ever been given to a Communist party in a free election. Communists and non-Communists co-operate comparatively smoothly in coalition, and government is 'free' by western standards.

It will be seen from the above that there is a wide variety of government in Communist-led Eastern Europe. Whether the Communists were solely responsible for the break-up of the coalitions which have failed, and whether they sincerely intend to co-operate in those which still survive, are questions which cannot yet be answered. All that is possible is to examine some of the main features of Communist policy as revealed in the experience of the last years. This will be done in a subsequent article.

Immigration to the New World

I—Canada

(From Our Ottawa Correspondent)

IMMIGRATION is a live topic in Canada these days. There is agitation from many sources to open the gates, which were virtually closed in 1931. At the moment Canada suffers from a shortage of manpower in certain occupations. Moreover, it is being urged both on humanitarian and selfish grounds that the present disturbed post-war situation in Europe affords an opportunity to draw a large influx of desirable peoples which will soon pass. A further argument is that Canada's emptiness, most graphically seen as a population density of only three or four persons to the square mile, must excite the cupidity or the aggressive intentions of more crowded countries of Europe and Asia. In short, Canadians are being told that if they do not fill up the empty spaces themselves, the day will come when others will do it for them.

The new interest appears in a variety of ways. There is, of course, a good deal of discussion in the editorial columns of the press. The Prime Minister of Canada made a statement to the House of Commons on May 1st, and the Cabinet Minister responsible for Immigration outlined the official policy in a broadcast on May 14th. The Standing Committee of the Senate on Immigration and Labour has held eight sittings since March 26th, hearing about twenty witnesses.

There are interests and agencies which are frankly in favour of very vigorous immigration policy, and these in general base their advocacy on the belief that Canada's capacity to absorb additional population is very great, so great indeed as to make it wise to open the gates wide to all immigrants who meet certain standards of acceptability. There are also opponents to an "Open Door" policy, many of whom take a more modest—or a more pessimistic—view of Canada's capacity to absorb additional immigrants. These latter spokesmen make much of the fact that in the past eighty years Canada has lost over ninety per cent of its gains from immigration by emigration, largely to the United States.

The discussion of Canada's capacity to absorb and retain immigrants discloses a very wide range of opinion. One witness before the Senate Committee said that he believed that Canada could maintain a population of 200 million "if it was properly constituted." Premier George Drew of Ontario was quoted as saying in Britain that Ontario could look forward to a population of 25 million and Canada to a population of 50 million. The Secretary-Treasurer of the Canadian Congress of Labour concluded that "if in the next quarter of a century we bring into Canada several million people, it will be as much as human minds and human hands can accomplish." Several witnesses sought to correct the notion that the sheer geographical vastness of Canada itself gave any very useful clue as to Canada's absorptive capacity.

Dr Forsey, the Director of Research of the Canadian Congress of Labour, stated that "the physical size of the country, the fact that it covers nearly half a continent, is almost wholly irrelevant. A large part of our country is economically worthless and incapable of settlement." He quoted Professor W. B. Hurd, a distinguished Canadian demographer and economist, as concluding that available new farm land in Canada was not likely to provide more than 80,000 new farms, for which there was already a standing claim. Mr Marshall, Dominion Statistician, also took a much more sober view of immediate possibilities. He laid down four principles in conclusion: certain criteria which are often used as a basis for statements concerning the absorptive capacity for new population are quite unreliable; the objectively ascertained economic needs of Canada is the only reliable criterion of absorptive capacity; the logical and historical sequence of events is that immigration follows expansion and prosperity, it does not precede and create those conditions; finally, a long-term immigration policy should be flexible so that it can be modified quickly to conform to changes in economic conditions.

Official Caution

The official policy of the Canadian Government at the present time was cautiously outlined by the Minister of Mines and Resources (Hon. James Glen) in the broadcast mentioned above. After reporting the machinery set up in Europe to examine applicants, and discussing the transportation "bottleneck" now existing, he summed up the present position in these words:

In the first place, we do not want immigrants of such kind or in such numbers as would effect a major change in the racial, religious or social characteristics of Canada . . .

The second major limitation of our immigration policy is our determination to keep the movement of people into Canada in close relationship to our capacity to absorb effectively such immigrants. Our capacity to do so will vary from time to time and it is expected that we will modify our regulations in accordance with the changes that take place within this country. Immigration will be stimulated at times when openings for employment are favourable. It will be slowed down when the situation within Canada makes this advisable. We will hope, however, that for at least some years to come the position will be such that we can absorb annually a very considerable movement of immigrants from other countries, especially from the British Isles and the United States.

Canada's official attitude toward the humanitarian aspect, the invitation to refugees and displaced persons, was outlined by the Prime Minister on May 1st. Canada has, he said, taken an active part in the Inter-governmental Committee for Refugees and in the discussions in the United Nations leading to the establishment of the International Refugee Organisation. He mentioned the admission of 4,000 Polish ex-soldiers and of some refugees and displaced persons as being, though not of wide scope, "practical steps within the present physical limitations imposed by transportation."

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For some time to come, however, the limited shipping available makes a good deal of the above debate and the official undertakings rather academic and even meaningless. Mr Glen admitted that it would be at least a year before any large scale movement of immigrants from Europe could be handled on the Atlantic. It was brought out in the Senate Committee that until recently it looked as though the maximum movement to Canada in 1947 would be only 15,000. Then arrangements were made to devote the *Aquitania* to the task of bringing immigrants to Halifax until the end of September, which would mean another 10,000 for the year, or 25,000 in all. But no hopes were expressed by shipping authorities that this figure could be exceeded in 1947.

2—Brazil

(From Our Correspondent in Latin America)

THE first shipload of European displaced persons has arrived in Rio. It comprises 867 Czechs, Poles, Estonians, Lithuanians and Latvians from the British, American and French zones of Germany. Healthy-looking and apparently well fed, they are bound for the State of Sao Paulo, where it is intended to place approximately two-thirds of them on the land. The remainder, who claim technical skill, are to be absorbed into industry. These are the first of the 5,000 immigrants contracted for by Brazil through the Inter-Governmental Committee for Refugees, as a result of negotiations which began last August. If transport arrangements run according to plan, the whole 5,000 should be in Brazil by October. Negotiations for further immigrants under the same auspices will depend on the success of the initial quota. It is understood, however, that arrangements are envisaged for the dispatch of up to 60,000 displaced persons, some of whom may be directed to Brazil's agricultural south, where a demand has been expressed for farming immigrants.

Under the existing agreement between Brazil and the Inter-Governmental Committee, which will later be taken over by the IRO, the international authority pays the cost of carrying the immigrants to Brazil, and meets a quarter of the cost of any new equipment to house them at the reception centres. Except for this provision, Brazil undertakes to house and feed the immigrants until they find suitable work and maintain themselves.

Although the plan now being put into execution is modest, compared with the project for 120,000 immigrants a year originally proposed by Brazilian representatives, it seems likely to call for careful administration by both the Brazilian authorities and the IRO, if the immigrants that Brazil wants are to be forthcoming and successfully absorbed. The Brazilian Communists are likely to take up the Russian attitude on the necessity of repatriating, not resettling, Balts and Poles. Opposition to the scheme may also be expected from other Brazilian quarters. For political reasons, anti-Semitic and ultra-nationalist elements in Brazil may see eye to eye with certain Sao Paulo industrialists, who fear that any large influx of skilled foreign labour may raise wage levels.

The objections of such groups may gain weight if unemployment figures mount in the city of Sao Paulo, the industrial centre

of Brazil. Here, several thousand textile workers were recently thrown out of work when some mills closed down. There are signs that labour, though far from being a drag on the market, is rapidly becoming more plentiful than during the production boom that began with the war, and which many think is now about to collapse. If a slump comes, as many business men predict, a steady flow of immigrants is unlikely to be either welcome or productive.

There are, of course, other regions that would benefit from an influx of competent agricultural workers. The IRO is understood to be favourably disposed to a request for immigrants from Rio Grande do Sul, the most fertile farming region in the country, and has also studied the possibility of sending displaced persons to agricultural colonies in the "Middle West" States of Goiaz and Minas Geraes, where conditions are generally more primitive.

But deeper problems than the above confront planned immigration, and their solution will depend on the initiative of the Brazilian authorities rather than on the IRO. In the first place, although administrative house-cleaning has unified the four separate Government agencies responsible for Brazilian immigration and colonisation, funds are still sadly inadequate for the schemes contemplated. For example, an opportunity of bringing to Brazil 1,000 Dutch families—each with their livestock—as settlers had to be rejected since the Brazilian Government could not meet the transport costs.

Again, farming conditions in the interior are still for the most part semi-feudal, and farm wages are too low for European, or indeed Brazilian seaborne standards. This is perhaps the greatest deterrent to the planned agricultural immigration needed not only to open up Brazil but to feed its growing and undernourished population adequately. Any real solution depends upon the improvement of Brazil's deficient communications system, and may well wait upon this essentially gradual prospect (which is also hampered by lack of funds). But farming methods themselves leave much room for improvement in a country where, as an early Portuguese explorer said: "Anything you plant will grow."

But the tools for planting are lacking. The generally primitive conditions ruling in the interior are illustrated by an agricultural census taken last year. Of the 1,904,580 farms throughout Brazil, only one in 563 has a tractor, and only one in four a plough. Four-fifths of all the ploughs in use are primitive wooden ones. In Rio Grande do Sul, the best equipped agricultural State, a fifth of all the farms are without mechanical equipment of any kind, while in the North-East the number of farms using mechanical devices of any sort is negligible.

It is with such problems as these that the Brazilian Government as well as the immigrant will have to grapple. They underestimated, as the recent Four-Year Plan shows. But there is generally a crippling lack of funds. The World Food Council, like the International Refugee Organisation, may have a part to play here. During his recent visit to Brazil, Sir John Boyd Orr stressed the world hunger for machines as well as for food, and predicted that one of the first steps of the as yet unformed World Food Council would be to recommend that manufacturing countries encouraged preferential exports of agricultural machinery to food-exporting countries. Brazil's claim to such help would be a solid one.

THE BUSINESS WORLD

Argentine Rail Compromise

THE penultimate phase of the Argentine railway pay-off, details of which became available just as the last issue of *The Economist* went to Press, has some depressing implications. If the scheme of arrangement, shortly to be submitted, receives the approval of the various classes of shareholders in each of the British companies owning railways in Argentina, it will remain only to settle the claims of the more senior stockholders on the stipulated terms, and then to proceed to liquidation. When it was agreed, as part of the Anglo-Argentine pact of September, 1946, that effective control of these lines should pass to Buenos Aires, it was well understood, by the British authorities equally with the stockholders, that Argentina was likely eventually to apply part of her frozen sterling balances, carrying interest at only one-half per cent, to buying up the British holding in the proposed consortium—a holding on which the return was, broadly, to be between 4 per cent and 6 per cent. In all the circumstances the possibility of discharging the sterling debt by surrender of interest in the railways seemed, in principle, to be good business. And the later agreement of the Argentine Government, from which the present scheme of arrangement stems, to buy the systems outright, instead of entering into a partnership with the companies, disposes of the problem of the accumulated balances once and for all. The purchase price of £150 million odd is, indeed, rather larger than the net amount of the balances now available, and Argentina will need to earmark current sterling income in order to foot the bill. Against that, the rail link between the two countries, which at one time was productive not only of substantial investment income, but also of profit arising from an important export trade in railway materials and supplies, may be snapped decisively.

Justification for the Treasury's acquiescence in the sale of this overseas investment is not, however, inherent in the sterling balances problem. The crucial consideration is the changed character of the investment. Of late years the return has been derisory, partly because the companies have been hit by the functioning of an artificial and deliberately manipulated exchange control system, partly because they have had to bear their share of improvements in workers' conditions without being able to pass on to railway users anything like the full cost. Moreover, at the end of 1946 the Mitre Law, under which the companies were free from duties on imported materials and from national, provincial and municipal taxation, ran to its close. Deprived of this protection, which they had enjoyed for forty years, the lines, since the beginning of the year, must have been failing to cover even operating expenses; and with the Argentine Government moved as much by nationalist feeling as by the economics of the case, obviously bent on nationalisation in the end, there was no prospect of any betterment. British investors' experience, notably disillusioning in the past two decades, clinches the case for relinquishing the investment and discharging the debt. And it imparts a national significance to the decision the stockholders must shortly take.

It has been widely emphasised that, subject to the final word of the High Court, the whole sale agreement would be jeopardised were even one of the sixty classes of stockholders to stand out against the share-out terms. This makes it desirable

that comment on the bare outline of the scheme, which is all that has so far been published, should be restrained: some criticisms on points of detail may be answered in the full General Scheme of Arrangement, which owing to printing difficulties, will not be available for some weeks. It is, however, fair to make the point that rejection of the scheme by one or more classes would not inevitably kill the sale plan forthwith. For one thing, it might be possible to submit amended terms, though admittedly the difficulties would be great. More realistic, perhaps, is the consideration that, given the British authorities' evident interest in the plan, and with the prestige of the Peron Administration ostentatiously engaged on behalf of it, the Treasury might seek effective means to avoid failure—even going perhaps to the length of requisitioning the stocks and remunerating holders on the basis either of the present scheme or of one evolved by a new tribunal. These, however, are only possibilities; they certainly provide no excuse for merely factious opposition.

Even so, the reaction to the terms of the scheme cannot be a comfortable one. The manner in which the sums accruing to each of the companies is to be allocated has been approved by a panel composed of Sir Andrew Duncan, Sir David Maxwell Fyfe, and Mr Gilbert D. Shepherd, the President of the Institute of Chartered Accountants. This is a distinguished muster, but the panel's work was severely limited. It had no say in the division of the global sum of £150 millions (which included payment for ancillaries) between the various companies. That was decided by agreement between the various boards—agreement reached, even before the companies' negotiators went out to Buenos Aires, on the basis of the "recognised capital" of each company for purposes of Argentine law. This basis, which harks back to 1908 and makes no allowance for the relative efficiency and earning power shown in the intervening years, is open to criticism; but at this stage the point that matters is that the panel was asked to consider only the directors' proposals for dividing between the different classes of stockholders a sum which for each company was already inexorably fixed—subject only to estimated receipts from the sale of other assets and allowance for certain commitments and contingencies. As thus adjusted, the total share-out figure is £155,567,660. From this, holders of loan capital will receive definitive amounts, provided before liquidation. The return to holders of share capital will depend on the amounts yielded on liquidation, though these are not expected to vary importantly from the estimates.

This procedure—of discharging the claims of the holders of loan capital as modified by the scheme of arrangement, before proceeding to liquidation—is the clearest evidence that the task of the panel was to adjudicate not upon the existing rights but upon a modification of them. Its members had to marry equity to expediency. Clearly, holders of stocks which, on the distribution of sales proceeds in strict accordance with contractual obligations would be left out in the cold, or at least in a chilly draught, could not be expected to assent to the sale of the company's assets without being offered some compensation. Judged from the standpoint of expediency the question to be asked is whether the "nuisance values" of such stocks have been pitched at the minimum figures compatible with getting the scheme through. Alternatively, are the senior stockholders



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being asked to give too much away? The answer is bound to take account of the speculative Stock Exchange activity in Argentine railway share capital of recent months. Table I shows movements since mid-February, when the outright sale of the railways was announced, in prices of the "equity" issues, which include the four Central Argentine stocks ranking *pari passu* in a liquidation.

Holders of Argentine North Eastern Ordinary have not fared so well as had been hoped, but in all the other stocks the rise in prices since mid-February is largely justified by the terms of the scheme. It is only natural that these terms, which are meant to appeal to holders, should pay close regard to Stock Exchange valuations. But if these valuations are, as the Stock Exchange Council has rightly insisted, no criteria of the real worth of "nationalisation" stocks, they cannot be taken as the true measure of the worth of Argentine rails. As Table II indicates, the necessity for finding something for everybody leads to the imposition of big sacrifices on some of the senior stockholders. It should be emphasised that, if the prior charges received their full contractual rights, too little would be available for holders of the middle stocks to provide scope for any sacrifices by them in favour of junior stockholders. Exactly how

these sacrifices fall depends largely on the accident of capital structure, but it is worth noting that to give B.A.G.S. Ordinary a return of 20 per cent involves paying the huge sum of

TABLE I

Stock	Price, Feb. 13*	Price, May 29†	Estimated Return‡	Current Price
B.A. Gt. Southern Ord.	13½	19	20	18
B.A. & Pacific Ord.	7½	11	12½	11
Argentine Gt. Western Ord.	16½	27½	25	24
Buenos Aires Western Ord.	16½	27½	25	24
Central Argentine 4½% Pref.	20	32½	32½	30½
" " 6% Cum. Pref.	31	37	37½	33½
" " Cons. Ord.	12½	21	21½	19
Entre Rios Ord.	10	18	15	14
Argentine North Eastern Ord.	7½	9½	12½	11
	25	15	12½	11

* Prices ruling when outright sale was announced. † Prices ruling just prior to announcement of terms of scheme. ‡ Estimated return on liquidation if scheme goes through.

£6,400,000, which would have provided the full 120 (instead of 75) on the 5 per cent Preference plus 85 (instead of 50) on the 6 per cent Preference. This tendency to squeeze the Preference holder is discernible throughout the list, demonstrating once again that, while their remuneration is circumscribed when things go well, Preference holders are expected to take a large

TABLE II

Stock	Proposed Payment	Legal Rights (allowing for redemption premiums and gross interest arrears, but excluding interest on postponed interest)	Net Worth of Legal Rights to Stockholders after deducting tax on gross interest arrears	Gain (+) or Sacrifice (-)		Price June 5
				Col. 1 Minus Col. 5	Col. 2 Minus Col. 6	
Buenos Ayres Gt. Southern						
4% Debts.	100	20,192,000	100	20,192,000	...	96½
4½% Special Debts.	100	1,032,930	110	1,136,223	...	...
4½% B.A. Western Annuity	100	242,600	100	242,600	...	...
5½% Red. Debts.	100	2,157,019	100	2,157,019	...	...
5% Non-Cum. Pref.	75	6,000,000	120	9,600,000	...	96½
6% Non-Cum. Pref.	50	4,000,000	110	8,800,000	...	68½
Ordinary	20	6,400,000	...	...	...	46½
Buenos Ayres and Pacific						
4% 1st Debts.	100	2,925,000	100	2,925,000	...	96½
4½% 2nd Debts.	105	2,178,750	105	2,178,750	...	100½
4½% Cons. Debts.	110	8,736,940	115	9,451,780	...	104½
5% 1912 Debts.	110	5,500,000	185	9,130,202	...	104½
5% 1st Cum. Pref.	35	420,000	142.2	7,562,500	...	104½
5% 2nd Non-Cum. Pref.	25	250,000	100	1,711,500	...	32½
6% Cum. Pref.	25	500,000	196	3,920,000	...	22
Ordinary	12½	1,250,000	...	...	...	22
Argentine Gt. Western						
4% 1st Debts.	100	1,700,000	100	1,700,000	...	96½
4% 2nd Debts.	100	1,700,000	100	1,700,000	...	96½
5% Debts.	110	5,997,200	120	6,542,400	...	95½
5% Cum. Preferred	37½	796,875	177½	3,771,875	...	104½
6% Guaranteed Pref.	65	2,275,000	190	6,650,000	...	33½
Ordinary	17½	371,875	...	...	...	60
Bahia Blanca and North Western						
4% 1st Debts.	100	2,450,000	105	2,572,000	...	96½
4% 2nd Debts.	100	3,000,000	110	3,300,000	...	95½
4½% Guaranteed	90	4,140,000	100	4,600,000	...	84
B.A. Western						
4% Secured Debts.	100	9,872,203	100	9,872,203	...	96½
5% Secured Debts.	100	771,711	100	771,711	...	96½
5½% Collateral Debts.	104	189,434	104	193,147	...	...
5% Pref.	100	300,000	110	330,000	...	93½
4½% Pref.	100	2,552,340	110	2,807,574	...	93½
Ordinary	25	4,336,915	23½	4,047,968	...	24
B.A. Midland						
4% Debts.	100	2,400,000	100	2,400,000	...	96½
4% Pref.	100	1,000,000	100	1,000,000	...	95½
Ordinary	80	400,000	80	400,000	...	...
Central Argentine						
4½% Western Annuity	100	2,017,500	100	2,017,500	...	...
4½% Central Debts.	100	49,440	100	49,440	...	...
4% Debts.	100	16,076,360	100	16,076,360	...	96½
5% Red. Debts., 1967-87	105-1*	8,092,945	121-25	9,333,067	...	96½
5% " (Non-Conv.)	105-1*	255,751	121-25	294,892	...	100
5½% Bearer Notes	120-9†	2,152,118	149-8	2,708,549	...	116½
Interest Certs.	50	9,509	100	19,018	...	...
4½% Pref.	32½	3,151,108	...	...	...	...
6% Cum. Pref.	37½	1,875,000	75½	3,750,000‡	...	30½
Consolidated Ordinary	21½	5,989,727	...	...	...	33½
Deferred	15	121,770	...	...	...	19
Villa Maria and Rufino						
4% 1st Irredeemable Debts.	100	673,500	100	673,500	...	94x0
4½% Guaranteed Debts.	60	236,250	100	393,750	...	54½
Entre Rios						
4% Debts.	102½	1,542,625	105	1,580,250	...	99
5% Debts.	100	700,000	157-5	1,102,500	...	96
5% Consolidated Debts.	80	1,360,000	177-5	3,017,500	...	73½
6% 1st Cum. Pref.	25	500,000	196	3,980,000	...	22½
4% 2nd Non-Cum. Pref.	15	110,107	100	734,049	...	13
Ordinary	12½	222,892	...	...	...	11
Argentine North Eastern						
5½% Prior Lien Debts.	102	44,982	102	44,982	...	105½
5% 'A' Debts.	110	1,320,000	110	1,320,000	...	105½
5% 'B' Debts.	110	1,352,000	165	2,028,576	...	75
'C' Debts.	80	818,000	110	1,126,125	...	11
Ordinary	12½	346,062	...	...	...	...

* Net worth of 100 per cent. capital payment plus 50 per cent. (£731,015 subject to tax) of arrears accrued from January 1, 1944, to September 30, 1947. † Net worth of 110 per cent. capital repayment plus 40 per cent. (£383,743 subject to tax) of arrears accrued from July 1, 1940, to September 30, 1947. ‡ Dividend arrears only. § Loss of dividend arrears only. ¶ Ranking *pari passu*.

part of the brunt when less favourable circumstances occur. Not that the Preference capital is alone, in this scheme, in being called upon for sacrifices. In general, where arrears of interest or dividend have piled up, the most that Debenture holders get is repayment at redemption premium. Arrears are cancelled for all issues except three Central Argentine stocks, which get half their arrears—perhaps because any other treatment would have pampered the junior stockholders.

The simplicity of this wholesale cancellation of arrears must have appealed to the directors and the panel as being all the sweeter because a fixed sum applied to capital repayment is worth very much more than the same sum applied to settlement of interest or dividend arrears. Thus, distribution of £402,500 gross to satisfy the 57 per cent arrears on Entre Rios 5 per cent Debentures would have meant a receipt of only £221,375 by holders after deduction of income tax at the standard rate. In other words, by ignoring the claims of the one class to a return of £221,375 net, an amount of £402,500 is left available for

distribution to more junior securities. If the temptation to treat arrears so cavalierly is understandable, the fact remains that the scheme takes the easiest way out. The popular rule-of-thumb reckoning, that if a reconstruction scheme is to gain the assent of junior holders they must be left at least 25 per cent of the equity, has no application here, for this scheme is unique in its background, its extent and its complexity. But at least it can be argued that, with the ordinary scheme of arrangement, timing is an essential factor: equity holders, if pushed too hard, can afford to reject a scheme and let events run their course in the hope that sooner or later they will take a turn for the better. If one thing is certain with Argentine rails it is that, failing adoption of the sale agreement, the position will go from bad to worse until eventually, instead of something for everybody, there may be nothing for anybody. It is only the abundant need for compromise that can reconcile holders of some of the more senior stocks to such a substantial dilution of their claims.

Short Commons for Consumers

THE long-suffering British public has lately become increasingly aware that further sacrifices must shortly be asked of it if Britain's overseas deficit in the next year or so—beyond that it is hardly possible to look—is to be brought within the limits of the rapidly declining supply of dollars. In a detailed survey of the import programme, an article in last week's issue showed that it is upon food—upon the variety of the nation's diet certainly and upon its bulk, probably—that the new blow must fall, if any really substantial dollar economies are to be achieved. This prospective and almost literal belt-tightening, and the accompanying loss of imported amenities such as tobacco, would obviously be the more bearable if the consumer could count upon substantially larger and more diversified supplies of goods—necessarily, mainly home-produced—in the non-food range. From this point of view, a better flow even of relatively inessential goods would be psychologically valuable. Experience shows that the frustration of consumers who have resigned themselves to major and well-understood shortages often reaches breaking-point when lesser goods prove to be equally unobtainable.

What prospect is there that consumers may find consolation in directions such as these? In the major groups, unfortunately, the omens at present are not propitious. For twelve months or so after the end of hostilities, public grumbles about all-round shortages were countered by an explanation and a promise. The physical switch-over in industry, the public was told, necessarily took at least some months; and after civil production began, further months were needed to fill up the empty pipe-lines of distribution from factory to consumer. Hence the promise that in 1947, when these time-lags had been largely overtaken, what had been a slow trickle of supplies in 1945-46 would become a fast-flowing stream. By the autumn of 1946 there were some signs that this year might not fall too far short of the promise. But the rising hopes of more and better supplies in the shops were rudely shattered by the fuel crisis in February and March.

The extent and severity of the effects of the crisis upon supplies of some, at least, of the major consumer goods can now be measured statistically. Table I shows the trend of production of various items during the third and fourth quarters of 1946 and the first quarter of 1947. In this table, the monthly average output by volume has been expressed as an index in terms of the similar output in the third quarter of 1946 (which is taken as 100), with comparable figures of average monthly production in the latest pre-war period for which statistics are available. This basis of comparison has the advantage that it

not only indicates the effects of the fuel crisis and the extent of the deficiencies—by contrast with pre-war—in supplies for the home market, but also affords some measure of what may be expected this year. The third quarter of 1946 covered the second half of last year's summer coal allocation period, and since industry's coal allocation this summer is to be about the same as last year's, that quarter's figures may perhaps be regarded as an immediate target for those consumer goods industries (such as textiles) which are largely dependent on coal. Moreover, for most of the items selected, the third quarter included the summer's highest monthly output.

As the table shows, in all cases but two, production for the home market was rising during the last three months of 1946, and in many cases the upward trend was continued in January. In February and early March, it slumped heavily. The biggest recessions occurred in those knitting mills and pottery works which are heavily dependent upon coal—and in furniture manufacture, where the shortage of imported timber was becoming an increasing hindrance to output. As was to be expected, the decline in the quarter's figures proved to be least marked in works mainly dependent upon electric power, where the interruption of operations was not so protracted as to endanger seriously the supply of components and materials.

Initially, a fairly rapid recovery from the low levels of February and early March was perhaps to be expected. The isolated indications so far available point to a speedy recovery in supplies from power-driven factories and a more gradual recovery from those which are coal-driven. But even in this last group, some spectacular progress has been achieved. Woven cotton goods, the average weekly production of which had dropped by one-third in February, had by March recovered to within 4 per cent of their January level of 29.6 million linear yards.

But even a rapid recovery cannot guarantee that the loss of output during the crisis will be quickly made good; and the loss has been severe. Production of footwear for the home market fell from 10.4 million pairs in January to 4.5 million in February. Production of perambulators for sale in Britain was reduced from 59,500 to 34,600 units during the same period; and that of utility furniture from 3.9 to 2.4 million units. Experience differed widely from firm to firm, but the loss of production in February alone was in many cases as high as 50 or 60 per cent. Given the scarcities which existed in the leading categories even before the crisis, necessitating retention of the various systems of dockets, units, coupons and priority lists of purchasers, the implications of such losses are evident.

that blocking is not a simple and ready-made device which could be applied uniformly or with equal effectiveness to all cases.

* * *

Bank Deposits and the Deficit

Public interest—even City interest—in the movements of bank deposits has subsided since last year's phase of unprecedented expansion came to an end. But in fact their behaviour in recent months has been no less intriguing and equally difficult to explain. Mr Dalton, lamely trying three months ago to defend his cheaper money offensive against the charge that it created a bigger volume of money, declared that bank deposits would follow "a different course" when the improvement in the budgetary position made itself felt. In this argument, of course, two quite distinct influences upon the volume of money were hopelessly confused—the effects, on the one hand, of the lower interest rates in leading the public to prefer to hold cash rather than securities and, on the other hand, of the decline in the Government's need to borrow for current purposes. Ostensibly, however, the second part of Mr Dalton's argument does seem to have been justified by subsequent banking developments. Bank deposits since the beginning of this financial year have indeed followed a different course from that of 1946. In April "net" deposits (excluding items in course of collection) rose by £27 million—a modest movement by last year's standards—and last month fell by £22 million, one of the very few non-seasonal declines since the war-time expansion began. Obviously, this decline reflects the changing shape of the Budget, but the curious feature is that the image is so very small.

In the first two months of the financial year (taking figures to May 24th, as the date most nearly corresponding to the latest banking statistics), the Exchequer's ordinary ("above-line") Budget showed a nominal surplus of no less than £210 million. Below-line expenditure in this period was roughly covered by net receipts from national savings (including Post Office deposits). At the same time, no less than £171 million was provided by drafts on the North American credits. Apparently, the Treasury had some £380 million available for redemption of internally-held debt. A large part of this sum, however, quite plainly represented the mere book entries upon which the Chancellor relies for his budgeted surplus. Of the "ordinary" revenue in this period, £127 million came from miscellaneous receipts (fruits of the "clawing-back") and £26 million from surplus stores, a credit which must be presumed to derive from sales in the previous financial year rather than from current trading. Excluding these nominal items, the ordinary surplus would be only £56 million—though even this net figure represents a much larger improvement upon 1946-47 than is generally realised: in the comparable period of last year there was a deficit of £140 million.

* * *

Accumulating Dollars ?

After these adjustments, the Exchequer still had apparently some £225 million available for redemption of domestic debt; yet "net" bank deposits fell in the two months by a mere £5,000,000. It is true that the buoyancy of bank deposits was partly due to the additional finance provided for the public: bank advances rose by £68 million (the rise of £35.7 million in May was indeed the biggest monthly movement ever recorded) and investment portfolios by nearly £15 million. If these public demands had not arisen (presuming the public to have been the seller of the investments which the banks acquired), net bank deposits would have fallen by about £80 million. Further, it is perhaps reasonable to suppose that in any case not all of the drafts on the dollar credits would have yielded effective domestic finance for the Exchequer during the period in question: the £50 million drawn in dollars at the end of the period could not have been immediately spent, and no real finance accrues to the Exchequer until importers pay to it sterling for the dollars they need. If the whole of this £50 million is excluded, the effective surplus receipts by the Government are further reduced, from £225 million to £175 million; but even this smaller figure presents a wide disparity when set beside the £80 million notional fall in bank deposits, which, if all factors had been allowed for in the calculation, would represent the true repayment by the Government of indebtedness to the banks.

The puzzle which these figures present is in principle precisely the same as that which caused so much discussion last year. Bank deposits then were rising much faster than could be justified

by the known needs of the Exchequer; now, on the same basis of analysis, they are falling much too slowly. The explanation is hardly likely to be the same. At the different level now ruling in the gilt-edged market, public demands for liquidity are surely not leading the authorities to give new cash in return for securities, even though they have been buyers of the bonds which become optionally redeemable next spring. In this phase of complex negotiations with overseas sterling creditors there may perhaps be many feasible explanations. Is it possible, however, that the reserve of dollars and gold is still rising and that the borrowings from North America are accordingly providing much less effective sterling finance than the rate of drawings upon the credits might suggest? There would certainly be wisdom in a policy of borrowing now more dollars than are immediately required, for accelerated drawings after July 15th might give rise to misunderstandings about sterling's position, and to stage a deceleration then would be good tactics. A further draft of £50 million, at the now customary interval of three weeks, was announced this week, bringing the total demands on the US credit up to £487½ million (52 per cent of the original total). Meanwhile, as some corroboration of the form of this analysis (though not necessarily of its speculative conclusion), it may be noted that the whole of the decline in floating debt, which Mr Dalton cites with such pride, has occurred in what used to be called the "internally-held" debt—"tap" Treasury bills and ways and means advances.

* * *

The Vital Forty Days

The next six weeks are crucial for British industry, or at least for the achievement of the vital targets for 1947. That was the burden of the thesis which Mr Morrison developed at the latest of the "economic survey" press conferences this week. June and the early weeks of July bridge the period between recovery from the first effects of the fuel crisis and the summer holiday period when some loss of output is inevitable. While sudden and possibly short-lived bursts of energy will not suffice to meet Britain's production problem, a special effort is evidently needed in these six weeks, particularly from the miners. Mr Morrison's survey of past progress has received a "good" press: it was certainly more encouraging than earlier surveys in the now regular fortnightly series. There is no doubt that in many directions the recovery from the fuel crisis has been more rapid than the more pessimistic observers had expected, and the statistics which measure this recovery were those which Mr Morrison had under review. Most of them appear in the *Monthly Digest of Statistics*, issued this week. For example, passenger car production had recovered to 24,230 units in April, compared with 25,005 in January and only 9,921 in February. Commercial vehicle output, at 12,320 cars in April, compared with 13,159 in January and 5,792 in February. In the same month brick production was back to 92 per cent of the January level; cement to 109 per cent.

These results are gratifying, but they are certainly not cause for complacency. The loss of about a million tons of coal in the week ended May 31st, owing to the Whitsuntide holiday, has been a real disappointment; it is bound to aggravate the steel shortage which already threatens to reverse the marked upward trend of motor-car output. Even in building materials, April production was still below the best months of 1946. Coal and steel—in that order—are the key components for this summer's industrial drive, and it is becoming increasingly apparent that the hope of reaching the year's target of 200 million tons of coal must rest upon increasing recruitment to the coal industry. Mr Morrison's allusion to the probability that the target labour force for 1947 of 730,000 miners promises to be reached ahead of schedule is encouraging, but the real issue is how soon more trained surface and face-workers can be got to the pit-heads. Recruits are only potential man-power.

Upon the size of the response to the appeal for an all-out production drive in the next few months will depend the extent of sacrifices that will have to be imposed by cuts in imports. On this question Mr Morrison was no more specific than were the Ministers recently at Margate. But the logic of events will force these issues into the open before the next six weeks are passed.

* * *

Brazilian Sterling Convertibility

The brief communiqué issued rather belatedly last week-end about the recent discussions with Brazil makes it plain that no

comprehensive agreement has yet been reached. The only positive decisions it records were, indeed, already known. It is confirmed that the earlier action of the Bank of Brazil in suspending quotations for sterling and in refusing to accept sterling in current payments arose "from a question of interpretation which has now been satisfactorily resolved." This presumably means that Brazil was uncertain whether newly acquired sterling would become convertible, and the resolution of this doubt now takes the form of an agreement by Britain to make all sterling accruing from current transactions freely expendable for such transactions in any currency area in the world. The Brazilians, for their part, have agreed to accept sterling when offered in payment from third countries as well as from within the sterling area.

It is evident that, despite Mr Dalton's démarche at the recent meeting of the Brazilian Chamber of Commerce, there has been no agreement on scaling-down. The whole question of the Brazilian accumulated balances, indeed, seems still to be in abeyance, despite the official statement that "satisfactory progress was made towards a general settlement" and the suggestion that a formal agreement will "shortly" be concluded. In this case, there is in fact no reason why the postponement of this more difficult problem should cause any embarrassment to either party. On the one hand, Brazil is not facing any shortage of currently accruing sterling, while on the other hand Britain for the present is not being required to concede a right to a percentage release from the old balances.

Meanwhile, the Exchange Control has issued the appropriate formal notice to the banks, setting up, as from June 2nd, the new category of Brazilian transferable accounts, which will be operated on the same principles as apply to the existing transferable accounts. The facilities afforded by such accounts are available only to countries the Exchange Control or monetary authorities of which are willing and able to exercise proper supervision of operations upon them. Accounts in the name of residents in Brazil which are not designated as "transferable"—including Brazilian "special" and "sterling area" accounts, and "old" sterling accounts—are now known simply as "Brazilian transferable accounts." The balances on these accounts are available for payments to residents in the sterling area, including payments for exports to Brazil, and for transfer to Brazilian transferable accounts as well as other Brazilian accounts. It is at this point that the supervision by the Brazilian authorities becomes important, for the responsibility is apparently placed upon them of ensuring that sterling transferred to the "transferable account" category does not represent accumulated balances to which the right of expendability does not apply.

* * *

A Middle East Oil Deal

The announcement that the Shell group is to purchase substantial and increasing amounts of Kuwait crude oil from the Gulf Exploration Company of Pittsburgh, which owns a half-interest in the Kuwait Oil Company, operating on the Persian Gulf, is a reminder of the complexity of oil diplomacy and economics and of the effects of shortages of sterling area tankers. Kuwait is the only one of the major producing fields in the heart of the Middle East oil belt which lies outside the area of the "red line" agreement between the participants in the Iraq Petroleum Company. The output of the Kuwait Oil Company is now at the rate of 100,000 barrels per day, and should rise by 1948 by some 60 per

cent; it produces a fairly heavy crude oil at costs well below the world price. Shell will presumably purchase the crude oil for dollars, and after processing it, possibly in the Middle East, will resell to Europe and elsewhere in the sterling area for a variety of currencies. The processing gives an appreciable added value to the products, so that the substitution of purchases of Middle East crude oil at relatively low cost for those of crude oil, petrol and refined oils from the higher cost Caribbean area, opens up a prospect of worth while economies in dollar expenditure. The actual dollar expenditure on Kuwait oil may be directly balanced by sales of a proportion of the finished products to hard currency areas. But nice calculations of dollar savings by British companies must also pay regard to the need to keep dollar expenditure on tanker hire—tankers are a major bottleneck—to a minimum; and as the voyage from the Middle East to Britain is roughly twice as long as that from the Caribbean, Middle East imports can prove costly.

The Foreign Relations Committee of the US Senate, concerned to prevent the development of an international cartel, is likely to review the whole range of Anglo-American oil company agreements in Iran, Kuwait, and Arabia, in the course of the hearings which started this week. The picture is complete enough on the economic side, but political and strategic considerations will also obtrude when decisions about refinery location are taken. The relationship of tanker hauls from wells to markets may be dominated by the distribution of the large refineries which are likely to be economic units in future.

* * *

Retirement Benefits and Tax Evasion

Amid the pre-occupation with the contentious Distributed Profits and Bonus issues taxes, the tortuous and anomalous clauses in the Finance Bill on retirement benefits for directors or employees have escaped the detailed scrutiny they deserve—partly, no doubt, because the authorities themselves seem to have been at pains to keep them away from the limelight. The relevant Budget resolution was not even mentioned in the Budget speech, and when details were sought in the Budget debate, the Financial Secretary pleaded that a "security silence" was needed to protect measures aimed at tax evasion. At the Report stage on the Budget resolutions, the Solicitor-General was a little more forthcoming, instancing two forms of lump sum payments which, he said, ought to be taxable. To those familiar with the technicalities, however, these explanations simply opened up a vista of drafting difficulties, and led Mr Callaghan, for example, to promise a critical scrutiny when the Finance Bill appeared. It is to be hoped that the technicalities of the ill-constructed Clauses 14 to 18 which have resulted will not prevent this promised scrutiny in the Debate on the Bill next week.

The anomalies, indeed, are quite extraordinary. These Clauses involve in some cases unmistakable "double" taxation; they impose anticipatory taxes in respect of pensions and other benefits which the director or employee may never live to enjoy, but on which he will be duly taxed if he does; they may involve, too, extra-territorial taxation, and in other cases retro-active taxation; only in Clause 17(5) is this last possibility plainly excluded. These five Clauses, in fact, embrace many matters which it would be grotesque to describe as "evasion." Clause 14 covers cases where a body corporate secures—ordinarily by insurance—"retirement or other benefits" for a director or employee. Unless



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get the best results he proposed, in the first few cases, to publish in advance a summary of the Order in Council establishing each council.

This procedure should meet the substance of the critics' case that the councils may overlap or interfere with existing trade organisations unless their terms of reference are carefully scrutinised. But the successful operation of the whole plan for development councils for industry depends above all upon the spirit of co-operation they can foster between industry, the Government and the development council itself rather than upon formal legislation. Without such co-operation they will be at best redundant and at worst a source of friction in the drive for increased industrial efficiency.

Colliery Liquidation Proposals

The first company to make proposals for the distribution of its assets as a result of coal nationalisation is Bairds and Dal-mellington, Scottish coalmasters. Their case is relatively simple, for virtually all the fixed assets have passed to the Coal Board, while the company has only one class of capital, namely, £1,750,000 in ordinary units of £1, of which £1,631,234 are issued. The board believes that not less than four years from January last may elapse before the final compensation figure is fixed and paid over. Although advised that liquidation will finally be necessary, it considered that it will be better for it to remain in office for the time being rather than to hand over to a liquidator; but it is seeking powers forthwith to realise securities sufficient to make a return of capital of 15s. per unit of ordinary stock. At the end of last year gross liquid assets—securities and cash—amounted to £1,956,509, while net current assets totalled £1,871,000 odd, or about 22s. 9d. per ordinary stock unit. This takes no account of the fact that quoted investments were undervalued. It is, of course, quite impossible to say what the compensation payment will be, but the market price of the stock units after the announcement was 65s. 6d.

In this case, it will be seen, the process of unwinding is very straightforward, and may serve as a model for other companies similarly placed. Unfortunately for their shareholders, most concerns will not have so high a proportion of liquid assets—Baird's amount to some 35 per cent of the market price of the shares—and most shareholders will have to wait for any substantial return. The fact that they may have to wait four years for the final distribution may lead many to consider realising their

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Supplement to *The Economist*

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THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2

holdings when market conditions in alternative securities seem propitious. But in many cases the whole of the fixed assets will not have been transferred, and the decision whether to liquidate the companies will have to be faced. In the event of final liquidation the sale of fixed assets not transferred will be a delicate and may be a protracted business. It is to be noted that even in Baird's case the board believes that it should remain in control until the many problems which it expects to arise from the Nationalisation Act have been dealt with. One would like to hear more on this particular point.

Rhodesian Mines Colour Bar

Discussions between the Northern Rhodesian Government, the mineowners and the mineworkers have recently been taking place on the subject of promotion in the copper mines of African labour to positions and grades of work at present reserved for white labour under the agreements, renewed this spring, between the Chamber of Mines and the Mineworkers' Union. Mr Dalglish was independent chairman at the discussions and was assisted by a director of Imperial Chemical Industries and by a nominee of the TUC possessing mining knowledge. Mr Dalglish served on the Forster Commission of 1940, which recommended tripartite discussion. The latest discussions appear to have reached no satisfactory conclusion, and the British members are reported to be returning home.

This result is not unexpected. The representatives of organised white labour feel that they cannot, without real risk to their authority, surrender their strong position. The Chamber of Mines, on a long-term view, may favour progressive tendencies; developments in the neighbouring Belgian Congo mine have shown that fuller use of native labour can reduce production costs, for white labour is highly paid. On the short view, however, the owners' concern is to have no labour troubles to hamper production. It would cause no surprise if, in these circumstances, a Royal Commission was suggested to investigate the whole question—a procedure which would inevitably have the effect of delaying a decision. Since March an experienced trades union labour officer has been exploring the possibility of organising native labour in Northern Rhodesia, but unless there is a change of attitude of mind in the country, neither organisation nor long-term educational schemes will ensure employment of Africans on jobs equal to their capacities.

The position has been complicated by the purchase of Rhodesia Railways by the Southern Rhodesia Government. The colour bar operates on the railways, which serve the copper mines and are one of the other large employers of labour in Northern Rhodesia. The Premier of Southern Rhodesia has accepted a formula for labour relations on the railway which will provide for determination of conditions of service and of qualification for promotion of workers, in consultation with representatives of white and coloured labour. But until the Government can set an example to other employers on the colour question, progress is likely to be extremely slow.

North American Grain Prospects

The world's wheat position is always a source of interest, but at the present time, with a food shortage in most countries, it is watched with considerable anxiety. In Britain alone the continuance of bread rationing depends on the coming harvest, and hopes have been raised by American rumours of bumper crops. The position at the moment is a little clearer, and it is expected that production of wheat and other grains will be higher than last year, or even larger than in pre-war years.

The estimated production of winter wheat in the United States during the current year is given as 973,000 bushels compared with 874,000 bushels in 1946 and 654,000 bushels for 1936-45. Stocks of winter wheat on farms at the beginning of April totalled almost 140 million bushels, which represents 12 per cent of the 1946 crop. This is a considerable improvement on last year's position when stocks almost reached 200 million bushels. The stock position of oats, rye and barley is similar; for the latter two cereals they are in fact the lowest on record.

Reports from Canada state that this year's wheat acreage will be slightly less than in 1946, amounting to 25.1 million acres compared with 25.9 million acres. The main reduction occurs in the Prairie Provinces. The oats acreage is expected to show a

4 per cent decline on the year, but barley sowings have increased. Canada is possibly the most important country from the point of view of world wheat export, and is the main source of British supply. Hence any reduction in acreage must be viewed with apprehension while the world wheat position remains acute. Favourable weather and a good harvest, however, may do much to offset the loss of area sown. Details of the 1947 acreage intentions are given in the table below:—

CANADIAN ACREAGE INTENTIONS 1947.
(Million acres).

	1947	1946	Pre-war 1935-38 Average
Wheat.....	25.1	25.9	25.3
Oats.....	12.6	13.2	13.4
Barley.....	7.8	6.7	4.3

Tea Prices and Supplies

Britain's power as a major consumer is at long last beginning to re-assert itself. As noted in *The Economist* of May 10th, the response of the Ceylon tea producers to the Ministry of Food's long-term contract offer was rather disappointing, only some 95 million lb. being tendered against the original figure of 150 million lb., and this came from European estates owing to the re-opening of the Colombo tea auction. Producers thought that higher prices could be obtained by offerings at auction. The Ministry of Food has, quite rightly, refused to take part in these auctions and this policy now appears to be yielding the required results. The Colombo auctions have not been going at all well and over the past months prices have fallen by some 10 per cent. The United Kingdom is, after all, the main tea consumer in the world and its absence must affect demand, although its re-export trade has not yet recovered to its pre-war level. Ceylon evidently thought that the relatively low British stocks would force the Ministry of Food to return to the market at a fairly early stage; but this has not happened.

The important question for United Kingdom supplies is still the extent to which Indian producers will subscribe to the 200 million lb. contract. Perhaps they will profit from Ceylon's experience, and tender the full quantity. It will certainly be to their advantage to do so, particularly if the Ministry in desiring to get the full quota offered, increases its price. British tea stocks are in a fairly precarious position and it may be unwise for the Ministry to force its advantage too far. Its main objective must surely be to secure the full 200 million lb., even if that has to be acquired at a slightly higher cost.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports also appear in the Supplement: Dunlop Rubber; United Molasses; Fine Spinners and Doublers; Royal Mail Lines.

Prices, Jan. 1-June 4, 1947	Name of Security	Price, May 28, 1947	Price, June 4, 1947	Net Yield,* June 4, 1947	Gross Yield,* June 4, 1947	Prices, Jan. 1-June 4, 1947	Last Two Dividends	Name of Security	Price, May 28, 1947	Price, June 4, 1947	Yield, June 4, 1947
High	Low					High	Low				
103½	101½			£ s. d.	£ s. d.	113½	106½	(a)			£ s. d.
103½	101½			0 4 9	1 5 2	105½	99½	(d)			2 10 11
103½	101½			0 10 0	1 7 5	102½	104½	(d)			2 8 8
102½	100½			0 11 10	1 15 7	142½	104½	(d)			101½
105½	101½			0 15 4	1 18 9	162½	118½	15 b	5 a	123/9	4 0 10
105½	101½			0 13 10	1 17 11	80/-	60/-	10 c	15 c	155/-	2 10 4
106	103			0 15 6	2 3 2	42½	36¼	25 c	40 c	76/-xd	3 16 11½
108½	103½			0 17 0	2 3 6	95¼d	79/6	7 a	7 b	90/-	5 0 0
109½	103½			0 17 10	2 5 0	245/-	197/6	120 b	15 a	217/6	2 6 0†
108½	103½			1 0 7	2 3 1	109¼d	88/9	8 a	12 b	109¼d	3 13 2
106½	104½			1 1 2	2 7 7	58/7	50/7	2½ a	8 b	54/-	2 15 1
106½	104½			0 14 0	2 6 11	28½d	24/-	8 c	8 c	26½d	6 1 11
109½	102½			1 2 7	2 8 1	68½d	68½d	12 c	15 c	79/-	3 15 11
122½	114½			1 5 0	2 7 5	53/-	41/-	3 a	7 b	50/10d	3 16 2
104½	98½			1 2 7	2 9 3	49½	40/-	7½ c	10 c	46½	4 6 6
110½	103½			1 5 0	2 7 5	56½d	47/6	10 c	5 c	56½	5 9 9
104½	98½			0 18 0	2 10 3	77½	62/6	10 c	12½ c	70/9	3 11 5
123½	115½			1 4 0	2 10 6	84½	78½	(d)	(d)	79½	5 0 8
111½	103½			0 16 2	2 6 9	44½	33/-	2½ a	4½ b	34/6	4 1 2
108½	104½			0 13 9	2 8 6	64/6	47/-	5 a	20 b	62/6	3 19 4
117½	110½			1 8 10	2 12 6	35	52½	12½ c	12½ c	55/-xd	4 10 11
115½	107½			1 5 10	2 12 3	108/9	91/7	12½ b	12½ b	102/6	106/10d
100½	93			1 5 3	2 10 7	147/6	118/9	12½ b	12½ b	141/3	1 3 3†
110½	107½			1 9 0	2 12 9	96/9	81/3	8½ b	3½ a	91/6	2 14 8
117½	107½					107/6	93½d	15 a	65 b	100/3	3 9 0

* To earliest redemption, except § flat yield and † assumed average life 17 years 6 months
Net yields after allowing for tax at 9s. in £.

Copper Consumption—UK and US Contrasts

The copper position in the United Kingdom seems to be less depressing than that of some of the other non-ferrous metals. Consumption of virgin metal reached 28,800 tons in April, or only slightly less than the March figure and appreciably above the monthly average for 1946, which totalled 27,200 tons. The current year's consumption will apparently be about 300,000 to 350,000 tons; for the first four months it has already reached 104,200 tons, in spite of the effects of the fuel crisis last February. The copper content of copper and alloy scrap totalled 16,100 tons last month, which also shows a reduction on the previous month's figure of 16,900 tons, but it is still well above last year's average of 14,000 tons. There was no significant change among the main users except perhaps an increase in the consumption of copper sulphate to meet the seasonal demand from agriculture.

Shipments of refined copper from brass mills, wire mills and other copper and brass producers in the United States totalled 121,400 tons in April, which was 3,400 tons above the March figure. A warning signal, however, was shown by the fairly significant drop in the new business booked by these copper mills; this amounted to only 83,300 tons in April compared with 131,600 tons last month, and is, incidentally, the smallest figure since February, 1946, when the total was as low as 63,300 tons. This prospective decline in copper consumption is stated to be due to a growing resistance by copper users to the current high prices. The domestic price is still 21 cents a lb., while imported ore has now fallen below its previous level of 24 cents.

There have been reports that the Ministry of Supply is making enquiries for a substantial amount of copper (certain quarters have mentioned the figure of 60,000 tons) from Latin America. Even if Northern Rhodesia's output, which has been fairly well maintained this year, reaches its 1942 record level of over 250,000 tons, there would still be a gap of some 75,000 tons to be covered. There are indications that the world copper price may fall from its present high level, but if these reports of British action are well-founded, it will certainly bring support to the market. A report from Chile states that copper costs are now approaching the 10 cents a lb. level (equivalent to about £55½ a ton); in one instance this figure has been exceeded. In these circumstances, if costs remain fairly rigid, a fall in the copper price will probably have a significant reaction on world output.

Shorter Note

Stocks of tin held by the Ministry of Supply at the end of April amounted to 7,000 tons, with a further 3,300 tons reported as held by consumers. The respective figures for the end of March were 9,200 tons and 3,900 tons. Deliveries to consumers during the month totalled 2,100 tons, and 300 tons were exported. Stocks of tin ore (tin content) at the end of April were 5,900 tons, compared with 6,000 tons at end-March.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Also a capital bonus of 2½ per cent. free of income tax; yield worked on 15 per cent. basis. † Free of tax.

PHOENIX ASSURANCE COMPANY, LIMITED

FINANCIAL STRENGTH MAINTAINED

MR R. Y. SKETCH ON THE YEAR'S PROGRESS

The Ordinary General Meeting of the Phoenix Assurance Company, Limited, was held on the 4th instant, at Phoenix House, King William Street, London, E.C.

The following is a summary of the statement by Mr R. Y. Sketch, F.C.I.I., the chairman, which was circulated with the report and accounts.

Our business throughout 1946 has been marked by exceptional increases in premium income, accompanied in most accounts by heavy outgo for claims. The premium increases have been so pronounced that by the time we have set aside reserves on our usual scale for future liabilities there is but little immediate benefit shown for the company. We can be confident, however, that as the development of our premium income regains normality, the beneficial effects of our procedure will become apparent.

FIRE ACCOUNT

In the fire account the outstanding point is an increase in premiums from £4,238,000 to £5,283,000. Claims rose in total by over £360,000, which, on the larger income, represented a loss ratio lower by 3.3 per cent. This relief, however, is more than offset by the effect of the increase in the reserve for unexpired risks over that of the previous year amounting to 4.1 per cent. The transfer to profit and loss of £86,000 represents only 1.6 per cent.

So far as our home business is concerned the underwriting results were good.

In the United States, as was the common experience, we showed a very rapid rise both in premium income and losses due to the increase in prices and labour costs. Our operations in that country in 1946 resulted in an underwriting loss, but we believe that when conditions become more normal, satisfactory profits will again be produced.

ACCIDENT DEPARTMENT

In the accident department premiums rose by no less than £1,600,000. Various reasons, such as the increased cost of motor claims and adverse experiences in burglary and other departments, account for the increase in the amount of claims paid. These have led to a rise in the loss ratio of just over 3 per cent. in spite of the enlarged income. The effect of the increase in premiums is that the reserve for unexpired risks is nearly 5½ per cent. higher than for the previous year, the result being that in this department we suffer a loss of just under 4 per cent.

For some years now we have had very pleasing results from our accident business. Our belief is that this setback is but temporary, and that we can look forward in due time to returning to a more satisfactory showing.

You will perhaps remember that last year I anticipated that our accident business would be running into difficult times, and my present opinion is that 1947 is unlikely to be a beneficial year in this department.

EXPENSES

From time to time I have come across criticisms of what are termed the excessive

expenses of conducting fire and accident business. Such criticism is neither well-founded nor well-informed. The major portion of all expenses consists of salaries, and this is true even of the item shown in the accounts as commission. Taking our fire and accident accounts together, the percentage of commission is 21.97. This relates to business obtained all over the world. Most of it is paid to representatives who shoulder the expense of their own offices, and, therefore, out of that commission have to meet the cost of salaries, rents, rates, and other overhead expenses. The rates of commission fixed by agreement between the company and the agent are governed largely by local conditions, and no company can obtain useful representation at rates of commission below those normally paid in the area in which it is competing. It would not be unreasonable to say that the greater part of the commission cost has to be utilized by the agent for the payment of salaries.

The item of Dominion and foreign taxes, which represents a percentage of 2.72, is obviously something beyond the company's control.

General expenses, which include everything except commission and taxes, constitute a percentage of 16.28, and of this, salaries account for by far the largest proportion. I have no hesitation in saying that the only way in which the cost of conducting the business could be materially lowered would be by drastic reduction of salaries, and anyone with knowledge of staff affairs and the universal increasing cost of living must realize that this is neither practicable nor desirable taking into account the need of a highly trained technical staff.

In considering the question of the relative expenditure of insurance and other businesses I would suggest that the need for insurance protection constitutes our raw material and that the supply and conduct of that protection in all its various forms is the finished product. Furthermore, I contend that the cost of supplying that finished product would bear favourable comparison with the cost of any other industrial or commercial processes.

It is often overlooked that no other business has to set out in its accounts the various items of its expenditure in detail similar to that required in insurance accounts, and it is only the fact of such detailed disclosure which leads to the incorrect assumptions to which I have referred. If in our accounts it were only necessary to show turnover together with the details usually set out in presenting accounts of other forms of business, comment would be directed more to the benefits which accrue to the public and the narrow margin of profit which is obtained by the companies from insurance premiums and losses, than to the cost of conducting our varied and intricate transactions.

PRONOUNCED DEMAND FOR LIFE ASSURANCE

The demand for life assurance has become very pronounced during the last 18 months. The increase in our home new business has carried that figure to above the pre-war level, and the premium income in 1946 increased by £110,000. This, of course, led to a higher commission outgo and an increase in general expenses mainly due to higher salary charges. The interest income has gone up by £55,000. The net rate of interest has been increased from £2 15s. 8d. per cent. to £2 18s. 10d. per cent.

The funds at the end of the year show an increase of £875,000. The mortality experience was light, which is somewhat surprising, as, following the wear and tear of the war years, the opposite might have been anticipated.

MARINE ACCOUNT

This particular account differs from our other revenue accounts inasmuch as it shows a small drop in income.

Out of the funds held on account of previous years, during which we were handling considerably larger marine premiums than are now current, we have been able to transfer to profit and loss account an amount of £575,000, which constitutes a new record for the company.

The funds held for the preceding year, i.e., 1945, show a very satisfactory margin, but do not hold out the promise of so large a transfer to profit and loss account next year.

The total marine funds at the end of the year stand at £2,660,000, being 190 per cent. of the premium revenue for the year.

There are several matters affecting the marine account that are of interest. Once again there has been a serious fire on one of our great liners whilst undergoing reconstruction. Such casualties naturally affect our business, but it is of paramount importance to the nation as a whole that we should not be deprived of these ships that are so valuable to us, not only in their capacity to carry our passengers and goods but in providing a considerable proportion of our invisible exports. In these circumstances more effective precautions should be taken against the risk of fire and, what is more important, the risk of its spreading so rapidly.

Turning to the cargo side of our business, one of the greatest sources of loss at the moment is theft and pilferage. This is something which needs taking seriously by ship-owners, merchants, and all others concerned.

PROFIT AND LOSS ACCOUNT

The interest, dividends, and rents, less income-tax at £363,000, are higher by £10,000 than the corresponding 1945 figure. On account of the adverse experience in accident business the profits transferred from the revenue accounts total £437,000, as against £752,000 the previous year.

During the war years we made special reservations for contingencies in respect of transactions in enemy occupied territories. The amount originally set up was £250,000, and a substantial part of this reserve is in hand. We are not in a position to reach finality, but we can say that much of this reserve will not be required. This year we can safely release £75,000, which is the figure shown in this account.

The directors' recommendation of a dividend at the rate of 13s. has already been made known, and from the figures in the profit and loss account you will see that our interest income and contributions from the life account fully justify this proposal. It has long been recognized as a sound principle that insurance dividends should depend more upon interest earnings than upon underwriting results, and through favourable underwriting years we have adhered to this principle. Now that the interest income, together with contributions from life account, justify an increase in the dividend, it is only reasonable that the shareholders should benefit, even though the underwriting results are somewhat meagre.

The last few years have been profitable underwriting ones, but unfortunately owing to the heavy taxation we have not benefited as we otherwise should. From 1940 to 1945 inclusive, our total profits and interest amounted in round figures, to £6,350,000. British taxation alone called for no less than 65 per cent. of this, namely, £4,160,000. Out of the balance of £2,190,000, dividends to shareholders took 30 per cent., or £1,884,000,

and reserves were strengthened by £306,000, or 5 per cent. of the total.

After we have made the necessary provisions for expenses and pension reserve, the profit and loss balance carried forward at £1,588,000 is slightly below the figure at the end of last year. This balance has been built up during a number of years from undistributed profits, and should be regarded not only as additional protection for our policyholders, who are otherwise amply provided for, but also as a dividend equalization fund.

BALANCE SHEET

Our largest class of investment is shown under the heading of British Government Securities, now totalling approximately £15,500,000, the life funds having substantially increased their holdings during last year.

Should the threatened nationalisation of transport and electricity undertakings be carried through on the bases that have so far been outlined, this would increase our total holdings in Government Securities to the extent of approximately £2,600,000 in the life funds and £423,000 in the general funds. This exchange of holdings in railroad and electricity undertakings for Government Securities would apparently be accompanied by a heavy reduction in our interest earnings. The fall in the life interest would be in the neighbourhood of £33,000, and in the general fund of £5,000; reductions which are deeply deplored, and for which we can find no justification.

For several years past I have informed you that the balance-sheet value of our Stock Exchange securities is substantially below the middle market price, and this position has been well maintained during the past year. The total appreciation in the life fund is now over £3,000,000, and in the general fund over £2,000,000. This is a natural corollary of the influence of the low interest rates, and should there be any alteration in the trend of the latter it would automatically create a drain on this appreciation, but the benefits that would accrue to our policyholders and shareholders by an improvement in the rate of interest should more than offset the consequent depreciation.

An increase of some £278,000 in the cash in hand and on current account will be noted. This and more will be required for dealing with our outstanding debentures. For some time we have had under consideration the reduction of our debenture liability. Now the requisite notice has been given and our liability for £877,517 4 per Cent. Debentures will be extinguished on June 14.

Our accounts show that the balance-sheet value of our assets is now over £50,000,000, an increase during the last 10 years of more than £14,000,000. From what I have already set out you will realize that the present day value of these assets is considerably higher than the figure now mentioned, but in any case the passing of the £50,000,000 mark is an occasion of special importance and once again emphasizes to all concerned the great financial strength of our institution.

I am hopeful that consideration of the accounts for last year will bring you to the conclusion that in difficult times we have succeeded in maintaining the financial strength both disclosed and inherent of this old company which, for 165 years, has extended protection and carried out a valuable function in the world's business affairs to the benefit of all associated with it, either as policyholders or shareholders. This, however, could only have been achieved with the aid of first-class work by the executive and staff and the loyal co-operation of our representatives throughout the world, and to all of these we wish to extend an expression of our gratitude for their valued assistance.

The report was adopted.

VICKERS, LIMITED

EXPANSION OF COMMERCIAL ACTIVITIES

The eightieth annual general meeting of Vickers Limited was held on May 30th, in London.

Sir Archibald Jamieson, the Chairman, in the course of his speech, said: Our main problem in 1946 has continued to be the replacement of our armament work by commercial productions, and if we remember that our own specialised commercial products were few in number we have achieved greater success than might have been anticipated. It is an indication of the extent of this conversion that whereas the works were wholly employed on armament work at the end of the war, analysis of productive wages reveals that for the last month of 1946 the expenditure on commercial work was about 80 per cent. of the total. I must, however, make it plain to our Stockholders once more that in addition to expanding our commercial activities it is our policy to maintain our specialised capacity for the wide range of armaments for which this Company has built up a world-wide reputation, and also to retain the highly qualified staff of specialists necessary for the design of such products. Stockholders will realise that this policy involves them in unremunerative expenditure in maintaining this capacity as a reserve for possible future national demands.

DIFFICULTIES OF TRANSITION

In our efforts to carry through the change-over to commercial work, we have had disappointments and difficulties. Firstly, there was an inadequacy in numbers of certain types of labour. Secondly, we are suffering from an acute shortage of many materials and only recently our steel allocations for shipbuilding and other purposes have been reduced seriously. Thirdly, we have had rising costs, which shake the confidence of our customers and contribute to the feeling of insecurity both at home and in the export markets of the world. Fourthly, there has been unavoidable delay in carrying out our programme of modernisation and re-equipment.

The Shipyards at Barrow and Newcastle, besides being modernised in every possible way, are being modified and re-equipped to allow of the introduction of welding and prefabrication on a large scale, with the appropriate modifications to cranes, etc., to enable large prefabricated sections to be handled in the shops and on the berths. Our Yards at both Barrow and Newcastle are very heavily booked.

In our Engineering Works we have been involved in a considerable amount of rebuilding and restoration, and the rearrangement of plant to deal effectively with the large volume of commercial orders which have been secured.

AIRCRAFT PRODUCTION

The sale and production of the "Viking" proceeded satisfactorily during the year under review. In 1946 we were honoured by an order for four special "Viking" Aircraft to form part of the King's Flight and to accompany His Majesty on his South African Tour. Our technical staff are well advanced with the design of the Civil Transport Aircraft, which should ultimately replace the "Viking," and it is hoped that the prototype will be flown in the early part of 1948. During the summer of 1946, Supermarine flew their first prototype single jet aircraft.

Last year I informed you that the Company was negotiating with the Government for the purchase of an Aircraft Works at South Marston, where it was intended ultimately to concentrate Supermarine activities. Since that date, however, factors have arisen which have compelled your Board to reconsider and revise that intention. The extent of the probable order book makes

the capital outlay which would be involved in the purchase of South Marston and the provision of essential additions, unjustifiable. Negotiations are therefore proceeding for some alternative method to that of outright purchase.

The production of A.I.R.O.H. Houses at Chester and Blackpool Works, which have been rented by us from the Government for this purpose, has continued steadily, and the rate of production is steadily rising.

INTRODUCTION OF THE 5-DAY WEEK

The end of 1946 saw the introduction of the five-day week of 44 hours into our engineering establishments in common with the other engineering firms of the country. This was followed at a later date by the introduction of similar hours into our shipyards. Time alone will show whether the assurances that have been given by the Trades Unions concerned that production will not suffer are going to be fulfilled or not. No planning or political or administrative action can be effective unless total productivity can be increased.

FINANCIAL POLICY

The Profit and Loss Account was drawn up on lines which I may describe colloquially as conservative. It was prepared at a time when the country was emerging from an acute stage of the "fuel crisis" and consequently at a time when we could make a close estimate of the actual cost to Vickers-Armstrongs of the stoppage of work: this estimate was in the neighbourhood of £350,000 and that amount has been appropriated from a reserve not now required and specifically set aside for the purpose of meeting that cost. In addition, there are bound to be consequential delays in completing contracts. This is one of the reasons which prompted us to set aside the sum of £950,000 to cover possible losses on contracts in hand, and I am satisfied that this was a wise and necessary precaution.

The general ban on capitalisation of reserves has now been removed, but applications to adopt such a procedure are to be subject to the consent of the Capital Issues Committee if such an application was approved by the Capital Issues Committee a special stamp duty of 10 per cent. would become payable. The whole subject will be examined once more by the Directors, but so long as this unjust imposition continues it appears unlikely that they would be able to recommend the carrying out of an operation which in itself appears to be equitable as this would involve the payment of a large and unjustifiable impost.

PROGRESS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During 1946, the whole output of Palmers Hebburn Co., Limited, has been devoted to civil production. The Dry Dock has been fully occupied and is booked well ahead, as also are the ship-repairing facilities. The Constructional Steel Department continues to have a full order book. The closure of certain departments of the English Steel Corporation, Limited, foreshadowed last year has been effected and during the year the Company's production was, with the exception of a few armour plates to complete old contracts and some experimental work, wholly of a commercial nature. The change in type of work has entailed expenditure of large sums on new machine tools, including some of the largest lathes and borers ever made. Firth-Vickers Stainless Steels, Ltd., has a full order book for 1947. An extension scheme, costing more than £1,000,000 has been approved.

The work of Cooke, Troughton and Simms, Limited, is now almost entirely concentrated in the main factory, and the Works are fully occupied on the manufac-

ture of surveying instruments and microscopes with sufficient orders on hand for a long period. Following conversion of its resources from 90 per cent. armament production throughout the war period, manufacture of rolling stock was resumed by the Metropolitan-Cammell Carriage and Wagon Co., Limited, on an increasing scale during the past year. Ioco, Limited has achieved a reasonable increase in turnover, although it has proved difficult to secure adequate supplies of materials such as cloth, paper, drying oils, fillers and certain chemicals. In the Rubber Section of the business, natural rubber is now in use. Robert Bobby, Limited, have experienced an extremely active demand both at home and abroad for their particular products. The activity of the Malting Industry has been very pronounced and by research in this country and detailed investigation of both Continental and American methods, Bobby's are in a position to offer the most advanced and up-to-date installations. Bobby's have extended their interests in the Film Studio supply sphere.

EXPLORATION OF OVERSEAS MARKETS

Your Executive Directors have been active in visiting the Dominions. I myself have recently returned from a two months visit to Australia and New Zealand, and during this short time, thanks to the courtesy of the Broken Hill Proprietary Company, and my friends in New Zealand, I was able to see and understand many of their activities. Sir Robert Micklem has visited Canada, and Sir Ronald Weeks and Major Kilner have been to South Africa. The object of these visits is to renew old contacts and friendships which had to be neglected during those long years of war, and to investigate new developments and conditions in these great and progressive countries; and to ascertain whether as time goes on we can make some useful contributions to their further development.

I referred last year to the fact that we had bought a substantial interest in the capital of Powers Accounting Machines, Ltd., and we have every reason to be satisfied with this investment. During 1946 we acquired a shareholding in Associated Electrical Industries and Sir Ronald Weeks has joined the Board of that Company. The investment renews an old association which we believe will be of practical value to both parties. Reference has already been made to the purchase of Keenok Co., Ltd., and to the satisfactory progress made by British Clearing Machine Company, Ltd. A majority shareholding has been acquired in Cockatoo Docks and Engineering Co., Pty., Ltd. (Australia) it gives us an outpost in one of the most important Dominions to which our technical skill can be directed if required. Vickers-Armstrongs have recently acquired the whole share capital of G. J. Worssam and Son, Ltd., manufacturers of complete bottling equipments, crown corking machines and allied productions for the brewing and other industries. As our subsidiary, Robert Bobby, Ltd., specialises in the design and supply of maltings, including those for the brewing and distilling industries, we are now in a position to meet the plant requirements of those industries to a greater extent than heretofore.

If we are given adequate raw materials and reasonable supplies of our other requirements, we have at our disposal the necessary skill and craftsmanship in our Management and Workpeople, and the necessary cash to make a very solid contribution to the export markets and the essential requirements of the home market, but at the present time there is every indication that supplies will be inadequate for our requirements. However, the conservative policy that has been followed for many years has placed your Company in a position where the Stockholders can look forward to the 1947 Report with reasonable confidence.

The Report was adopted.

STEWARTS AND LLOYDS, LIMITED

STRONG POSITION: HEAVY DEMAND

The fifty-seventh ordinary general meeting of Stewarts and Lloyds, Limited, was held on the 29th ultimo in the Merchants' Hall, 30, George Square, Glasgow, Mr A. G. Stewart (the chairman), presiding.

The Chairman, in the course of his speech, said: Your directors, in reaching their decision with regard to the dividend, could not be unmindful of events which occurred subsequent to 31st December, 1946. Taking all factors into account, it is considered that it is in the best interests of the Deferred stockholders to maintain the rate of 12½ per cent. for the tenth consecutive year.

You will have seen that the accounts disclose a strong position. I think it timely, however, to emphasise again that the strength of our position is not derived from one or two years of satisfactory trading, but is due essentially to the financial policy which your company has followed right from its inception. Profits have been ploughed back into the business consistently, in order to provide adequate cover for obsolescence, and to ensure that at no time was there any financial hindrance to technical development and modernisation of plant.

TRADING IN 1946

Nineteen hundred and forty-six was a year of continuous heavy demand for all classes of tubes, pipes and fittings, both in the home and export markets, and the total tonnage of tubes now on order amounts to over 400,000 tons—a record in the history of the company. Notwithstanding the pressure of demand, it can be said that, broadly speaking, we have been able to meet the essential requirements of this country.

The export demand was greatly in excess of our ability to supply. Deliveries to export markets exceeded the 1938 tonnage by 24 per cent. The biggest single factor was the export of tubes for the oil industries, which amounted to 128,000 tons for this class of work alone, and we have orders in hand which will absorb our production capacity for those particular products up to the end of 1948. Other classes of tubes exported amounted to approximately 100,000 tons for the year. In the latter part of 1946 exports were restricted in conformity with the Government's policy for the iron and steel industry as a whole, in order to satisfy home demand and the reconversion of the consumer industries gathered momentum.

During 1947 further substantial reductions in exports have been ordered. The permitted export of tubes during the second quarter of 1947 is reduced by 40 per cent. as compared with the last quarter of 1946. Notwithstanding the volume of export demand and the fact that foreign competition since the war has been of negligible proportions, it has been our policy to maintain export prices in general at the home level except in the case of certain special categories of tubes supplied to non-Empire markets. This policy is designed to secure a continuing goodwill against the time when overseas competition has to be met, and there is evidence that it will stand us in good stead in the future.

Last year I referred in some detail to the company's interests in South Africa and Australia, and I am pleased to tell you that both these companies have made a remarkable turnover to peace-time production, and that their production for 1946 was most satisfactory, and contributed in no small measure to the speedy rehabilitation of these countries.

COAL

The supplies of coal are, of course, causing great anxiety. In the early part of this year our production was affected to the extent of fully 25 per cent. The industry has now been allocated a quota of fuel on the basis of the tonnage consumed in the summer of 1946, but if we must also build up three weeks' stock for the winter months out of this tonnage, as appears to be the case, we shall not be able to regain our normal rate of output unless there is a considerable improvement in the coal position. We had expected to increase our rate of output during this year, but I must emphasise that coal is the determining factor.

Quite apart from the quantity of fuel, the question of quality is also involved. We consumed during the year the equivalent of approximately 3,000,000 tons in the form of coke or coal itself. The quality of the coke and the coking slacks which we are now receiving shows a continuing deterioration, with a consequent increase in actual consumption of these fuels, and increase in costs. Unless this can be rectified, or, at least, the deterioration arrested, the effect on the costs of steel production must be serious.

WORKS EXTENSION PLANS

Our policy of continuous modernisation and improvement is again getting into its stride after the hiatus of the war years, and to-day, apart from any schemes for expanding capacity, over £2,000,000 is in process of being spent on improving the efficiency of our existing capacity. In addition, good progress has been made on what may be described as our 1944 extension plan, which was reported to you at the annual general meeting in 1945. It has, however, become evident that still further extensions will be necessary if we are to meet the demand for our tubular products, particularly in the export markets. A further plan—which we call the 1946 plan—was, therefore, evolved to meet the new conditions. It was decided to include in this plan provision for the production of some 400,000 tons of billers as a contribution to the national shortage of semi-finished steel.

The major extensions are scheduled to take place at Corby and in Scotland, and the overall effect will be to double our pre-war tube capacity and more than double our pre-war steel capacity.

You will be aware that a notice was published in the press in March of this year giving a brief outline of our proposals. I had hoped to be able to give you further particulars at this meeting, but our negotiations are not yet sufficiently advanced to enable me to do so. I can say, however, that our proposals have been welcomed by the Iron and Steel Board and that the difficulties of immediate and practical development are largely due to the general shortages with which we are faced in this country to-day.

Basically, we plan to develop the Corby site to its full extent. Our examination of the post-war economics of steel manufacture has convinced us that at Corby we have one of the finest locations for iron and steel production in the country and that the full development of this valuable asset would be bound to increase the economic strength of our company.

A plan of this magnitude involving heavy capital expenditure is bound to take some years to complete, particularly under present conditions of national shortages. Consequently, although the ultimate cost will be great, the rate of expenditure will be spread over a number of years. In view of this, and having regard to our existing resources, it was our intention to finance the scheme by short-term borrowing, leaving the permanent financing to some later date, when part of the scheme would be in operation.

The report and accounts were adopted.

ATLAS ASSURANCE COMPANY, LIMITED

INCREASED BUSINESS IN ALL DEPARTMENTS

DIVIDEND RAISED

The annual general court of proprietors of the Atlas Assurance Company Limited was held, on the 30th ultimo at the Head Office, 92, Cheapside, London, E.C.

Mr G. F. Horblack (the chairman), who presided, in the course of his speech said:

FIRE ACCOUNT

In the fire department our premium income, at £2,914,102, exceeds that of the year 1945 by some £480,000, and, although most parts of the world in which we operate have made their contribution to this increase, it is the United States which is mainly responsible. Losses, by fire, were heavier than in the previous year by approximately £129,000, and this increase is to be associated entirely with our overseas business, the United States figuring somewhat prominently.

I am glad to say, however, that our losses in the United Kingdom were lower than in 1945, although it has to be remembered that, in that year, home fire losses reached an unusually high level—the highest, in fact, for about a quarter of a century.

Having regard to the upward surge in the volume of our United States business—well controlled and managed though it is—and to the heavier loss experience which, incidentally, has shown no sign of abating in the opening months of the present year, your directors have deemed it a matter of prudence to set up an additional reserve amounting to £50,000. After creating this special reserve and after providing for the addition to the customary 40 per cent. reserve necessitated by the growth in premium income, the underwriting profit emerging is £187,948, or 6.45 per cent., by comparison with £154,740, or 6.36 per cent., in 1945.

ACCIDENT ACCOUNT

Our accident department premium income amounted to £900,015, against £728,353 in 1945, an increase of roughly £172,000. As was to be expected, motor insurance business—both at home and overseas—has made the greatest single contribution to the increase in income, but it has also added, disproportionately, I am sorry to say, to our claims.

The underwriting profit, at £42,851, or 4.76 per cent., is less favourable than that of 1945, when it was £68,692, or 9.43 per cent., but, bearing in mind that here again the expansion in premium income has necessitated an addition to reserve, I do not think that we need be dissatisfied.

MARINE OPERATIONS

Our marine premium income in 1946 was £379,288 by comparison with £372,784 in 1945, and that, after charging claims and other outgoings, including United Kingdom taxation, the amount transferred to profit and loss account is £25,000.

CAPITAL REDEMPTION ACCOUNT

As regards our capital redemption business, it will be seen that, notwithstanding the payment of claims by maturity totalling £116,760, the capital redemption fund increased by nearly £430,000 during the year, due largely to the receipt of over £500,000 as consideration for annuities—certain issued under our capital protection annuity scheme.

LIFE DEPARTMENT

In the life department the year 1946 was a year of increased activity. New sums

assured, after deducting reassurances, amounted to £3,864,437, as compared with £2,291,346 in 1945. The total consideration for ordinary immediate annuities granted was £145,282, against £221,870 in 1945, but this reduction was due largely to the popularity of the company's capital protection annuity scheme which in many cases is more attractive than an ordinary immediate annuity. The premium income, excluding single premiums for deferred annuities, amounted to £1,271,034, as compared with £1,228,430 in 1945.

Claims by death amounted to £300,538 and were substantially below the amount expected. Claims by maturity, totalling £607,930 reflect the large endowment assurance business completed in past years. Payments on surrender, at £311,863, show a marked increase and this is substantially due to the effect of staff rearrangements relating to one very large staff pension scheme.

The life assurance and annuity fund increased by £394,663 during the year and amounted, at 31st December last, to £18,930,209. The net rate of interest earned on the fund during 1946 was £3 7s. 8d. per cent., against £3 6s. 7d. per cent. in 1945.

A valuation of the liabilities under life assurance and annuity contracts was made as at 31st December last on the same bases as those employed a year earlier. The total surplus, including £231,162 brought forward, was £500,387. Of this amount £292,341 was distributed to policyholders in the form of a reversionary bonus for the three years 1944 to 1946 at the rate of 21s. per cent. per annum calculated on the sum assured and existing bonuses; £23,061 was used to pay interim bonuses and to meet the cost of bonuses on reassurances received from other companies and £115,000 has been applied to the further strengthening of reserves. The sum of £37,818 was contributed by the life department to the shareholders' funds and a balance of £32,167 has been carried forward.

PROFIT AND LOSS ACCOUNT

I will now turn to the profit and loss account.

You will, I am sure, have noted that your directors have declared a dividend at the rate of 11s. 3d. per share, as against the 10s. 6d. per share which has prevailed since 1939.

To refer briefly to other items in the account, you will note that interest earnings amount to £113,125 and that on the credit and debit sides of the account, there are the items relating, respectively, to the transfers from pensions reserves and transfers to the pension funds to which I referred in some detail when I had the pleasure of addressing you last year.

After taking credit for our underwriting earnings, providing for taxation and including the carry-forward of £491,987 from 1945, the balance remaining amounts to £684,182. The dividend at 11s. 3d. per share, 4s. 6d. of which was paid in November last, absorbs the sum of £136,125, leaving us with a carry-forward of £548,057.

FURTHER DEVELOPMENT

When I had the pleasure of addressing you on an occasion similar to this in 1945 I told you, in commenting on our activities in the year which had gone before, that we had commenced working again in Belgium, France, Greece, and Holland. Since then, in re-establishing other operations interrupted by the war, we have gone further afield and have also, in certain directions abroad, broken fresh ground—ground which, in due time, should yield its harvest.

The report and accounts were adopted.

UNION INSURANCE SOCIETY OF CANTON, LIMITED

ALL ROUND EXPANSION

The annual meeting of Union Insurance Society of Canton, Limited, was held on the 20th May, in Sydney, Sir F. H. Tout, the chairman, presiding.

The following are extracts from the directors' report:—

The directors submit to shareholders the report, accounts and balance sheet of the society for the year 1946, including therein the transaction of its affiliated companies, the British Traders' Insurance Co., Limited, the China Fire Insurance Co., Limited, the North China Insurance Co., Limited, and the Yangtze Insurance Association, Limited.

DEPARTMENTAL FIGURES

Marine—The net premiums for the year amounted to £1,448,688. After providing £100,000 for taxation and transferring £200,000 to profit and loss account, the marine fund stands at £1,730,186.

Fire—The net premiums for the year amounted to £1,223,761. £69,478 has been transferred to profit and loss account. The fire fund stands at £607,504.

Accident and General—The net premiums for the year amounted to £354,885. £15,456 has been transferred to profit and loss account. The accident and general fund stands at £198,454.

Dividends—The directors recommend the distribution of dividends totalling £1 7s. 6d. per share out of the society's income for the year ended December 31, 1946.

The amount at credit of the profit and loss account at the beginning of the year was £257,850, to which have been added interest and dividends £169,642 (which includes £15,148 in respect of previous years) and transfers from underwriting accounts £284,934. After providing for the dividends, and charging taxation and other outgoings, there remains a balance of £301,939 to be carried forward.

Assets and Liabilities in Reoccupied Territories—In cases where it has been possible to establish values, assets recovered have been taken into account in the balance sheet as at December 31, 1946. Your directors are of opinion that outstanding liabilities in enemy territories, are fully covered by reserves already set up to meet them.

Reserves—Following the revaluation of the above-mentioned assets, transfers have been made from exchange and investment fluctuation account of £190,000 to general reserve and of £300,000 to reinsurance fund.

RANCHES REOPENED

The following are extracts from the Chairman's Circulated Statement—Branch offices of the society, which have been reopened at Hong Kong, Singapore, and Manila, are now in full operation and making a valuable contribution to our business. Old connections have been re-established and many new ones made. In China, where branch offices have also been reopened, operations are being conducted, but under great difficulty, owing to the generally chaotic conditions which prevail. Your directors have decided that the head and registered offices shall be re-transferred to Hong Kong as soon as possible following the ordinary yearly meeting.

The revenue accounts indicate an expansion of business in all departments, with satisfactory trading results. The consolidated balance sheet shows the result of the re-inclusion of assets recovered in reoccupied territories, for which it has been possible to establish values. Advantage has been taken of the position thus disclosed to strengthen the general reserve and reinsurance accounts. The consolidated assets now approximate £8,000,000 sterling.

The report was adopted.

CROSSES AND HEATONS, LIMITED, BOLTON

SATISFACTORY RESULTS—INCREASED PROFITS

MR JOSEPH R. HEATON'S REVIEW

The twenty-seventh annual ordinary general meeting of Crosses and Heatons, Limited, Bolton, was held at the Albert Hall, Manchester, on the 29th ultimo.

Mr. Joseph R. Heaton, the chairman and managing director, in the course of his address, said:—

YEAR'S PROFIT

It gives me much satisfaction that despite all the difficulties those of us who are engaged in industry are experiencing, I am able to report a profit for the year, before making provision for depreciation of £220,121, as against £120,106 for last year. To this sum is added £72,372 which represents the profit on taking over the assets less liabilities of our two branches, Heskeths and Widdows, making a total of £292,493. The interim dividends paid on December 1st last of 6 per cent. per annum, less income tax on the redeemable cumulative preference stock and 5 per cent (actual) less income tax on the ordinary stock together absorbed £47,241. After allocating £55,000 to depreciation, £100,000 to general reserve, £75,000 to plant and machinery renewals and conversion reserve and bringing in the carry forward from last account of £183,987, there is an available balance of £199,239. From this balance your directors recommend for your approval the payment of a half-year's dividend to March 28th last of 6 per cent. per annum less income tax on the 6 per cent. redeemable cumulative preference stock absorbing £22,290 and a final dividend at the rate of 5 per cent., making 10 per cent. for the year, plus a bonus of 5 per cent. both less income tax on the ordinary stock absorbing £50,538 and appropriating in accordance with the Articles of Association of the company, the sum of £16,732 for redemption of preference stock. The balance to be carried forward to next year's accounts will be £109,679 against £183,987 brought in.

BALANCE SHEET ITEMS

Turning to the balance sheet, the book value of our fixed assets has increased by £175,643. Apart from additions (less sales) of £64,496 this is accounted for by the complete absorption of our subsidiaries T. M. Hesketh and Sons and W. and C. Widdows as branches of the company. Depreciation has been increased to £55,000 as against £45,000 for last year. In addition thereto the fixed assets have been included in the accounts of this Company at book values, against which the liquidator set aside £6,666 for depreciation in November last. The total depreciation is in effect, therefore, £61,666 and the Hesketh and Widdows plant, buildings and machinery have been taken in by us at the very conservative valuation of 14s. 4d. per male equivalent spindle.

The book value of investments at £46,026 as against £200,826 is due to the liquidation of the aforementioned subsidiaries, and by the acquisition of the Whitworth Doubling Company, Limited, Rochdale, with whom as announced in the Press, negotiations were successfully concluded on December 28th last. The consideration was the exchange of £21,000 of our ordinary stock for the whole of the Whitworth share capital. Whilst we have experienced much difficulty in obtaining a coal allocation, I am pleased to say that a portion of the mill is now in production, and we are looking forward to its fulfilling within a short period of time, the service that was intended by its absorption.

Stock-in-trade, debtors and Cash under the heading of current assets total £1,167,720 and shows an increase of £190,798 compared with last year. The value of stocks has increased by £260,391, which is principally due to the inclusion of the stocks of the subsidiaries

that I have previously referred to, and substantial increases in the price of raw cotton.

PLANT AND MACHINERY RENEWALS AND CONVERSION RESERVE

In turning to the liabilities side of the balance sheet, there only appears to be one item—apart from the newly created general reserve of £100,000—I need bring to your attention, and that is the fact that the deferred repairs reserve of £25,000 has been transferred to a plant and machinery renewals and conversion reserve, which we have increased to £100,000. Your directors considered that as the excess of £72,372 on the liquidation of Heskeths and Widdows was not a recurring profit, it was decided to plough this back into the business by increasing this reserve by £75,000.

Until the new Finance Act is published I am not in a position to say how the profits tax involving the additions for distributed dividends which comes into effect from January 1st last affects the company, but any liability is amply covered by the amount carried forward.

All our mills and plant have been fully maintained in efficient condition by the expenditure of £79,613 upon repairs and renewals as against £56,999, in addition to which £64,496 has been expended on capital account. In this connection I am sure that it will interest stockholders to know that since the incorporation of the company, aggregate sums amounting to £1,867,061 have been expended on our present mills by way of repairs, renewals and additions to plant and machinery. A point to note is that our fixed assets appear in the balance sheet at only £1,674,349. This figure bears no relation whatever to present day costs as is exemplified by the fact that for insurance purposes our buildings, plant, machinery and equipment are valued on a replacement basis at £12,500,000.

EFFECT OF COAL SHORTAGE

The improvement in production during the year is less than we anticipated owing to the coal shortage, and the reduction of the working week from 48 hours to 45 hours which has resulted in a reduced average output of approximately 6 per cent. The shortage of coal has been partially surmounted by the use of substitute fuel, but only at exorbitant prices. I estimate the excess cost for the year under review at upwards of £10,000 and loss of production caused by the enforced electricity cuts and fuel shortage at a further £10,000. The quality of coal has seriously deteriorated and the cost and wastage of manpower in dealing with substitute fuel is enormous, and adequate supplies are fraught with much uncertainty. In addition to the high price of fuel, costs of production have steadily increased by advances in wages, raw cotton, consumable stores, insurance premiums on enhanced replacement values, and other innumerable items. If we are to compete successfully abroad these costs can only be offset by higher productivity. In this connection, we are making comparisons in the detailed productions of our mills and we have given, and are prepared to give, every assistance to Board of Trade representatives in research or surveys, with regard to production per man hour, costings or other matters that are designed to further efficiency.

EXPORTS

As regards exports, the Government continues to prohibit our activities, but we are hopeful that some relaxation of control will be made in the very near future. Meanwhile, extensive arrangements have been formulated overseas through the liaison of our subsidiary, The Heaton Sales Company, Limited, and

immediately exports are possible, we are fully equipped to recommence our pre-war Continental trade. Of course, owing to the ravages of war all our former markets are not open to us, but we are tentatively off-setting these by negotiation in other directions.

In consequence of the closing of the Liverpool spot and futures market by the Government we have opened our own cotton buying office in Liverpool, and we are now purchasing direct from the Cotton Control all our various types and qualities of cotton.

PROBLEM OF LABOUR AND FUEL

The immediate future of your company would, in my opinion, be excellent, were it not for the shortage of labour and fuel. We are still very short of female operatives, particularly in our preparatory and ring spinning departments. However, having regard to all the innumerable problems and difficulties that confront us, I feel sure that you will consider the results very satisfactory indeed, and you may rest assured that we will continue to do our best to safeguard your interests.

As you are no doubt aware your directors' fees at present are £150 each per annum less tax. I feel sure that you will readily agree that these are inadequate having regard to the responsibility attached to the position, especially in a company so large as this. It is therefore, my intention later in this meeting to propose that the directors' fees be increased to £300 each per annum less tax. I am confident that you will approve this proposed increase as being more compatible with the importance of the office.

Once again, on behalf of your directors, I desire to express their appreciation of our managers, foremen and other officials and the vast majority of workpeople.

The report of the directors and statement of accounts for the year were adopted, and the retiring directors and the auditors were re-elected.

EQUITABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The one hundred and eighty-fifth annual general meeting of the Equitable Life Assurance Society was held in London on the 28th ultimo.

Mr. Desmond Abel Smith, the President, said that the Society's funds now stood at over £17,000,000, having increased by over £5,000,000 in the past ten years. In the same period the premium revenue had increased from £750,000 to £1,350,000. Now that the support to Government loans was not so pressing as it had been during the war, over £2,000,000 derived from the realisation of British Government securities and the increase in the funds in 1946 had been invested mainly in prior charges of industrial and commercial companies.

The new business of £3,900,000 was a record exceeding by £670,000 that of 1942 when the previous highest total was reached. The figures for both years were substantially affected by new business from a large pension and insurance scheme. It seemed reasonable to expect that for some time pre-war totals would be exceeded. There was today a real appreciation of the value of life assurance. Their whole life and endowment assurance rates of premium in the major profits class were practically identical with those charged before the war, though it might be that the time is coming when they would have to make some increases in the rates.

In 1946 the average sum paid per £1,000 assured in respect of claims under whole life major profits policies was £2,210. Each year for over 150 years more than £2,000 had been paid on the average in respect of each £1,000 of original assurance.

The report was adopted.

THE DAILY MIRROR NEWSPAPERS LIMITED

NOTABLE SALES PROGRESS

Mr. H. GUY BARTHOLOMEW'S STATEMENT

The twenty-seventh annual general meeting of The Daily Mirror Newspapers, Limited, will be held at the Memorial Hall, Farringdon-street, London, E.C., on the 11th instant.

The following is the statement by the chairman, Mr. H. Guy Bartholomew, which has been circulated with the report and accounts.

It is a pleasure to present a report and accounts showing that the affairs of your company have again prospered. We have had the benefit of the reduction in the rate of Excess Profits Tax, which for the ten months of our financial year to 31st December, 1946, was 60 per cent. I need hardly remind you that E.P.T. has, during the long period of its operation, been very burdensome to your company. In December last an interim dividend of 10 per cent. was paid, and a final payment of 20 per cent. is now recommended, making 30 per cent. for the year, against a total of 15 per cent. the previous year. Very careful consideration was given to the question of recommending payment of the increased dividend. During the war years the company became liable to pay large sums by way of Excess Profits Tax. In consequence the Ordinary stockholders suffered, as it was inevitable that dividends then should be very modest, but there is no reason now why they should not receive an appropriate distribution.

SALES FIGURES

It has been a notable year. Since September last newspapers have been allowed to print sufficient copies to fully meet the needs of their readers. In past statements I have expressed the thought that there was a large unfulfilled demand for the Daily Mirror. During the period of unrestricted sales we have added to our previous figures well over a million copies, and I have pleasure in telling you that at this time the daily average net sale of the Daily Mirror is more than 3,600,000 copies.

I do not wish you to run away with the idea that this result has just happened. Much hard work has been done, and we are indebted to a first-class band of journalists, artists and photographers engaged on the editorial side of our business and to the many capable people in the various departments needed to produce a modern newspaper, for the achievement. The job does not end with production. The papers have to be distributed. The department responsible for this is under very capable direction.

Then, in turn, the thousands of wholesale and retail agents and shopkeepers throughout the country do their part in seeing that our millions of readers are supplied with the Daily Mirror each weekday with unfailing regularity.

Recalling the exceptionally adverse weather conditions prevailing for a long period in the early part of this year, it will be appreciated that a magnificent job was accomplished by everyone concerned at that time with the transport and distribution of the Daily Mirror.

At the end of March we made a modest, and perhaps I may say an overdue, increase in our advertisement rates. We continue to enjoy remarkable support from advertisers, and have every reason to believe they are highly satisfied with the results from their

expenditure. Future space bookings for advertisements in the Daily Mirror are extremely gratifying.

In these times, in spite of their limited number of pages, national daily newspapers sold at a penny give wonderful value for the money.

BALANCE SHEET ITEMS

Our balance-sheet this year shows a considerable number of changes. I would like to recall that at the end of February we disposed of our holdings of shares in Associated Newspapers, Ltd., and The Daily Mail and General Trust, Ltd. These investments were made many years ago, and, for reasons which were thought to be politic, opportunity was taken of disposing of them. Negotiations with this end in view were carried on in friendly fashion over a considerable period. As a result we became possessed of a sum of money which has enabled us to clear the balance of the bank loan arranged when we planned to pay off the outstanding Five per cent. debenture stock, which in our last balance-sheet stood at £1,788,664.

It will be noticed that we have a considerable sum in the bank, and our holding of Tax Reserve Certificates stands at £500,000.

By the operation I have just mentioned although we may suffer some reduction of investment income, we are relieved from the burden of debenture or other interest.

The net surplus which arose from investments sold during the year has been deducted from the value of the unquoted shares in subsidiary companies, which now stand in the balance-sheet at £2,001,972. It is perhaps worth while to call your attention to the quoted investments, which at 28th February, 1947, stood in our books at £618,697 and had on that day a market value of £2,552,561.

Notwithstanding the sales to which reference has been made, we still retain very large investments, notably in Sunday Pictorial Newspapers (1920), Ltd., which is a very profitable and valuable holding. You will notice on the balance-sheet a new reserve, excess profits tax post-war refund £238,636, arising from the repayment made to us for the period from April, 1940, to February 1945.

PROPOSED NEW BUILDING

With the money we have purchased a very prominent freehold site in Holborn near our present printing offices, where we hope to erect a building in every way suitable for the future needs of our growing business. It is intended to equip this building with machinery of the latest design so that work of the highest class can be turned out. This programme of development and expansion will call for a very large expenditure over a number of years.

We are advised by our accountants that a refund of a further sum of around £45,000 will be due to us in respect of the 100 per cent. excess profits tax period March-December, 1945.

I am convinced you will approve the allocation of £20,000 made as a provision for pensions. As I make it my duty to say farewell to them when they leave I know from experience how comforting it is for our people who have many years of faithful service behind them, to be able to look forward to retirement with the knowledge that a provision towards their financial needs has been made.

You will be interested to know that at this time pensions are being paid to eighty-five of our people who have retired from service with the company.

BOARD CHANGES

Consequent upon the changes mentioned earlier in my statement Mr. W. A. McWhirter and Mr. A. S. Fuller resigned from the Board.

Both these gentlemen served on the Board of your company for many years, and in your name I thank them for their loyal service. On the other hand, Mr. James Cooke has been appointed a director. We have had association with him for a long time and with the knowledge that his business experience will be of much value to the company, very heartily commend him to you when we deal with the formal business of the meeting for confirmation of his appointment.

SUNDAY PICTORIAL NEWSPAPERS (1920) LIMITED

INCREASED DIVIDEND

Mr. H. GUY BARTHOLOMEW'S STATEMENT

The twenty-seventh annual general meeting of Sunday Pictorial Newspapers (1920), Ltd., will be held at the Memorial Hall, Farringdon-street, London, E.C., on 11th instant, 1947.

The following is the statement by the Chairman, Mr. H. GUY BARTHOLOMEW, which has been circulated with the report and accounts: Our accounts again show an improved position. The financial year which ended on the 28th February, yielded a net profit of £218,174 against £158,916 the year before.

Dividends received (which form an important item in our income) and trading profit were both better than the previous year.

Last December an interim dividend of 10 per cent. was paid, and the final dividend of 20 per cent. now proposed, making a total distribution on the ordinary capital of 30 per cent., is 7½ per cent. more than a year ago.

Your directors gave very careful consideration to the question of recommending payment of the increased dividend and came to the conclusion it would be fully justified. The carry-forward, which is undistributed profit, after allowing for the amount of the increased dividend will stand at £171,707, against £148,783 the previous year.

The amount of £49,744 received by way of excess profits tax post-war refund for the period April, 1940, to February, 1945 is shown in our accounts as a reserve with a corresponding entry on the assets side of the balance sheet showing that the whole amount has been invested in 1964-67 Savings Bonds. There will from the same source be a final sum of around £15,000 due to us in respect of the ten months to December, 1945, when the 100 per cent. excess profits tax impost ceased.

SALES ACHIEVEMENT

When I made my last statement to you the sale of the Sunday Pictorial was 2,600,000 copies each week. Since then we have been in receipt of sufficient paper to allow us to print all the copies needed to meet the orders of our customers, and it is a pleasure to record that the net sale is now over 3,800,000 copies every Sunday, an increase in a year approaching 50 per cent. This is a very fine achievement, and every praise can be given to the whole of our staff for such an excellent result.

The very large increase in our weekly sale fully justified the moderate adjustment in our advertisement rates which took effect on the last Sunday in March. The Sunday Pictorial is one of the cheapest advertising mediums and very popular with the many firms of national repute who regard it with great favour and use its columns regularly for their announcements. Our future advertisement bookings are extremely satisfactory. Each week we are unable to find

space to accommodate a great number of advertisements for which we have orders, in spite of the fact that each advertisement we insert in the paper is strictly limited as to size. The early outlook for sufficient newsprint being available to print larger newspapers is not promising.

CHANGES IN HOLDINGS

As notified in the press at the end of February, when the transaction took place, we disposed of our shares in Associated Newspapers, Limited, and the Daily Mail and General Trust, Limited. At the same time we acquired a large holding of stock in the Daily Mirror Newspapers, Limited, to add to the interest in that company which we already held. These changes, we have no doubt, will be of considerable benefit to your company.

The net surplus arising from the shares sold during the year has been deducted from the value of the unquoted investments which now stand in the balance-sheet at £489,718. Our quoted investments standing at £1,995,906 had, on 28th February, a market value of £2,694,833.

You will I am sure approve the appropriation of £10,000 shown in our profit and loss account as a provision for pensions. We are not unmindful of the duty to provide towards the financial needs of our employees of long service when they reach the age of retirement.

Another item on the profit and loss account calling for notice is the sum of £25,000 provided for future taxation. The provision for this purpose amounts now to £125,000.

We have started our new financial year quite well and, although the uncertainty of the times through which we are passing produces many problems, you may rely on your directors and staff to face up to difficulties and do their utmost to overcome them.

LONDON ELECTRIC WIRE COMPANY AND SMITHS, LIMITED

RECORD ORDER BOOK

The thirty-eighth annual general meeting of The London Electric Wire Company and Smiths, Limited, was held on the 21st ultimo in London.

Mr W. J. Terry (Chairman and Managing Director), in the course of his speech, said: The profit for the year of £158,752 is £70,692 more than in the previous year, due to a marked improvement in output and return from investments.

Home sales were increased in value and volume during 1946 over the previous year, but the output was far below the demands and could have been greatly increased by the relaxation of controls and adequate supplies of material and labour. Our Order Book is the largest on record and although there may be a certain amount of over-ordering there is still a firm undertone. There was an increase in our export sales during 1946.

The question which looms so large in current events is "Nationalisation." Now that the mines are State-owned it is entirely the responsibility of the Government to ensure the production of ample supplies of coal at reasonable prices. Notwithstanding that the many problems of the management of coal mines have yet to be solved, the Government is persisting in the nationalisation of other industries—for example, electricity supply, transport and many others to come. Surely it would have been wise first of all to prove the policy of nationalisation by making a success of the coal industry, which affects the whole population, before embarking upon further adventures. It is the opinion of your board that Private Enterprise is still the best policy for this country.

The report was unanimously adopted.

JOHN SUMMERS AND SONS, LIMITED

RECORD DELIVERIES OF STEEL

MR R. F. SUMMERS ON THE OUTLOOK

The annual general meeting of John Summers and Sons, Limited, was held on the 30th ultimo in London.

Mr Richard F. Summers, the chairman, in the course of his speech said: I think you will agree that the net profit of £580,551 shows a satisfactory increase over the previous year. It is very satisfactory to know that the increased results for 1946 are due to improved production figures, and a general increase in efficiency all round. The new cold reversing mill mentioned in the directors' report was only in operation for the last quarter of the year, but sufficiently long to indicate that it will be a valuable and remunerative addition to our plant.

The production of steel ingots at Shotton was increased by some 63,000 tons over the previous year, and was the highest figure reached since we changed over to making the special quality steels which the continuous rolling process demands. I am also glad to be able to tell you that records were broken in all the rolling mills, and that the delivery figures for sheets and light plates from the Shotton works was the highest ever recorded. That these eminently satisfactory results were achieved in spite of the number of difficulties which existed, reflects very great credit on the combined efforts of the management, staff and workpeople.

A good deal has been said in recent times about the need for increasing production and exports, both vitally important if the standard of living in this country is to be maintained, let alone improved, and from what I have just said I am sure you will agree that this company has not been backward in this direction. I am confident that if the steel trade were to receive the necessary supplies of coal and other vital raw materials it would set a fine example in increasing production and efficiency, and make a valuable contribution to the exports of the country. Unfortunately, as things are at the moment we are only allowed an insignificant tonnage for the export market. So far as this company is concerned this figure only amounts to 2 per cent. of our present production, whereas before the war we were exporting approximately 30 per cent. of our output. We have many friends abroad, and look forward to the time when once again we shall be able to supply British steel for their requirements.

RELATIONSHIP BETWEEN CAPITAL MANAGEMENT AND LABOUR

There appears to be a tendency to-day to forget that industry really consists of a combined operation of the principal forces involved—namely, capital, management and labour—each of which plays a vital part in its own specific sphere. Your directors have always been conscious of the exacting demands which necessarily fall upon management at all levels, and they are equally conscious that these responsibilities have been steadily increasing with modern developments. Under the difficulties and complications which exist to-day the successful functions of management call for the highest qualities of ingenuity and tact in dealing with human nature, in addition to the accepted principles of technical and organising ability. You will, I feel sure, be glad to know that the relationship between the management and the operatives in our various works continues as

in the past to be on a very excellent basis. Not only do we try to ensure that our managers and foremen are in possession of the greatest amount of information as to our policy and the difficulties with which we are confronted, but we do all we can to extend this principle to the operatives themselves. We believe that this policy is essential if we are to obtain the best results, and it is certainly our intention to continue this practice and to develop it from time to time in any way which we think will add to the general efficiency of our various plants.

SALES

While, as I have just said, our deliveries reached a record figure, this does not, I am afraid, mean that we were able to fulfil all the demands that were put upon us. It is well known that the demand for steel of all types is greater than the supply, but I think I can say without fear of contradiction that the methods adopted by our sales organisation ensured that what we had available was fairly distributed, and that promises made for quantities and delivery dates were in very large measure adhered to. The result of this policy was that our customers knew where they stood, and we are satisfied that our methods have been appreciated, and have contributed in no small measure to the high reputation which this company and its products enjoy.

Another very satisfactory feature of last year's operations is that the increased production has been accompanied by a further improvement in the quality of our products. This is no mean achievement considering the uncertainty of the supplies of raw materials which we received.

FUEL CRISIS

I should now like to touch upon the crisis which arose in February, due to the inadequate stocks of coal at the power stations. Both the Shotton and Shelton steelworks came within the shut down area, but owing to the fact that both works have substantial electrical generating capacity of their own, we were able to some extent to minimise the full effect of this catastrophe. So far as Shelton is concerned, they generate all their electrical energy themselves, and they therefore felt practically no effect from the cuts, although they were hampered to some extent by the severe weather conditions.

At Shotton, owing to the very large consumption of electricity by the continuous mills, the power we generate is only sufficient for about one-half of our requirements, so it was not possible during the shut down for all the mills to work simultaneously; we also had to close down some of the steel melting furnaces on account of the shortage of fuel.

POSSIBLE EFFECTS

It is extremely disappointing after the results which were achieved last year that we should have been faced with this crisis, and with restricted fuel supplies since then. The industry as a whole is in very good shape, and was confidently looking forward to a record production for 1947. Unfortunately, the restrictions which have prevailed since February will make this impossible of achievement, but it is to be hoped that the recent announcement that we are to receive the same quantity of fuel as last summer, at the same time setting aside three weeks' stock for the winter, may bring some improvement in the position. We must not, however, overlook the fact that the Government do admit that they are taking a risk as far as next winter is concerned.

You may well be wondering what effect all this will have on our results. It is not easy to forecast this accurately, but I think you will be glad to know that in spite of the restrictions brought about by the power cuts and the shortage of fuel, the results so far for this year compare favourably with those for 1946.

The report was adopted.

MORRIS MOTORS, LIMITED

BIG CONTRIBUTION TO EXPORTS

SIR MILES THOMAS'S SPEECH

The twenty-first annual general meeting of Morris Motors, Limited, was held on the 30th ultimo at the works' clubhouse, Cowley, Oxford.

Sir Miles Thomas, D.F.C., vice-chairman, in moving the adoption of the report and accounts, said:—

I am making this statement on behalf of our chairman, Viscount Nuffield, G.B.E. He is on the high seas, returning from one of his regular visits to overseas and Empire markets. Those journeys are taken to promote the business of your company.

In 1946 the activities of your company took on the pattern of normal pre-war years. It is proposed now to reintroduce our former custom of presenting annually an informative outline of the activities of Morris Motors, Limited.

Perhaps I may be allowed to take your minds back to the ending of hostilities. In that period we had high hopes of picking up swiftly the threads of our pre-war manufacturing activities. Plans had been made for taking over large war-time factories that we had erected or operated during the war. The summer of 1945, however, developed a sombre background of industrial disturbances. Your directors, therefore, deemed it prudent not to embark on any extravagant expansions.

INCREASED DIVIDEND

The recommendation of an increased final dividend—bringing the total to 22 per cent., tax free—is fully justified by the level of manufacturing activities of the various companies. The bonus distribution of 2½ per cent., also tax free, is provided in that particular form, because, by so doing, we are not necessarily setting a precedent or making any implied commitments.

It has always been the policy of Morris Motors, Limited, to plough back into the business considerable sums for development and contingency purposes. The total reserves of the group to-day stand at over eight and two-thirds millions, and you will not fail to note that this year we have allocated further sums amounting to £750,000. These comprise £300,000 for reserves against contingencies: £100,000 against dividend equalisation, and £350,000 against tax on current earnings. We have continued to operate large factories in two development areas—South Wales and on the North-East Coast.

ABSORBING EX-SERVICEMEN

But the success of our trading during 1946 was largely due to the fact that we had no sizeable movements to make in the disposition of our various manufacturing activities. Our factories in Oxford, Coventry and Birmingham welcomed the returning ex-Servicemen and, so far as material supplies permitted, the rhythm of production was resumed smoothly.

We were not concerned to achieve very high output figures right from the beginning of our activities. Our major consideration was the re-establishment of the high quality of our products and a continuation of the enviable reputation that they enjoyed for reliability and high standard of workmanship. This, our Service records and the steady inflow of orders, even for long-dated delivery, show we have been successful in achieving.

WORKERS' WELFARE

Many of the currently much-advertised factory amenities in industry were pioneered in the Nuffield organisation. Among them are holidays with pay, the sharing of surplus by the workpeople, sports club facilities,

medical centres, selection of labour-intake by aptitude, and other features.

I would particularly draw to your attention the fact that no less a sum than £960,000 has been distributed to workers in Nuffield factories since Lord Nuffield donated 1,000,000 Stock units into trust on their behalf. The whole of the dividend on these units is shared among the workers and, in the Nuffield organisation, an incentive system of piece-work payments is employed, giving a bonus for extra effort. It has been our common practice for years.

The wages of our workpeople rose in 1946 to £5,242,802, from £2,824,973 in 1938. The average rate of earning per person is now nearly double the 1938 figure.

EXPORTS

Much emphasis has recently been placed by the Government on the value of export sales. Your directors have needed no inducement in this respect. It has been our policy for the last twenty years and more to promote in every way possible the sale and service of Morris, Wolseley, M.G. and Riley cars and Morris-Commercial trucks to overseas buyers.

It may be justly remarked that the big contribution that we have been able to make to the British exports so sorely needed in this post-war era was possible only because we had already built up well-established sales and service organisations all over the world. We have in operation a well-knit organisation comprising 120 distributors in 89 separate countries—all of whom are well versed in the maintenance of our products and to whom regular visits are paid by our executives and factory representatives overseas. They are supported by several hundreds of authorised dealers. We pay particular attention to the stocks of spare parts that they carry, for we know by practical experience that sales follow service.

570 PER CENT. EXPORT INCREASE

It is noteworthy that the value of our exports for the last six months of 1946 shows an increase of 570 per cent. over the similar period for the year 1938.

Very satisfactory arrangements have been made for the assembly of some of our products in India. Good progress with assembly establishments is also being made in Australia, New Zealand and South Africa, in collaboration with the appropriate distributors in those areas. I have also to report the establishment of export showrooms in the heart of London.

None the less, it would be quite wrong for blind faith to be placed in the continual absorption of the products of the British motor industry on overseas markets, and to allow a disproportionate balance to be struck between export and domestic business.

Immediately after the war, overseas markets were avid for automobiles of almost any kind. Already competition is becoming more acute, and it would be idle to pretend that just because a product is British it has a divine prerogative to command custom overseas. It is only on the basis of value for money that we shall maintain and expand our business.

HEAVY CAR TAXATION

The British motorist has to pay roughly eight times the amount of tax on a car of given size than does his American contemporary. So long as that position continues, the British motorist will ask for a small car. He will also demand a variety of sizes from which to choose, so that his pocket can be

accommodated by the amount of tax involved.

For passenger cars a tax on petrol, plus a small registration fee, is desirable. If a motorist could license a 14 h.p. car for the sum that he is now called upon to pay for an 8 h.p. model, it would provide a great incentive for the production and sale on the British domestic market of the type of medium-sized car that overseas buyers generally desire.

This question of motor taxation is of paramount importance to the well-being of every person in this country. Motor-cars and trucks are a most active, valuable and flexible form of export business, in return for which we can obtain food and other commodities to improve the far-too-low standard of living that is being suffered in this country to-day.

TRIBUTE TO WORKPEOPLE

In this connection I would like to pay tribute to the spirit that has been shown during the rehabilitation period of British industry by the British artisan.

Our organisation has been commendably fortunate, and when the crisis of coal shortage descended on us during the recent winter I marvelled at the patient forbearance of our workpeople and their womenfolk. As soon as they could get into the factories again they set to work with a will to increase output. While operating in conditions of uncomfortably low temperatures, they performed prodigies of good-natured achievement. That is the spirit that will bring Britain through.

But, unquestionably, the output of coal that is achieved by our miners is the key-stone of our national prosperity. Unless we get 220,000,000 tons in a twelvemonth, I cannot see a full-scale return to the degree of industrial prosperity that is necessary to support an unsubsidised programme of full employment.

INSTALLATION OF OIL PLANT

In our own organisation we are naturally exploring every means of fuel saving. At the same time, I would urge that production of coal is a far more profitable Governmental quest than the propagation of more restrictions on usage by industrial and domestic consumers. Where it is practicable and economic, we are installing oil-firing equipment for heat generation. It is part of our accepted policy to maintain our plant and equipment at the highest possible pitch of efficiency in all respects. The amount sanctioned in this connection during 1946 was £1,944,473, and a further expenditure of £378,845 has already been authorised during the current year.

NEW MODELS

The effect of much technical progress and development work that we have carried out will be reflected in the introduction of new models, incorporating fresh and advanced features, when the time for their proclamation becomes appropriate. We are well satisfied, however, that the need of the public to-day is for reliable, comfortable and economical motoring, and we are not going to sacrifice substance by prematurely changing designs.

In connection with the car models produced by the organisation, it will not have escaped your notice that the programmes of the Morris, Wolseley, M.G. and Riley companies are mutually supporting but non-conflicting. We fully realise the benefits that accrue from bulk production of basic components. Equally, we are alive to the fact that the sellers' market will not last for ever, and the individual desires of discriminating purchasers have to be met. We believe in a rationalised range of products, basically designed to provide economies in production, but with extensive sales coverage. At present we have over 250,000 orders outstanding.

I believe that we still have some difficult and, indeed, hazardous times to face. So long as the material supply position is as fugitive as it is at the moment, any engineering organisation that relies upon the system of flow production in its factories is subject continuously to potential hold-ups because of the non-supply of some part or another.

We are fully conscious that our suppliers are doing their best, but there has been in post-war Britain an unfortunate atmosphere created by the turgid political situation. I believe that all parties have, as their common objective, the betterment of conditions for the majority of the people of the country. But their methods of approach to the objective vary and give rise to controversy.

So long as these controversies exist—and often they reach an almost childish degree of bitterness—the situation is most distasteful to those of us who have the responsibility of industrial organisation on our shoulders. I would be very happy to see the country enjoy a holiday from partisan oratory. Its major effect, my experience tells, is to create an inclement climate for industry in which everyone has a real or imaginary excuse for not delivering a full measure of effort. And without that full-blooded effort, this country will not recover its standard of living or its place in the markets of the world.

I am glad to be able to report that the rate of output from our factories to-day is wholly satisfactory. The recovery made since the winter crisis has been most encouraging and, although orders are still coming in faster than we are delivering cars, in terms of units the volume of production is within measurable distance of pre-war activities. The financial turnover is, of course, very greatly increased.

The manufacturing capacity of the factories in the organisation—even with their present labour force—is more than adequate to cope with the available supply of material. Particularly does the steel situation cause concern. It is a reflex of coal output. Our suppliers of steel are doing their utmost to deal with the present situation and expand to their production facilities. They deserve full encouragement from the Government and freedom from hampering interference.

FUTURE DEVELOPMENTS

Amongst other civil developments that we have in progress are Diesel-engined trucks, a light aero engine and a full range of marine engines. It was a matter of great regret to us that, owing to lack of material supplies, we were forced to suspend our agricultural tractor manufacturing programme. The prototype machines have already undergone thousands of hours of field testing and are still being put to excellent use by farmers.

In this connection, I do urge the Government to pay more practical attention to the business of the country and to subordinate their political ideologies to the urgent necessity for promoting the commercial well-being of the nation.

I would also like to take this opportunity of paying tribute to the helpful relationships that we enjoy with the Minister of Supply and his executive. Particularly, too, would I ask our suppliers of materials and our distributors and dealers to accept warm thanks for their support and co-operation. I assure them of the continuation of our successful endeavour to consolidate and expand our already substantial business.

And, finally, we cannot allow this occasion to pass without expressing grateful appreciation to our many thousands of workpeople for their individual efforts on the company's behalf. Guided by the sound judgment of our board of directors, and together with the whole-hearted support and co-operative endeavour of our executive and staff, they are responsible for the healthy state of our business that it has been my pleasure to report to you to-day.

The report was adopted.

LONDON BRICK COMPANY, LIMITED

IMPROVED POSITION

SIR MALCOLM STEWART ON THE OUTLOOK

The forty-seventh ordinary general meeting of the London Brick Company, Ltd., was held on the 30th ultimo, in London, Sir P. Malcolm Stewart, Bt., O.B.E., Hon. L.L.D., D.L., chairman and one of the managing directors, presiding.

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

The profit on trading and income from various sources is up by £171,781 at £291,108 and this year does not include any dividend from the subsidiary company. As has been stated in the report of the directors, again no provision for depreciation has been provided. The directors do not recommend the payment of any further dividend in respect of the year ended December 31st, 1946.

The outstanding and satisfactory feature of the profit and loss account for last year is the fact that adequate profits have been earned from trading to permit our paying to our stockholders a dividend of 12½ per cent. gross, which is 2½ per cent. more than that declared in the previous year, when to pay 10 per cent. we had to transfer £40,000 from contingencies account.

THE STAGE OF CONVALESCENCE

Stockholders can congratulate themselves that their business has entered the stage of convalescence, although full recovery has yet to be achieved. The story of last year's struggle is one of persistent effort in the face of dire difficulties, largely the aftermath of a prolonged world war; many of these difficulties were of a character which no industrial organisation, however powerful, could overcome. Nevertheless, we succeeded in more than attaining the forecast of production aimed at when I last addressed you.

We hoped, I stated, to produce a full day's shift output by the end of June. This was achieved and we had the gratification of at last getting out of the red and according a margin of profit as production increased.

It was further stated by me that our ultimate objective was to get full day and night shifts running before the end of the year, but I doubted if this could be attained. Thanks, however, to the determined efforts of our works managers, of our production and engineering staff and to the co-operation of our employees we commenced running night shifts by the end of September, when the output was brought up to some 66 per cent. of capacity.

NATIONAL SHORTAGE OF BRICKS

For these results the greatest credit is due to our management and employees who, despite all difficulties, have brought us along so well in the race to restore our efficiency. However, it is the last lap that offers the worst obstacles to be overcome and such is the scarcity of suitable labour, materials and stores for replacements and renewals that it is clear we shall have to be favoured with better circumstances than those prevailing to-day if we are, before the end of the year, to get our production up to close on that of our full productive capacity. This is essential to meet the national shortage of bricks.

Let there be no misunderstanding. It is nothing less than full production, based on efficiency, which can once again not only fully restore the fortunes of our company but enable us to bear, without undue burden to our cost of production, the highest standard of conditions for our em-

ployees. These are our objectives combined, with a policy of lower prices to the consumer and improved returns to our stockholders. To achieve them production must be pressed up to 100 per cent. of capacity through the regaining of the highest efficiency. Thus, as in pre-war years, can we once again demonstrate that private enterprise can be mindful of and benefit the national interest.

LABOUR PROBLEM

It is no exaggeration to state that conditions in the past year were fraught with utmost difficulties only surpassed by the record inclement weather experienced early this year. Our British labour to-day inclines slowly to decrease. Here I would emphasise that the adverse comments which have been made upon employment conditions in the brick industry generally, do not apply to this company, which has been among the pioneers in this country in such matters as welfare, holidays with pay, sports arrangements and profit sharing and pension schemes.

I need not enlarge upon the difficulties experienced—and still with us—of obtaining new machinery and the materials and skilled labour needed to re-condition our works, some of which have been idle for six years. The major repairs necessary to large numbers of our kilns have required the laying of many millions of bricks in face of a famine in bricklayers.

The possession of our own extensive engineering resources at this time has been a most valuable asset. The strain upon our engineering division has been, and continues to be, heavy. Not only is it having to grapple with the immediate short-term problem of restoring our former productive capacity, but it must also devote itself to the longer range problem of an even higher degree of mechanisation.

CURRENT YEAR'S PROSPECTS

You will expect me to make some forecast as to the trading prospects of the current year. The exceptional difficulties of 1946 were nothing compared with the early grim events of this year, so adverse in their consequence. Frost and snow isolated many works, floods stopped production at our largest claypit at Stewartsby and these phenomenal difficulties were enhanced by shortage of fuel to keep our kilns running. Our only hope of recovery is to be favoured with helpful conditions from now onwards to the end of the year if we are to make good the earlier losses sustained.

If conditions improve and our present production again increases satisfactorily, then our trading results may possibly approximate those secured last year. But it must be borne in mind we are, unfortunately, faced with a grave shortage of labour, due to the repatriation of German prisoners, this at a time when British labour is so scarce. These adverse factors militate against the obtaining of efficiency, as does the delay in procuring plant for maintenance and contemplated extensions.

Please realise I cannot to-day forecast trading profits equal to those earned last year, but I can assure you no effort will be spared to procure them and to restore the fortunes of your company which, thanks to its sound financial structure, has successfully weathered the storms of war and will once again establish its pre-eminent position in peace.

The report was adopted.

THE EVER READY COMPANY (GREAT BRITAIN) LIMITED

DIVIDEND AGAIN 40 PER CENT

The annual general meeting of the Ever Ready Company (Great Britain), Ltd., was held at Hercules-London, N.7, on the 4th instant.

Mr. Magnus Goodfellow (chairman and managing director) presided and the following were his comments on the report and accounts for the year ended March 31, 1947:—

The accounts before you show a sharp fall in profits. We are among the first, if not the first, of manufacturing companies to publish accounts which reflect the harmful results of the fuel and power breakdown in the early part of this year. The interruptions and dislocations during this period resulted in heavy losses in production, and we incurred further losses of profit in that we paid salaries and wages to our people throughout the whole period.

A further misfortune befell us on the night of the 13th February, 1947, when our dispersal factory at Thornliebank, near Glasgow, was completely destroyed by fire. We had spent a year raising production at this factory, and our efforts were completely destroyed in one night. The assets, etc., were insured, but the build up of 15 months or more were lost. Our accounting year for excess profits tax is the year ending 31st March, and therefore these losses occurring as they did in the last quarter ending March, 1947, are recoverable only in part, that is to say, we lose a quarter by apportionment, and at the reduced rate of 60 per cent.

TWO NEW FACTORIES

Matters would have been worse were it not for the fact that, as I informed you in June last year, we had purchased two large factories, and were planting and equipping them. These factories helped in the period under review, and should redress and improve our production position in the near future. I am assuming that, even if our country has to refrain from exporting or is forced to import coal, the recent interruption in production throughout the country will not again be permitted to occur.

Turning now to the accounts before you, the profit of £532,000 is after an adjustment or recovery against excess profits tax amounting to £150,000, at the reduced rate of 60 per cent. The trading profit earned during the year was therefore £382,000.

Our reserves and unappropriated profits amount to £1,525,967, as compared with £1,503,005 a year ago. Reference to pages 6 and 7 of our accounts will show the movement of these reserves. Briefly, we have transferred from the profit and loss account £79,583 and taken a draft of £30,000 from the contingencies reserve to meet the balance of taxation, which includes an estimate of the new profits tax for the quarter 1st January to 31st March, 1947. We have received a post-war refund of Excess Profits Tax amounting to £41,417, and of this sum have credited £40,000 to our general reserve. I believe some adjustment of this sum downward may eventually be necessary.

A number of troubles we suffered during the past year are now behind us, and I am hopeful that our work this year will show improvement over the year under review. Your Directors gave the question of dividend careful thought and decided to maintain the usual 40 per cent. It will be observed that our reserves and carry-forward are not depleted by this decision. This dividend represents approximately 7½ per cent. on the actual capital employed in the business.

The report was adopted

BRITISH INSULATED CABLES, LIMITED

PRODUCTION DIFFICULTIES

The second ordinary general meeting of British Insulated Callender's Cables, Limited, will be held in Liverpool on the 12th instant.

The following is an extract from the statement by the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report and accounts for the eighteen months ending December 31, 1946:—

The dividend on the ordinary capital of 10 per cent. is equivalent to an annual dividend of six and two-thirds per cent. This meant that after taking into account the increase made in issued capital and in the case of the former "C" stockholders the scrip they received in Callender's Trust, Limited—now Embankment Trust, Limited—B.I. stockholders receive the same return, and Callender stockholders approximately the same return, as they received immediately before the amalgamation.

The salient features of the profit and loss account are (a) that of the net profit of £2,722,143 earned by the Group, the great figure of £1,508,556 has been absorbed by taxation; and (b) that of the balance of £1,213,587 some 90 per cent. or £1,094,141 accrues to the parent company and 10 per cent., or £119,446, to minority shareholders in the subsidiary companies. The most important points of the balance sheet are (i) that net assets total £18,193,814, of which £1,562,210, or 8.6 per cent., is attributable to minority shareholdings; and (ii) that revenue reserves and surplus amount to £1,011,921 as compared with £291,756 in the parent company. Of the difference of £720,165 in revenue reserves, £416,801 represents provisions made by the subsidiaries for future taxation, and £303,364 undistributed profits in the hands of subsidiaries attributable to the parent company's shareholdings. To sum up as regards all accounts, the parent company is strong in capital reserves and short of revenue reserves and the building up of these will be one of the prime objectives.

DETERRENTS TO PRODUCTION

The main factors preventing maximum production are an inadequate supply of operatives and an unprecedented shortage and irregular flow of raw materials and component parts. The labour difficulty has simply arisen from the demand considerably exceeding the supply and, although a very serious matter, has been less devastating in its effect than the difficulty of raw materials and component parts, which, in my view, is the main bottleneck in the situation. I would again urgently suggest that the Government pause in their doctrinaire policies and instead guide and sympathetically help all industry to maximum production in the ways which industries understand and which in the past have, beyond question, proved successful. Restore the merchants and dealers and middle men to their old and experienced functions. They are an invaluable link in the supply of materials. Revivify the metal markets, the produce markets, the cotton market, and shipping. Give fresh encouragement to directors and all other grades of management from the top down to the chargehand. They are all important with their various responsibilities and, above all and beyond all, they have that priceless and irreplaceable experience which must be used to the full.

I realise and admit that some controls are still necessary in these unbalanced times, but I plead for a substantial reduction of their number and the simplification and improvement of efficiency of those retained. Industrial progress is determined by the skill and experience, enterprise and efficiency, of operatives and managers alike. Production cannot be done in Whitehall. Business must be speeded up and not slowed down and more and more autonomy must be given to industry, not less.

FRIENDS' PROVIDENT AND CENTURY INSURANCE OFFICES

Mr. HERBERT G. TANNER'S REVIEW

The annual general meeting of this company was held on the 4th instant, in London. The Chairman, Mr. Herbert G. Tanner, J.P., said:—

Last year I referred to Hugh E. Seeböhm's retirement from the Chairman's office and to a prolonged illness from which we hoped he had made a good recovery. Unfortunately, within a few weeks of our Meeting we were saddened by the news of his death.

To fill the vacancy the Directors have appointed Thomas Bradwall Barlow, who submits himself for re-election to-day.

In the Life Department new net sums assured amounted to £3,782,571, which is the largest in the history of the office. The premium income increased from £896,386 to £954,683; the claims by death were within the amount expected under the Mortality Tables. The expenses ratio rose from 12.98 per cent. to 16.65 per cent, which compares favourably with the general increase throughout the insurance industry. The increase in new Life business is being more than maintained and is likely to continue. Our Group Life Department is now a well-established part of our organisation and there is an increasing demand from employers who depend on our advice and assistance in the preparation of schemes adapted to their individual requirements. Towards the end of 1946 we launched what is now known as the Personal Security Plan. This scheme, the first of its kind, gives complete protection to the man or woman with dependants. It is not so much one new idea as a collection of new ideas dovetailed together. It is keyed to the life of the man who is producing the income for the home. It provides an income for dependants if a man dies; it provides an income for the man himself if he is disabled by sickness or accident. It provides an income for the man and his wife if he lives to a selected pension age; and for the major portion of the term this income is tax-free. It solves the problem of investing the proceeds of Life Policies in these days of low interest rates; it assures independence in declining years; removes the fear of widows and children being left unprovided for. It met with immediate success and already there has been a wide demand for it.

The Continuous Disability Department has made very satisfactory progress.

In the Fire Department the combined net income of the Century and the other Companies in the Group for the first time exceeded £1,000,000 sterling.

The Fire account has been strengthened by a transfer of £100,000 from internal reserve to augment the additional reserve.

In the Accident Department the addition to the premium income for the year was £82,000.

Our Subsidiary Company, the Southern Industrial Trust, has made satisfactory progress and we are able to report a profit of £13,821.

The Century Consolidated Accounts show that we have been able to transfer £102,327 to the Profit and Loss Account.

Securities have shown a further satisfactory appreciation during the year. We have increased the average yield on our funds, before deduction of Income Tax, to £5 4s. 7d. per cent. as compared with £5 2s. 8d. per cent. during 1945. We are glad to state that if, as we anticipate, the rate of interest to be paid on the Government Stock is 2½ per cent., the loss of income will result in a reduction in yield on our total funds of less than 2s. 5d. per cent.

The total profits, including interest, were £198,017. A dividend, including a bonus, of £150,000, has been declared and a balance of £408,884 has been carried forward.

The Report was adopted.

HAWKER SIDDELEY AIRCRAFT COMPANY, LIMITED

WIDESPREAD ACTIVITIES

The eleventh annual general meeting of Hawker Siddeley Aircraft Company, Limited was held in London, on the 28th ultimo.

Mr Thomas O. M. Sopwith, C.B.E., F.R.Ae.S., the chairman, in the course of his speech said: This meeting marks the end of 11 of the most critical years in the history of our country. As far as your company is concerned, it has consisted of four years of very rapid pre-war expansion, six years of concentrated war effort and one year of difficult transition and conversion from war to peace. No matter how superior our aircraft and engines may be, the future demand is almost unpredictable and your directors have given considerable attention to the widening of the foundations of your business. Apart from our main products of aircraft, aircraft engines and ancillary equipment, a substantial proportion of your company's turnover is now composed of motor cars, compression ignition engines for agricultural and commercial purposes, a very wide field of light alloy products and, last but not least, pre-fabricated houses.

CIVILIAN TYPES

During the years immediately preceding the war and throughout the war years, we were fully concentrated on various types of military aircraft. Today a considerable part of our organisation is engaged upon the development and production of the most advanced types of commercial aircraft. We are still delivering our trusted friend the "York." There is also a considerable number of "Lancastrians" in operation. The "Avro XIX" is selling well. The "Tudors" are progressing and trials have already shown that they will meet and possibly exceed all the requirements of the original specification of performance. We go forward confident that these new aircraft will compare favourably with their competitors in any part of the world.

In addition, we are actively engaged in the design and development of quite new types, including the so-called "Flying Wing." The requirements for military aircraft have been scaled down, but the various branches of your company engaged in this type of work are all maintaining their high places both in the eyes of the Royal Air Force and those of other air forces abroad and production is being maintained at a gratifying level.

The aero engines and gas turbines side of your business is mainly concentrated at Armstrong Siddeley Motors Limited. The famous "Cheetah" engines are still being produced in large numbers.

MOTOR CAR SECTION

The motor car section is very satisfactory. The Armstrong Siddeley "Lancaster" 4-door saloon and the "Hurricane" drophead coupe have proved of high quality. The "Typhoon" 2-door saloon has been added to our range. There is every reason to be proud of these three motor cars. Although they only began to appear in September, 1945, they quickly and thoroughly established themselves.

Light alloys are an interesting and important division of your business, which we are developing so as to enable it to supply other industries as well as the needs of aircraft. The pre-fabricated houses division is concentrated at the Hawksley Co., who have been in full production for some considerable time and have delivered over 5,000 pre-fabricated aluminium houses.

With regard to finance, dividends of 15 per cent. and 17½ per cent., both less tax, have already been paid, making 32½ per cent. less tax for the year ended July 31, 1946. The financial position disclosed in the accounts does not give cause for pessimism.

The report was adopted.

LACRINOID PRODUCTS, LIMITED

IMPROVED RESULTS

SIR LOUIS STERLING'S SPEECH

The tenth annual general meeting of the company was held at 82, King William Street, E.C.4, on the 28th ultimo. In the absence of the chairman, Mr T. L. Horabin, M.P., the chair was taken by the deputy chairman, Sir Louis Sterling, who said:

We all regret the absence of our chairman, Mr T. L. Horabin, M.P., who is unable to be with us today due to injuries which he sustained in an air accident in January: I am glad to say that he is making satisfactory progress and I feel sure I am expressing the desire of the meeting in wishing him a speedy recovery.

PROFIT AND DIVIDEND

It will be remembered that the trading profits last year were adversely affected by war damage to the factory. During the year under review normal trading was restored and the results reflect the company's first full year's post-war operations. After making provision for taxation of £27,500 the net profit for the year amounts to £18,113 as compared with £9,350 for the preceding year, after provision for taxation of £8,125.

During the war dividends paid were limited by a low profits standard for excess profits tax and with the reduction in that tax to 60 per cent. for the past year the net profits would have permitted an increase in the dividend. Your board decided, after careful consideration, to maintain the dividend at 10 per cent. per annum and to husband the company's resources for the development of our business.

The excess profits tax post-war refund for the period ended December 31, 1945, amounting to £14,524, has been received and appears in the balance sheet under the heading reserves and surplus.

In common with many other concerns, your company has suffered from and is still affected by very severe raw material shortages, which make forward planning extremely difficult and have caused many disappointments for our customers both at home and overseas.

On the other hand, I am glad to be able to report a gradual improvement in the labour situation. Since the close of the year, as members of the Engineering and Allied Employers Federation, we have adopted the 5-day week.

RECORD TURNOVER

Despite our difficulties in obtaining adequate supplies of raw material, the company's turnover for the year under review constituted a record in the history of the company. This has been due largely to heavy demand for our housing fittings and furniture fittings, in which connection substantial contracts have been and are being carried out on behalf of the Directorate of Housing Fittings and in the utility furniture range as specified by the Board of Trade.

During the past, the productive capacity of the factory has not always been fully employed owing to the delay in obtaining the high-grade tools required by our industry. This position has been ameliorated by setting up a mould and tool division at our Eastern Avenue works. The facilities thus afforded have been fully employed throughout the year with consequent benefit to our overall production. The position to-day is that the demand for tools is still so great that further extensions are contemplated.

During the year, a market has been created in buttons manufactured from glass, to which we have given the company's trade name "Opalite." This is a separate depart-

ment of our business which employs a different medium from the plastics which we normally use, and represents a useful addition to our button range.

CANADIAN COMPANY

The difficulties in developing the export business which we foresee for some time to come should be eased by steps we have taken whereby the manufacture of our proprietary lines will be carried on by a Canadian company in which we hold a controlling interest.

Negotiations carried out last summer with the Canadian Government resulted in a disused war factory in Buckingham, Quebec, being purchased from the Canadian War Assets Corporation. A number of our key personnel were transferred to Canada and the company, which is known as Lacinoid Products of Canada Limited, commenced operations towards the end of last year. There is still much to be done, particularly in the matter of factory installations and provision of the necessary plant, equipment and tools, and it is therefore too early to report to you on the progress being made by this company.

In conclusion I should like to make a brief reference to the events of the past weeks. Both factories at Gidea Park closed down entirely on February 7th, but on the relaxation of the Government ban work recommenced on March 3rd on the basis of full production. Active steps are being taken to ensure economy of electric power on which the company is entirely dependent and plans are now being worked out in relation to shift working whereby maximum production can be maintained coincident with economy in electric power. In view of the uncertain outlook it would be unwise to attempt to forecast the results of the current year's trading, but given anything like normal conditions your board views the future with confidence.

UNITED MOLASSES COMPANY, LIMITED

LARGER PROFITS AND DIVIDEND

The twenty-first annual general meeting of the United Molasses Company, Ltd., will be held on the 24th instant, in London.

The following is an extract from the statement by the chairman, Sir F. Michael K. Kielberg, circulated with the report and accounts for the year 1946:—

In spite of many disappointments and unforeseen difficulties, mainly due to shortages and the abnormal labour conditions prevailing in practically all countries where the company and its subsidiaries trade, profits for the year show a gratifying improvement compared with recent years and make it possible, after increasing the rate of dividend by 5 per cent., at a cost of about £45,000, to transfer £150,000 to general reserve (the same) and to increase the carry-forward by £103,000 compared with an increase of £28,000 the year before.

Business during the first four months of the current year has followed the mixed pattern of 1946 and, taken as a whole, the earnings have so far not been seriously affected by the grave fuel shortage which came to a head in February-March. As far as one can tell, without having audited figures, profits would appear to be accruing at approximately the same rate as last year. Our newly acquired business interests in this country and America are working to capacity at satisfactory profit margins. Prospects for 1947 can therefore be said to be satisfactory up to date, but with 7½ months still to go it would be foolhardy to attempt to forecast what the remainder of the year may have in store.

GOVERNMENT RETURNS

For the week ended May 31, 1947, total ordinary revenue was £60,628,057, against ordinary expenditure of £35,784,671 and issues to sinking funds, £150,000. Thus, including sinking fund allocations of £1,409,015, the surplus accrued since April 1st is £233,366,052 against a deficit of £172,014,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to June 1, 1946	April 1 to May 31, 1947	Week ended June 1, 1946	Week ended May 31, 1947
ORDINARY REVENUE					
Income Tax	107,300	154,273	142,256	10,507	12,446
Sur-tax	80,000	9,500	9,860	730	750
Estate, etc., Duties	155,000	27,919	27,980	3,310	3,100
Stamps	57,000	4,890	7,770	50	1,300
N.D.C.	202,000	4,709	4,210	411	205
E.P.T.	1,000	47,267	32,955	5,475	1,235
Other Inland Rev.	1,000	104	60	...	...
Total Inland Rev.	156,800	248,662	225,089	21,083	19,036
Customs	736,960	97,567	135,177	15,630	13,978
Excise	643,040	104,103	102,100	19,703	15,700
Total Customs & Excise	1,380,000	201,670	237,277	35,333	29,678
Motor Duties	50,000	4,245	4,897	...	...
Surplus War Stores	95,000	269	26,311	...	...
Surplus Receipts from Trading	55,000	...	...	Dr.	Dr.
Post Office (Net Receipts)	...	3,800	2,600	1,200	1,400
Wireless Licences	11,000	720	1,670	350	870
Crown Lands	1,000	180	180	20	20
Receipts from Sundry Loans	21,000	3,310	3,724	3	3,615
Miscell. Receipts	270,000	2,228	136,229	164	8,809
Total Ord. Rev.	345,100	465,084	637,970	55,753	60,628
SELF-BALANCING					
Post Office	144,230	18,900	22,200	3,400	3,900
Income Tax on E.P.T. Refunds	49,000	30,119	4,477	3,523	124
Total	364,230	514,103	664,647	62,677	64,552
Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to June 1, 1946	April 1 to May 31, 1947	Week ended June 1, 1946	Week ended May 31, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	85,108	72,946	24,376	603
Payments to N. Ireland	23,000	1,330	3,489	...	1,400
Other Cons. Fund Services	8,000	302	319	15	33
Total	556,000	86,740	76,755	24,392	2,036
Supply Services	262,537	548,990	326,441	59,570	33,749
Total Ord. Exp.	318,137	635,730	403,195	83,962	35,785
SELF-BALANCING					
P.O. & Broadcasting Income Tax on E.P.T. Refunds	144,230	18,900	22,200	3,400	3,900
Total	337,457	684,749	429,872	90,885	39,809

After decreasing Exchequer balances by £97,674 to £2,628,029, the other operations for the week decreased the gross National Debt by £14,176,018 to £25,447 million.

NET ISSUES (£ thousands)

P.O. and Telegraph	250
E.P.T. refunds	152
Overseas Trade Guarantees Act, 1939, Sec. 4(1)	20
Housing (Scotland) Act, 1944, Sec. 4(2)	400
Local Authorities Loans Act, 1945, Sec. 3(1)	3,100
War Damage: War Damage Commission	1,500
Civil Contingencies Fund	5,000
Finance Act, 1946, Sec. 26(7) Post-war credits	143
Finance Act, 1935, Sec. 30(1) 3 per cent. Local Loans Stock	50
	10,615

CHANGES IN DEBT, (£ thousand)

NET RECEIPTS	NET REPAYMENTS
24% Defence Bonds 1,375	Treasury Bills 26,727
Tax Reserve Certs. 2,767	3% Defence Bonds 2,540
Ways & Means Advances 11,470	Other Debt:—
	Internal 658
	External 63
	29,788
15,612	

* Including £1,844,000 paid off in maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946 June 1	1910.0	2526.3	352.5	15.0	1443.0	6246.8
1947 Feb. 22	2165.0	2506.6	446.5	...	1508.0	6626.1
Mar. 1	2175.0	2565.5	530.3	15.0	1473.5	6759.3
" 8	2185.0	2600.7	583.7	...	1443.5	6812.9
" 15	2185.0	2628.5	582.2	...	1435.0	6830.7
" 22	2185.0	2690.9	582.6	2.25	1434.0	6894.7
" 31	2185.0	2699.7	613.5	...	1456.5	6954.6
Apr. 5	2185.0	2704.4	592.7	18.75	1443.5	6944.4
" 12	2185.0	2728.8	580.6	...	1443.5	6937.9
" 19	2185.0	2708.6	583.8	...	1463.5	6941.0
" 26	2190.0	2692.1	619.9	...	1463.5	6865.5
May 3	2190.0	2661.5	607.9	...	1463.5	6822.9
" 10	2190.0	2629.4	601.3	...	1463.5	6864.1
" 17	2190.0	2627.1	548.0	5.25	1463.5	6833.8
" 24	2190.0	2620.1	527.5	...	1463.5	6801.1
" 31	2180.0	2603.3	537.5	1.5	1463.5	6585.8

TREASURY BILLS (£ million)

(₹. million)						
Date of Tender	Amount ^a			Average Rate of Allotment ^b %	Per Cent. Allotted at Min. Rate	
	Offered	Applied for	Allotted			
1946 May 31	150.0	237.8	150.0	10	1.54	52
1947 Feb. 28	170.0	246.3	170.0	10	2.16	63
Mar. 7	170.0	287.0	170.0	10	1.15	43
" 14	170.0	273.9	170.0	10	1.59	51
" 21	170.0	288.2	170.0	10	1.29	45
" 28	170.0	286.9	170.0	10	2.51	42
Apr. 3	170.0	293.9	170.0	10	2.60	43
" 11	170.0	295.2	170.0	10	2.57	43
" 18	170.0	280.7	170.0	10	3.10	51
" 25	160.0	291.8	160.0	10	2.72	27
May 2	160.0	308.0	160.0	10	0.84	32
" 9	170.0	296.3	170.0	10	1.38	44
" 16	170.0	281.2	170.0	10	1.62	49
" 23	160.0	284.6	160.0	10	1.45	43
" 30	170.0	282.5	170.0	10	1.68	49

On May 30th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 49 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for June 6th. For the week ended June 7th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended May 25, 1946	May 24, 1947	Totals Mar. 31 to May 24, 1947
Savings Certificates:—			
Receipts	3,000	4,000	65,700
Repayments	3,350	1,800	24,450
Net Savings	Dr. 650	2,200	41,250
Defence Bonds:—			
Receipts	375	1,800	15,630
Repayments	...	704	5,542
Net Savings	375	1,096	10,088
P.O. and Trustee Savings Banks:—			
Receipts	14,051	11,917	102,292
Repayments	12,742	13,126	94,198
Net Savings	1,309	Dr. 1,208	8,094
Total net savings	1,334	2,087	59,432
Interest on certificates repaid	536	360	5,215
Interest accrued on savings remaining invested	2,032	2,247	18,080

BANK OF ENGLAND

RETURNS

JUNE 4, 1947

ISSUE DEPARTMENT

Notes Issued:		
In Circulation	1396,157,380	
In Bank Department	54,090,453	
Govt. Debt	11,015,100	
Other Govt. Securities	1438,281,131	
Other Secs.	694,355	
Coin other than Gold	9,414	
Amt. of Fid. Issue	1450,000,000	
Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833	
	1450,247,833	1450,247,833

BANKING DEPARTMENT

Capital	14,533,000	Govt. Secs.	342,370,660
Reserves	3,460,898	Other Secs.	16,736,339
Public Deps.*	8,045,012	Discounts and Advances	11,037,551
Other Deps.:		Securities	16,736,339
Bankers	293,780,558		
Other Accts.	105,797,770	Notes	54,090,453
	399,558,328	Coin	1,381,936
			425,617,238
			425,617,238

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

COMPARATIVE ANALYSIS (£ millions)

	(£ millions)			
	1946		1947	
	June 5	May 21	May 28	June 4
Issue Dept.:				
Notes in circulation	1354.0	1390.6	1394.1	1396.2
Notes in banking department	46.2	59.6	56.1	54.1
Government debt and securities*	1388.1	1449.3	1449.2	1449.3
Other securities	0.9	0.7	0.8	0.7
Gold	0.2	0.2	0.2	0.2
Valued at s. per fine oz.	172/3	172/3	172/3	172/3
Banking Dept.:				
Deposits:				
Public	8.1	13.7	5.0	8.0
Bankers'	254.6	292.6	301.9	293.8
Others	54.2	95.8	95.1	105.8
Total	316.9	302.1	402.0	407.6
Securities:				
Government	254.6	329.8	329.6	342.4
Discounts, etc.	15.7	1.5	8.7	11.0
Other	16.8	17.8	24.4	16.0
Total	287.1	359.1	362.7	370.1
Banking dept. res.	47.9	60.9	57.4	55.5
%	%	%	%	%
"Proportion"	15.1	15.1	14.2	13.6

* Government debt is £1,015,100, capital £14,553,000.
Fiduciary issue raised from £1,400 million to £1,450 million on December 10, 1946.

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dends for the half-year ending June 30, 1947, to be paid on July 1, 1947.
By Order of the Board,
H. J. FLEWITT, Secretary.
Office: Cunard Building, Liverpool. June 5, 1947.

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Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD.,
at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 111 Broadway, New York, 6.—Saturday, June 7, 1947.

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Swatow	Tientsin	Tokyo	Yokohama	Amoy	Colombo	Canton	Hankow	Hongkong	Kobe	London	Lyons	Malacca	Manila	Muscat (Oman)	Shanghai	Singapore	Sourabaya

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ASSETS EXCEED	£97,000,000
CLAIMS PAID EXCEED	£181,000,000

(1946 Accounts)

RUSSIAN lady gives Russian lessons.—Box 495

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June 14, 1947

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VOL CLII NO. 5416

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3
BY AIR (U.S. and Canada only) \$24
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Mr Marshall's Challenge

THE rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than has been foreseen." With these words, the American Secretary of State, Mr Marshall, opened what may well be a new phase in the relations of the United States with Europe and indeed with all the outside world. Hitherto, the belief that Europe and Asia were struggling back to more normal conditions and would shortly need no further direct assistance has underlain the policy of both Government and Congress in the United States. Mr Marshall's speech at Harvard last week is the first official statement of a new approach, in which the likelihood of continuing need in the outside world is squarely faced. Moreover, the Secretary of State departed from previous policy in recognising the fact that the misery of the countries of Europe is interconnected and that there can be no genuine recovery for one without the recovery of all. The visible destruction in Europe is

probably less serious than the dislocation of the entire fabric of European economy . . . the modern system of the division of labour is in danger of breaking down.

This general dislocation cannot be remedied without outside assistance, and the fact must be faced in America that the need for this assistance far outstrips Europe's capacity to pay.

The truth of the matter is that Europe's requirements for the next three or four years of . . . essential products—principally from America—are so much greater than her present ability to pay that she must have substantial additional help.

In his speech, Mr Marshall, therefore, proposed on the one hand that the American people should realise and accept the "vast responsibility which history has clearly placed upon our country," and on the other, that the European nations should take the initiative in working out a plan or plans for reconstruction based not on the needs of single countries but on a co-ordinated policy for solving their problems in common.

The initiative, I think, must come from Europe. The role of this country should consist of friendly aid . . . and of later support. . . . The programme should be a joint one, agreed to by a number of, if not all European nations.

It is hardly necessary to underline the dramatic importance of this speech. Mr Marshall may not command a secure congressional majority but he speaks with very great authority and has, moreover, received presidential sanction for this policy. Mr Truman in his speech at Ottawa pledged his country to the task of "restoring the world to health." It is, however, almost equally unnecessary to underline the scale of the obstacles such a programme has to overcome before its vision can become practical politics. It is not enough that President Truman, Mr Marshall and the American Cabinet should be convinced of the rightness of the new approach. It is not enough that they should be supported by some of the leading newspapers and publicists in the United States. The real question is whether the people of the United States and their elected representatives in Congress can be persuaded to accept the need for foreign relief upon a sufficient scale. The Administration has stated that the appropriations for Greece,

Turkey and American-occupied lands, together with the \$350 million voted for relief, exhaust the requests that will be put before the present session of Congress for Government expenditure overseas. And at the end of this month, the last powers—admittedly very weak powers—under which the President can secure priorities for procuring and transporting relief goods will presumably lapse.

Perhaps these difficulties should not be pressed too far. When, during this troubled session, the President has asked Congress for appropriations in support of his foreign policy, they have not, in spite of much noise and great delay, actually been refused. It is true that the circumstances in which the policy has been pursued are changing. The approach of election year is sapping the foundations of agreement between the parties on foreign policy. But the post-war economic recession seems to be approaching no less inexorably, and its effect is less easy to predict. The hint of a slump may, in the next few months, make Congressmen—especially Republican Congressmen—less anxious than they are to-day to finance grandiose plans of public expenditure, the immediate beneficiaries of which are foreign countries. The doctrine that deficit finance and Public Works are the answer to economic depression, is by no means universally accepted in America, and overseas Public Works can be expected to be less attractive than the domestic variety. On the other hand, it will not require much subtlety of logic to perceive the real effect of foreign needs on American prosperity. At the moment many commodity prices are being held in the markets of the United States at their present peaks simply by the pressure of foreign buying. This is particularly true of farm prices. If the flow of dollars is now to dry up, it is at least possible that the reaction of the farm bloc will be to support the continuance, even if by Government financing, of a large export programme.

The Issue in Congress

It is thus on the present showing of Congress difficult to determine with absolute certainty what the reaction to Mr Marshall's suggestion might be. Some things, however, are certain. The first is that Europe's dollar holdings are becoming exhausted with such alarming speed that a plan for preventing further disintegration and collapse is not an academic desirability but an urgent need. In other words, Congress must either decide upon further aid in a special session this autumn or the "economic, social and political deterioration of a very grave character" forecast by Mr Marshall may quickly come to pass. But it is certain that no Congress, meeting on the eve of what will be virtually a year's electoral campaign for the Presidency, will consent to foreign aid on so vast a scale unless the issue has become, in the fullest sense of the word, bi-partisan. It is certainly impossible that Republican leaders of the stature of Senator Vandenberg should support Mr Marshall's approach. Mr Stassen, on the liberal wing of the Party, has already given his own version of it. But any politician, Democrat or Republican, will have his ear very near to the ground this summer, and in the last analysis it will be the reaction of public opinion to Mr Marshall's lead that will prove the test of whether his policy can be lifted out of the party arena in an election year.

This fact is, in a sense, Mr Marshall's great opportunity. He, the Administration, the State Department, the publicists who support him, have a few months in which to project into the American consciousness the need for organising a vast transfusion of dollars for the anæmic economy of the world and regain for it widespread and vigorous public support. And experience of American reactions in the past would suggest that on one condition only could that measure of approval be secured—if the policy were bold, sweeping, adventurous, and very big. In fact its chances of success would almost certainly increase in direct proportion to its size. A suggested allocation of \$10

to \$15 billion a year for world reconstruction would almost certainly prove more challenging to the imagination, and thus more likely to secure acceptance, than the meagre \$400 millions proposed for Turkey and Greece. If the new project is to be "sold" to American public opinion in time for a Congressional session in the autumn, it is on this scale that Mr Marshall and his lieutenants will have to make their plans.

Convincing the American public of the necessity of a vast new policy of foreign aid is only half the problem, perhaps the less difficult half. The American voter will not only want to know about Mr Marshall's good intentions, he will also want to know on what the money drawn from his pocket is to be spent. But Mr Marshall feels very naturally that the United States cannot begin imposing precise plans upon Europe as a condition of assistance. He has therefore challenged the nations of Europe to produce their own and to bring them together into a coordinated whole. In this way, not only will the point be met that the reconstruction of a single country depends largely on the restoration of its neighbours. There is also a chance that the scheme will be sufficiently grandiose to fire American imagination and convince the taxpayer that his money is to be well spent.

Europe's Needs

Nevertheless, the practical development of Mr Marshall's idea is far from easy. The first difficulty is that, in a sense, it by-passes Europe's most immediate needs. In the three months which must elapse before the harvests are brought in, there is hardly a country in Europe that is not faced with a food crisis. The need is particularly urgent in France and Western Germany, and grows daily graver in Italy. And their food shortages are likely to be followed before long by a coal famine. If Europe is not to go into next winter in worse shape than it emerged from the last, its immediate need is for increased deliveries now of American grain and coal. Such a policy would entail making dollars immediately available to countries whose present allocations are all but exhausted, it would entail maintaining sufficient federal powers to secure priority for food and coal for export and to see that sufficient transport was available to get the material to the ports. But Mr Marshall's approach clearly does not refer to the next quarter of this year, and of its very nature it cannot be made applicable to an immediate crisis.

The reason for this is obvious. The moment there is question of elaborating joint long-term plans for reconstruction, the process must be exceedingly slow. For instance, it must first be decided within what general framework the discussions are to take place. One possibility would be to use the European Commission and the subsidiary coal, transport and economic co-ordinating committees as the instruments of planning. The machinery would then cover all Europe and would have the asset of a year's work behind its deliberations. On the other hand, the actual experience of the European Commission's workings in the first weeks of its existence do not encourage great optimism. The great political advantage of the Economic Commission for Europe—that Russia is a member of it—is a great disadvantage for the rapid formulation of practical policies. The Russians would oppose any attempt to draw into the web of "American finance capitalism" the East European countries which are now to some extent linked with the Soviet Five-Year Plan. They would oppose even more fiercely any attempt on the part of the Western European nations to go ahead without the East, since that would be the Western bloc which has always been their major bogey. They would equally oppose any attempt to include Germany in any plans that were to be worked out—except, of course, as a source of reparations. It is probable that any economic integrator of Europe along democratic lines, however innocently proposed, would be

highly suspect to the Russians. A policy proposed by the authors of the Truman Doctrine is damned from the start and would be obstructed by the Russians without limit.

Plans for Western Europe

It follows that the attempt must necessarily be confined, in the first place, to Western Europe and the Mediterranean countries. This is regrettable, but it is inescapable. The restriction of scope removes some of the difficulties. There are, between most of these countries, similarities of economic and political systems, sympathy of outlook and long-established ties of trade and friendship. Moreover, there is in Western Europe the common link of economic interest in the industries of the Ruhr, where Anglo-American control is already established. But it does not by any means follow that it will be easy for the nations of Western Europe to work out and present to Mr Marshall that joint plan for which he has asked. The sheer technical difficulties of working out a scheme of economic integration, even in the presence of good will and the absence of political difficulties, have been amply illustrated in the last year or so by the preparations for the customs union of Belgium, the Netherlands and Luxemburg. Throughout Western Europe there are Communist parties which can be relied upon to sabotage any plan that is put forward. There is the difficulty of deciding how the United Kingdom, with its responsibilities to the Dominions, fits into a European plan. And there is still a complete divergence of view between the British and the French about the best method of dealing with the Ruhr. All these difficulties can be surmounted—but hardly in three months.

Lastly there are the difficulties raised by the actual technical content of the proposed plans. Apart altogether from the difficulty of getting it drawn up, what sort of content would a co-ordinated plan for Europe have? What exactly is meant by a Five-Year Plan for Western Europe? The obvious first stage in the approach would seem to be a joint assessment of need on the part of the European or West European nations together with a detailed statement of the resources available to them, and the contribution they could make themselves to solving their deficiencies, and the balance which they would need to receive from the New World. Such plans were the essence of the wartime work of the Combined boards in Washington. The organisation of similar Boards for Europe is certainly not an impossibility and the joint approach might incidentally prove invaluable if, after all, Europe were left without dollars to make shift with its own resources. But once again, the true factor in the American situation—the need to have a programme ready and "saleable" before a Congressional session in the autumn—forbids one to pin too great hopes to the Combined Board's approach. Not only is it very unlikely that their assessments would be made or agreed in time. It would also be very difficult to dramatise their work, however useful and practical it might be. There is no lift to the spirit in fat deficiencies and little spur to the imagination in what might come to look very much like Europe's shopping list. What the American taxpayer will very reasonably want is not only an explanation of how the bill that is presented to him is being made up but also a demonstration of what is to be done with the money and of the benefit that the world will derive from it. A financial account, however detailed, is not an economic plan. What is to come from the spending of the money? The buttressing of a number of national economies, which come together to present the request and parted company when it was granted? And if it is something more than the money is to buy, something that can be called a United States of Europe, how much reality is it proposed to put behind the name? And how do we get from here to there? These, also, are questions to which honest and authoritative answers can be given—but not in three months.

This, then, is the dilemma. If Mr Marshall's initiative is to be accepted by the American people, it will have to be embodied in an ambitious and inspiring programme within a matter of months. But if the European nations are to do anything more than simply add up their national deficits and present the total of one figure instead of a half-dozen, then they will need much more than three months for the purpose. It must be done quickly, but it cannot be done quickly. It must be big enough to take the breath away, but there is no time to construct even the simplest structure. And, for all the difficulties, it would be criminal to let such a wonderful opportunity slip.

It will be a real test of statesmanship to meet all these conditions. There is only one method of procedure that holds out much hope of success. This is that the Governments of Western Europe should, within the next few months, solemnly pledge themselves to the principle of united action, and that they should set themselves a specific time-table for embodying it in practical measures. What does "united action" mean? If it is interpreted to mean pious resolutions with no real substance, then it is unlikely that the Americans will be impressed. If united action is sought it will be as well for all Europeans to recognise that the solemn resolutions must have tangible substance. They must promise something real—even if the performance has to be deferred. When the problem is looked at in this way, it ought to be apparent that there is only one thing that will meet the case. There is only one achievement big enough to be worth scores of billions of dollars, and that would be a full Customs Union of the main countries of Western Europe.

A New United States?

Can the nations of Western Europe pledge themselves, in the next few months, to accept within ten years anything so big, so desirable and so difficult? That is the challenge that Mr Marshall has thrown out. Nor is the matter one that can be tackled solely on the economic plane. It is a fashionable fallacy, but a fallacy none the less, that economic policy between the nations can outrun its political foundations. It cannot; and if there is to be a policy of economic sovereignty in Western Europe, then there will also have to be some contributions of political sovereignty to a joint organ. It is something like a United States that must be envisaged, with political and economic organs, loose in its constitution, no doubt, but not bogus. Can the nations of Western Europe bring themselves to say, and to say sincerely, that they will achieve it within ten years?

The question must not be answered in a merely emotional way. It must be answered realistically, after some survey of the difficulties. The one thing that would be criminal would be to allow a negative answer to be given by default. To the giving of an answer the energies of the governments must now be given, and the initiative quite inevitably falls to London. The British Government have hitherto shamefully neglected their opportunities in this direction; they have never made a sufficiently determined survey of the possibilities of a Western Association. For a long time they were deterred from it by fear of offending Mr. Stalin; and more recently by fear of pleasing Mr. Churchill. They will now have to work overtime if they are not to incur the charge of missing one of history's great opportunities out of mere inability to seize it.

Postal Subscribers

are invited to read a Note of the Week on page 929. We regret the delay in delivery of many copies, which is the fault neither of ourselves nor of the printers.

Agriculture and Politics

BY no stretch of the imagination can the Agriculture Bill, which on Monday received its third reading in the Commons without a division, be described as a Socialist measure. It comprises an old-fashioned state guarantee of the industry's prosperity, given in exchange for the acceptance of co-operative machinery intended to raise the industry's efficiency, that is somewhat reminiscent of the Conservative protectionist legislation of the 'thirties. True, the present Bill is on a bigger scale. The Government guarantee to agriculture is far more sweeping than any that has previously been made to any industry, and the sanctions for raising efficiency are without doubt stronger than most Conservatives would willingly sponsor. But the Bill is only an old idea writ large, which proceeds on the principle of "make some effort to put your house in order and we will do the rest for you." It does not tamper at all with the structure of ownership in agriculture and hardly at all with the methods of operation. Indeed, such mild exemplifications of Socialist thought as the Bill contains have been heavily played down by the Minister, Mr Williams, so as not to disturb the unruffled contentment with which his pledges are received.

This does not mean that it is a bad Bill. It is certainly an important and, in some respects, a necessary Bill; it contains a number of good minor reforms, such as the new policy for smallholdings; but it is rather like a legislative bank holiday, on which all nasty questions and implications have been left to the morning after. There is no argument about the desirability of guaranteeing farm prices. This is an aim that has been universally accepted and that is probably the only way to cure the grave endemic instability of prices that has been the bane of agriculture for many generations. But, as must be pointed out once again, since the obvious fact has escaped both Government and Opposition, a guarantee does not constitute a policy; rather should it be a very strong inducement indeed to form a policy. But so far it has not been.

The Government's reply to this criticism would be to point to the elaborate powers that the Bill contains to ensure that farms are well managed. The powers to coerce and, if necessary, to dispossess the inefficient farmer or landlord is there all right; but in considering what these powers will accomplish in practice it is necessary to remember that it is the agricultural community itself which will administer them. The worst that a farmer or owner has to fear is a trial by his own peers, as represented by the county agricultural executive committees, a majority of whose members are chosen from the nominees of the landlords, farmers, and farm workers' associations; if the committee's decision goes against him, the farmer can appeal to an agricultural land tribunal which, in addition to its independent legal chairman, again comprises the representatives of owners and farmers. The same procedure applies to a landlord who wants to be rid of a bad tenant or a tenant aggrieved with his landlord. At no stage will the Minister apply sanctions himself and he cannot overrule the tribunal's decision.

Clearly the farming community will not judge itself over-harshly; indeed, it would be very undesirable if the countryside became the scene of extensive mutual recriminations and accusations of inefficiency. Mr Williams has made it quite clear what this machinery will accomplish. It will bring under coercion a very small minority—perhaps, at the most, one or two per cent—of badly inefficient farmers and owners (together, no doubt, with an occasional victim of local prejudice), who will be placed under supervision and as a last resort dispossessed. But it is not the few laggards right in the rear who determine the pace of an industry, and their scourging will leave wholly unaffected the degree of efficiency achieved by the great bulk of farmers. Indeed, owing to the increased security of tenure—

not to mention, of course, the assured market—which the Bill provides, the average farmer will be more firmly rooted than ever in his holding. This is not necessarily a bad thing, and it is always possible that increased stability will be a psychological inducement to improved techniques. What is clear is that there is unlikely to be much increase in the general level of agricultural efficiency resulting from the direct application of the Bill's powers of coercion. Even its theoretical control of the ordinary owner or farmer has been watered down under Conservative pressure. For instance, the standards of good estate management or good husbandry that he is required to maintain are now to take account of "other relevant circumstances" (an omnibus phrase that might permit reference to his financial standing), and the obligations on landlords to provide fixed equipment have been modified by giving a wider right of appeal against instructions. And, in any case, it is not the legal powers that will govern what is done, but the people administering them. The Bill may possibly bring a few particularly bad farms up to the average of efficiency. It will do nothing at all to raise the average.

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What no politician cares to admit is that the Government guarantee to agriculture will not work and will not last, unless it is implemented in a way that safeguards and stimulates the industry's efficiency. And the only route to efficiency lies in the terms and the mechanism of the price-fixing powers themselves. Direct coercion will not, in fact, be much used and it is right that it should not be. The co-operation among farmers and owners in improving their farming practice, which the Bill should induce, will certainly be useful. But the major policy for raising efficiency must be an economic one. The Government guarantee is going to be very costly in the years to come. The prices paid are to be settled annually, after consultation with the National Farmers' Union, and it is the Minister's aim to see that the price schedule receives, if possible, the farmers' blessing. This year he succeeded; but there can be little doubt who got the better of the bargaining. There must in any case, in such a system, be a strong tendency to settle prices on a fairly generous cost-plus basis. Very naturally, the Bill provides that there may be some quantitative limitation on the produce guaranteed—a point to which many Conservatives took exception, preferring apparently that the taxpayers' liability should be wholly unlimited. Mr Williams has now announced that no quantitative limitations will in fact be introduced in the foreseeable future, except in the case of sugar-beet (absorption of which is limited by the size of factory capacity) and of oats (where there is a danger that farmers will sell most or all of their own crop at the guaranteed price and buy cheaper imported oats for feeding in substitution). These minor qualifications apart, the Government will offer the British farmer a good price for all that he can produce.

This may well be a wise policy in Britain's present food predicament, but there can be no disguising its very high future cost. It is an extraordinary thing that, whilst the expenditure of a few millions annually under the Wheat Act and other price support measures before the war was only sanctioned with elaborate safeguards for Parliamentary accounting, the expenditure of an unspecified sum, running into several hundred millions annually, is now being authorised without any provision whatever for Parliamentary supervision and not a voice is raised in protest. As a first step, the data and results of the annual price review should surely be published and a statement of the annual expenditure on British farm produce be submitted to Parliament. But, behind this question of accounting, lies

the major issue of how, granted that it should be given, the Government guarantee should be operated. On this issue the Bill says nothing, beyond giving complete discretionary powers to the Government; yet it is here that a policy is needed which should have been thought out and embodied in the Bill. It should be accepted as axiomatic that the nation, having under-written the purchase of domestic production, should take positive steps to ensure that this produce is distributed and utilised in the way most profitable to taxpayer and consumer. This requires, in the first place, a marketing policy that is a great deal more public-spirited than either the Ministry of Food's attempts to appease the distributive trades or the Ministry of Agriculture's attempts to revive producers' control of marketing on the pre-war model; and it requires, in the second place, a determined effort to relate the guaranteed prices paid for particular commodities to the state of market demand and the total sum paid for British farm produce to the long-term capacity and endurance of the taxpayer. It would be incredible—if it were not true—that nobody has yet answered the question how the money is to be raised to implement the guaranteed prices. If the price guaranteed to the British farmer is higher than the price at which food can be imported, how is the gap to be filled? By making imported food artificially dear and handing over the proceeds of so doing to the home producer? Or by subsidising the British producer out of the Exchequer? Is the consumer or the taxpayer to pay the piper for the tune that Mr Williams is now calling? Nobody knows.

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It is a sad augury that the Opposition, instead of seeking a policy for the real but difficult problems that the Government has ignored, should have turned its Parliamentary performance on the Bill into a benefit match for the agricultural interests. The Conservative policy is to whittle down the sanctions against inefficiency to a minimum whilst making the state guarantee to agriculture as extensive and unlimited as possible. It was urged, for instance, that the fixing of prices should be explicitly

The Watch on the Straits

THE Turkish Government, with a supporting vote of the National Assembly, has decided to maintain its armed forces on a footing of mobilisation and to continue the state of siege imposed on the European area of Turkey, including Istanbul, ever since 1940. The Prime Minister stated in his speech that the request from "a certain foreign Power" for bases in Turkey amounted to territorial claims, that there was "no indication that these claims will be renounced" and that the Government "after mature reflection" had decided that demobilisation was for the present impossible. He also spoke ominously of the possibility of "invasion forces in the interior of the country," that is to say, airborne landings.

To put the matter plainly, Turkey fears war, and that not as a remote prospect, but at any moment. Whether or not it is considered that there is reasonable ground for such a fear, it is a grave matter that barely two years after the end of the war against Nazi Germany, a nation should be officially preparing to meet armed attack by a Great Power, a member of the United Nations. The Turks do not, however, feel themselves to be confronted with a sudden and unexpected crisis, but rather with a situation so traditional in Turkish memory that it can almost be regarded as normal. There is nothing novel for them in the danger from the north. "At Constantinople," wrote the Hon. Robert Curzon in 1854, "they say that everything that is bad comes from the Black Sea: the plague, the Russians, the fogs and the cold—all come from thence."

In the days when it was the proudest boast of the Russian

declared to be the sole responsibility of the Minister of Agriculture so as to make it quite clear that the Minister of Food, the supposed guardian of the consumer, could not interfere. It was with unconscious irony that Captain Crookshank wound up for the Opposition with the remark that—

None of us here are partners in the industry, or their delegates. We are here, as Members of Parliament, to decide what we think is right in the interests of the nation as a whole.

The Conservatives' unrelenting concern for agricultural interests, and their strenuous attacks on the incursions of Whitehall bureaucracy, which they somehow managed to read into the Bill, worked like a charm in turning Mr Williams into a progressively lighter shade of pink. It emerged from his explanations that the proposed Land Commission, far from being a backdoor entrance to the nationalisation of the land, will hardly be given the proper scope to set a good example in farm management and progressive farming. For instance, its powers to reorganise the lay-out of farms in a few experimental areas, from which great gain could be had, are so weak and dependent on voluntary cooperation as to be probably ineffective.

Altogether, the Bill's passage through the Commons has been singularly harmonious. No guillotine was used, the discussions were more than adequate, rudeness from the Opposition was largely simulated, and self-satisfaction on the Government benches very obvious. It is an almost laughable contrast to the reception of other measures. But, unfortunately, there is always a morning after, when the Government may wake up to find that it has led both farmer and taxpayer too far up the garden path—and in opposite directions—with no hope of reconciliation. The farmers have been given a remarkably good bargain in return for very little. They may some day regret that they were not content with very much less. And when that day comes they may also regret that they have not something much more substantial and purposive, in the shape of efforts to increase efficiency, to show the urban taxpayer and consumer as his return for the very heavy financial burden that he is now, unwittingly, assuming.

Communists that they had forever renounced the imperialism of the Tsars, a number of documents were published from the archives of the old régime revealing the secret discussions which had from time to time taken place in St Petersburg about ways and means of seizing Constantinople and the shores of the Bosphorus by a *coup de main*. Among these projects was the Nelidov Plan of 1896, which was provisionally approved by the Tsar and the War and Navy Ministers and of which the American historian, Professor S. B. Fay, writes:

Nelidov's plan was to dispatch suddenly 30,000 troops on warships and transports from Odessa to the Upper Bosphorus and land them to seize control of the Straits before England or any of the other Great Powers could prevent the filibustering expedition. Europe would be faced with a *fait accompli*. . . . But when the plan was further studied by the military and naval authorities, it appeared that, even with the most secret precautions, it would be almost impossible to concentrate and dispatch a sufficiently large number of troops and transports without attracting the attention and opposition of England.

The cause for worry in those days was not, indeed, the resistance to be expected from the Turkish forces, but the prospect of counter-moves by other European Powers. Neither Britain nor France nor Austria nor Germany wished to see Russia in possession of Constantinople, and in their jealousy of Russian expansion lay Turkey's safety. The situation changed, however, in the years just before and during the First World War. In the cause of the coalition against Germany Russia was promised Constantinople and the Straits by her allies, and had

she remained in the war to the end, the "Eastern Question" would have been decided in her favour. But the Russian Revolution would have none of it; the Bolsheviks urged the Russian soldiers to go home and take the land of Russia instead of laying down their lives for Constantinople. This renunciation and the common interest of Russia and Nationalist Turkey after 1918 in opposing the ascendancy of the victorious Western Allies opened a period of Russo-Turkish friendship which lasted until 1939.

In 1939 everything changed again. Turkey had already aligned itself with Britain for security against Italian expansion in the Mediterranean, but had tried to safeguard the friendship with Russia by insisting that the Anglo-Turkish alliance should not be operative in any situation involving a clash with Russia. Russia, however, having embarked on the policy of dividing Eastern Europe into Russian and German spheres of influence by agreement with Germany, was determined to bring Turkey into the Russian sphere and exclude both German and Anglo-French influence. Mr Molotov used threatening language, which had an effect the opposite of what he desired; instead of submitting gracefully to superior power, the Turks simply reverted almost overnight to their traditional fear and distrust of Russia which had been for twenty years dormant. Russia was again the hereditary enemy coveting Istanbul and the Straits, and the determination not to allow a single Russian soldier within the gates was now stronger than ever before because of the intense patriotism generated by the Kemalist national revival. "No" was the first, and it has remained the last, word of Turkey to all Russian proposals for "joint defence" of the Bosphorus and the Dardanelles.

This attitude was the principal cause of Turkey's refusal to enter the war in 1943 or 1944—a refusal which caused the greatest annoyance to the British Government and to Mr Churchill in particular. The Turks realised that, if they provided airfields and rights of transit for British forces, they would have to grant the same facilities to the Russians as well, and with the example of Poland before their eyes, the Turks saw in neutrality the only hope of preserving their national sovereignty. Turkey did not declare war on Germany until February 23, 1945, when there were no longer any German forces in the eastern Balkans and there was, therefore, no pretext for any Allied Power to require the military use of Turkish territory.

Since the end of the German war, the Russo-Turkish war of nerves has continued and Turkey has kept its army on a war footing, with a legal state of siege in the area of the Straits. Russia has persisted in its demands for bases or "joint defence" in the Straits and has also added a territorial issue by claiming the cession to Soviet Armenia of the Kars-Ardahan district on Turkey's north-eastern frontier. For a nation as economically weak as Turkey to keep up a condition of preparedness for sudden attack over a period of years—it started with precautions against a German invasion in 1941—is obviously an almost intolerable strain and, if no other factor were involved, Turkey might in the end be forced to capitulate simply by inability to remain mobilised. But in recent months the Turks have been encouraged to hold on by the general trend of world affairs. The conflict between Russia and the Western Allies has been intensified and the prospect of a deal among the Big Three in the Yalta style at the expense of Turkey has diminished; by the middle of last year Ankara could be certain that neither Britain nor the United States was willing to see Russia in exclusive control of the Straits. Had relations among the Big Three remained otherwise harmonious after Yalta, the Western Powers might have accepted a Russian outpost on the Dardanelles. But in a situation of general political rivalry, a yielding on the question of the Straits would be too dangerous because of its further consequences. Russian supremacy in the Straits would not only mean a clear protected way for Russian warships into the Aegean; in view of Russia's relative naval weakness that is at present a minor consideration. But control of the Straits also means control of Istanbul, which, despite the transfer of the capital to Ankara, remains by far the largest city in Turkey and the principal port, and control of all communications between the Asiatic and European parts of the country. With such means of pressure, and with the discredit which would fall on the present regime and its foreign friends, if the Russian terms were accepted, Turkey, as a whole, would be quickly converted into a Russian satellite with a new anti-Western Government, and this would have profound effects both on Greece to the west and on the Arab countries to the south. Hence the Anglo-American opposition to Russian claims, which has been hardening during the past year. But in the Turkish view diplomatic support is not enough; as the Western Powers have their own interests at stake and are not merely approving morally of



Turkey's stand, they must share in the burden of Turkey's defence. Turkey, in other words, has been able to bring pressure on its supporters by the threat of its own collapse and, just before President Truman took the plunge, the warnings were becoming urgent.

The hundred million dollars lent to Turkey are to be applied with the aid and advice of an American military mission which arrived in Ankara in the fourth week of May, and, in addition to consultations with the Turkish General Staff, has been making local studies in all parts of the country, including the zone of the Soviet frontier. This is the closest approach of American power so far to the home territory of Russia and it is being made in a region which, it must be admitted, is of vital strategic importance to Russia. It is true that the rulers of Russia have only themselves to thank for the consequences of a policy of menace which has turned a friendly Turkey into an enemy; if they had only been content to let well alone, Turkey would today be a reliable buffer State covering Russia's southern approaches. For the Turks do not really want to have American officers organising their defence; their desire is simply to be independent, and it is only because they are threatened that they seek help from another Power. But now that matters have turned out as they have, can it be said that the danger has been diminished? Up to a point it can be argued that anything which strengthens Turkey's capacity for effective initial resistance to a sudden attack makes such an attack less likely. If it thought to be likely at all. It is the possibility of a lightning *fait accompli* which presents such a temptation to a powerful nation equipped with modern technical means of attack. We know from the documents containing Hitler's plans for war against Czechoslovakia in 1938 that he reckoned that, if a decisive break-through were achieved in four days, no intervention of third Powers need be expected, but that intervention was probable if the military decision were delayed. The Turks have been particularly afraid of airborne landings and, not having sufficient fighter aircraft defence, they have tried to provide against this danger by widely distributed garrisons;

NOTES OF THE WEEK

The Transport Bill in the Lords

The Parliamentary limelight this week has been turned on to the Committee stage of the Transport Bill in the House of Lords. The Bill is the major controversial measure of this Parliament, and the Conservatives can do what they like with it—in their own chamber. Considerable political interest was attached to the decisions that the Tory strategists would take, since they would shape the course of politics for some time to come. The second reading debate showed nothing, since the Tory peers all made speeches against the Bill but refused to throw it out bodily—as was obviously sensible. But in Committee the time for showing hands could be no longer averted. Would the Government be challenged to a real fight, which they might transfer to the hustings? Or would they merely be pleaded with to think again?

It is now clear that discretion is still accounted the better part of valour. It is true that three amendments have been carried against the Government, and it is further true that the points with which they dealt cannot be dismissed as minor. (Their substance is discussed in a Business Note on a later page.) But this is only a demonstration. The amendments will presumably not be agreed to by the Commons, and when they return to the Lords they will not be insisted upon. That the Opposition are not anxious to carry matters beyond a demonstration is shown by the fact that Lord Salisbury, the leader, did not support the fire-eater in his own ranks, Lord Balfour of Burleigh, and—perhaps more significantly—that he joined the Government in condemning as a wrecking amendment an attempt by Lord Beveridge, from the Liberal benches, to leave out all those parts that are concerned with road transport. The political significance of this is that Conservatives do not want to run any risk of a general election this year—but whether that is because they are afraid they would lose it or because they are afraid they would win it is another story.

an increase in Turkey's air strength would certainly make airborne invasion more hazardous and enable Turkey to relieve the economic strain by demobilising a number of troops.

Against this factor of reduced opportunity for a *Blitzkrieg* must be set the increase of tension due to the definite alignment of Turkey in the American camp and the military preparations under American direction in a region adjacent to Russian frontiers. From a Russian point of view Turkey is now an American strategic base. Turkey, however, has received no American guarantee of assistance in the event of war. Nobody knows how far the Truman Doctrine really goes, or whether Congress would regard an attack on Turkey as a *casus belli*. For that matter, nobody knows, or ever will know, whether President Roosevelt would in the end have got a declaration of war against Germany out of Congress if there had been no Pearl Harbour. The United States is committed to lending money to sustain Turkey's defence, but not to fighting for Turkey. The uncertainty may cause a number of different people to make different calculations with great risk to the peace of the world. Failing a genuine international organisation of security, mankind is safest when everyone knows clearly who will go to war for what.

The loan for Turkey would probably never have been approved by Congress if it had not been tied to the loan for Greece. Turkey was not, as Greece was, in the fight against Nazi aggression; it can hardly be claimed as a democracy—though the Republican People's Party no longer has a monopoly of political life and some development of party politics has recently been going on. Aid to Turkey is hard to justify except in terms of the "balance of power" which to all high-minded Americans is a wicked and immoral principle. These are factors which leave the Turks still uncertain about the prospect of getting actual military aid from the United States in the event of an armed clash with their mighty neighbour. They will have armaments such as they have never before possessed, but they know that their survival in war cannot be assured by their own efforts alone.

It would be wrong to take an attitude of lofty scorn towards their lordships' proceedings. The House of Lords is a most useful institution, as the proceedings on the Transport Bill are again demonstrating. The Government have accepted several imposing amendments—notably one to increase the size of the Transport Commission—which they refused in the Commons. And there is always the possibility that, being forced to think again by their defeats in the Lords, they might change their minds and accept some of the amendments that were carried against them. The Bill would be the better if they did.

No Equal Pay Yet

The reasons which Mr. Dakin gave for the Government's refusal to do more than accept the general principle of equal pay were most encouraging, for they revealed an appreciation of the dangers of further non-productive expenditure at a time when the nation is already committed to a programme of social services it is ill-equipped to bear. It appears that the Cabinet have really seen a red light ahead, for the vote of the party conference at Margate last month and the Labour Party's long-standing advocacy of equal pay were heavy weights in the scales for acceptance.

To reinforce his case the Chancellor rather over-emphasised the significance of the immediate costs to the Exchequer and to local ratepayers; £10 million for the Civil Service, £11 million for teachers, £3.5 million for other local government staffs are not crippling sums. But his analysis of the repercussions which would follow thereafter was interesting. The adoption of equal pay for women in the Forces would cost between £3 million and £6 million; the extension to industrial staffs in central and local government would increase the direct burden on the Exchequer and local rates yet further; the new public boards would follow suit, trailing in their wake the whole body of occupations and trades in private

industry, without any assurance that the consequential increase in costs would give any compensating increase in production. His most debatable argument against adoption, and one which will be hotly disputed, was that the married men with families would be left in a relatively worse position than any other section of the community, and that this would lead to applications for a system of occupational family allowances. This defence, if it is intended to do more than cover the immediate present, comes ill from an ex-member of the London School of Economics, which has been a pioneer in this field, and is barely more justifiable from the Chancellor of the Exchequer, whose direct responsibility it is that the income tax reliefs for children are still so small.

What was really surprising was the refusal to give any target date for the adoption of equal pay. The Cabinet obviously fear committing themselves in future circumstances which may be yet more difficult. They may be wise in this; but they must not expect to be popular.

The Appointed Day

Mr Attlee announced in the House of Commons this week that the appointed day, when the national insurance, national assistance and national health schemes will come into operation, will be July 5, 1948. It was originally suggested that the appointed day for the national insurance schemes would be January 1, 1948, and for the national health service April 1st. But the postponement is not unexpected. It is clearly better that the three main parts of social security—national insurance, national assistance and the health service—should be introduced on the same date. Much work has been done on setting up the machinery for the first and third. The appointment of the regional hospital boards and of the executive councils, which are to organise the general medical services, is expected in the near future. The local health authorities' plans for their health services have to be submitted by the late summer and autumn.

On the other hand, when it is considered what remains to be done, even July 5, 1948, seems optimistic. The administrative machine for the health service may be ready, but will there be the technicians—the doctors and nurses—to run it? There is already a breakdown in the hospital service in parts of the country because of a shortage of staff. Moreover, the second part of social security—national assistance—has not yet been given legislative form. Mr Attlee said that this would be given high priority in the next session, but it is to be hoped that this does not mean that the National Assistance Bill will be scamped. It should be given proper consideration even at the expense of postponing the appointed day for a few more months.

In a wider context, the choice of the appointed day is unfortunate. It will coincide with the end of the American loan—and, therefore, if imports of raw materials have to be cut, social security may begin with a million or two of unemployed. Prices will still be high—and the rates of benefit may be well below the cost of subsistence; already Mr Griffiths has foreshadowed an increase in supplementary pensions. It can indeed be argued that an economic crisis is the best possible justification for introducing a scheme of social security. In any case, the Labour Government is pledged to introduce it, and, with three years of its term of office gone by July, 1948, it would be politically difficult to postpone it any longer. What one does expect, however, is that Ministers will take every opportunity of bringing home to the people that social security has to be paid for and is not merely a means of soaking the rich; that they cannot ask for more of everything—houses, schools, hospitals, wages, pensions, leisure—and give still less in return. In short, they must be warned that they are workers first and beneficiaries second—or there will be no beneficiaries at all. Mr Dalton's statement on equal pay has given a good lead.

Ratification and Pacification?

Unless some entirely unforeseen hitch occurs at the last minute, the Peace Treaties with Italy and Germany's satellites will shortly be ratified and deposited by the signatory Powers in their "appropriate place"—the Quai d'Orsay for the Italian treaty and the Russian Foreign Office for the rest. Thus, in theory, peace is being restored to half a distracted continent and within ninety days Europe should echo to the retreating feet of the armies of occupation.

By an ironic paradox, however, it looks at present as though the ratification of the peace treaties is bringing with it not more

but less pacification. The reason is obvious enough. The bulk of the withdrawing armies will be Russian and they will be leaving countries in which they have failed to establish their influence by popular means. They therefore feel that they cannot rely upon local parliamentary majorities to give them governments reasonably accommodating, let alone friendly, to their point of view. At the same time, the twists and interpretations given to the Truman Doctrine in Europe by anti-Russian groups and, it must be admitted, sometimes by indiscreet American officials, have heightened the impression that the removal of Russian troops will be the signal for a determined effort to expel from office and influence all elements favourable to Russia. Thus in these last weeks which remain before evacuation the Russians are carrying on all over Eastern Europe a species of purge of any element which might be tempted at any time to become "an agent of American imperialism."

In Hungary the *coup* is apparently complete. A new government, led by a left-wing member of the Smallholders Party, Mr Dinnyes, but to a great extent under Communist domination, has been installed. The efforts of the British and the American Governments to secure evidence on the events which precipitated the crisis—the Russian accusation is that the then Prime Minister, Mr Nagy, was implicated in a plot against his own government—and to set up a Tripartite Commission of Enquiry have so far proved unavailing. The Russians deny that the affair comes within the province of the Control Commission since the evidence has been given solely to the Soviet military authorities. The Americans are countering this obstruction by proposals to submit the whole case to the United Nations. Meanwhile, in Budapest, the Communist leader, Mr Rakosi, has openly congratulated the workers on taking control in Hungary "before the United States could rub its eyes."

Purging the Opposition

The *coup d'état* in Hungary has brought the government more into line with those of its Eastern neighbours. Before the national elections in Rumania and Bulgaria last year, those countries were ruled by a coalition in which the Communists were dominant and the Peasants and the Socialists represented by a left-wing group—small in Bulgaria, perhaps a majority in Rumania. The elections, fought with a single Government list, virtually extinguished the Opposition, although it was conceded some vestigial freedoms. Now it seems that the elections for which Mr Dinnyes has called in Hungary will also be fought by a Government bloc and will equally mark the extinction of the opposition. But in Rumania and Bulgaria the purge of the opposition has already moved beyond this stage. Recently the Bulgarian Government suppressed both the newspapers of the opposition by means of a "spontaneous" printers' strike. Last week, this move was followed by the arrest of the leader of the opposition, the Bulgarian Agrarian, Nikola Petkov. Mr George Dimitrov, the Prime Minister, questioned by the British on the fate of the arrested man, advised them to await the verdict of the courts.

In Rumania the same tightening up of control seems to be in process. In recent weeks, the arrests of opposition leaders have been intensified and some of them, imprisoned in the Pitesti gaol, have managed to get messages of protest to the British and American missions. Unhappily there is also evidence to suggest that new tension is breaking the comparative political peace enjoyed by Poland in recent months since the success of the general amnesty. A group of right-wing members of the Polish Socialist Party—the wing which supported Mr Arciszewski in London and has held aloof from the new Government—have been arrested for "terrorist activities." This move is not necessarily a direct attack upon the position of the Socialists in the Government—a position that has been greatly strengthened by the strong personality of the Socialist Prime Minister, Mr Cyrankiewicz, but it is certainly a determined effort to root out anyone who might conceivably become an "American agent." At the same time it may be a warning to the Socialists not to presume too much on their enhanced prestige and the undoubted unpopularity of the Communists.

Finally, in the no-man's-land of Europe, the struggle between the Titans is directly engaged. The Austrian Communists hint that Russia will not sign a treaty with a "Western" government and demand representation in the Cabinet as a condition of further Russian willingness to discuss the peace treaty. The Austrians so need a treaty and so ache to be rid of the occupation that the Government is reported to have considered on what terms the Communists might be admitted. The reaction in the United

States, however, has correspondingly stiffened. If the prelude to the removal of Russian troops is the setting up of satellite governments, the United States is prepared to remain. Thus the unhappy Austrians face a situation in which the terms which will induce one Great Power to go will lead the other to decide to stay.

Preparing for Partition

After the long period of tension and uncertainty the decision to divide India on the lines of the British Government plan has brought about for the time being a sense of relief and relaxation of which the Viceroy has been seeking to take the fullest advantage by getting to work at once on the details of its practical execution. With the legislation to set up the two Indian Dominions due to be passed through Parliament before the middle of August, and power transferable to the new Governments any time after that, the Indian leaders are indeed being almost rushed off their feet by the wave of British withdrawal; almost possession is now to be theirs at once, and instead of end-less controversy over abstract ideals it is now a matter of carrying out an agreed plan in proper administrative order in the shortest possible time. This is a healthy condition of affairs, and so far there seems to have been no difficulty in setting up the "partition committee" of experts which the Viceroy has asked for as a referee on questions arising out of the partition scheme. The Bengal and Punjab Legislatures are being called together to do what is required of them under the plan, and the Governors of the North-West Frontier Province and Assam have been instructed to prepare for the referendum in their respective provinces.

The risk ahead is that, in spite of the acceptance of the plan by the major parties and the reassuring speeches made by their leaders after its announcement, fresh conflicts may arise in the course of the delicate operation of dividing India and cause communal warfare to boil up once more. The questions of the frontiers and of the control of the armed forces seem likely to be the two crucial issues, and in connection with both of them the Sikhs look like being an intractable element. The plan has on the whole met the claims of the Moslem League—though the League Council had formally to protest against the partition of the Punjab and Bengal—and it is accepted by Congress leaders as the only workable solution in view of the strength of Moslem opposition to Indian political unity. But the Sikhs come off badly from a partition of the Punjab, for any line drawn by census figures would leave a large number of them on the Pakistan side of the frontier and cut their community into two parts. The Sikhs have made their acceptance of the plan conditional on a satisfactory frontier, and they may be expected to demand one much farther to the west than the Moslems will be ready to concede. Lahore is reported to be the one place in India where tension is unrelaxed, and, if there is to be trouble during the next few months, it is the most likely storm-centre.

Labour Party Liaison

Any measures which can be taken to improve the contact between the rank and file of the Parliamentary Labour Party and the Government will be welcomed, and probably not least by

Ministers. Hitherto it has been difficult for them to gauge whether criticisms and proposals on policy came from pressure groups within the party or whether they in fact represented the views of a wider section of opinion. The proposals put forward by the Liaison Committee, which consists of three members of the Government and three of the Party, would substitute an area grouping of MPs for the narrow specialist groups which have hitherto been responsible for discussing policy. If these proposals are adopted, which seems certain, there would be nine and eventually eleven of these area groups, which would have the opportunity of discussing policy with the Liaison Committee and with the appropriate members of the Government, before the issue was thrashed out at a full meeting of the Parliamentary Party. The specialist groups would continue—and it is desirable that they should—but would be mainly concerned with working out longer-term aspects of policy rather than the day-to-day issues.

The Liaison Committee in its report quite rightly points out that differences of opinion are healthy, and that at all costs the Party must avoid setting up rigid machinery which would clamp down criticism. This is, of course, a perpetual danger in the Labour Party which, in spite of its large majority, is still somewhat addicted to heresy-hunting, and where there has been a tendency to give rewards to the "good boys" and leave the bad ones in the wilderness, irrespective of merit. The rebels and critics in the Party ranks have surely by now been sufficiently disciplined.

Postal Service

There was a short debate in the House of Commons on Friday of last week on the recent deterioration in the postal service. Both sides seemed to be agreed that there had been a deterioration, that the first-morning delivery is now later and the last evening collection now earlier; but the Assistant Postmaster-General asserted that it was necessary in order to save manpower and that it would do little harm. Ninety per cent of the correspondence, he said, was collected before 6.30 p.m., and, if so, would be delivered by the first post next morning. This may be so, though it is a generalisation to which there seems to be an increasing number of exceptions. Moreover, the suppression of all afternoon deliveries (except in Central London) increases the risk that, if a letter does miss the first delivery, it will have to wait until next day. The suppression of all collections after 6.30 p.m. (except at head post-offices), and the apparent intention never to restore a late-night collection—on the ground that people ought not to sit up at night writing letters—is even more serious. If the first delivery arrives after people have left their homes for work and the last collection is taken before they return, it becomes impossible for ordinary working people to deal with their private correspondence by return of post.

The debate was, by tacit agreement, confined to the letter post. But there is another aspect of the postal services which is of closer interest to *The Economist*. Many thousand copies of this journal are dispatched by post every week. They are taken, franked and sorted, to the GPO at Mount Pleasant before 5 pm every Friday evening. In the past, and even during the war (except for a few occasions when services were disrupted by the blitz), this provided plenty of time for the copies to be delivered all over England by the first post on Saturday, and in Scotland later in the day.



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But not now. Week by week, many copies are not delivered even in London until Monday, and in a town only 50 miles from London it is now the rare exception for copies to arrive before the week-end. We have naturally drawn the attention of the Post Office to the delays, but they are either unwilling or unable to put them right. Whether or not Mr Burke's boasts about the letter post are true (and they were very carefully qualified boasts), there is no room for doubt that the efficiency of the postal distribution of periodicals is disastrously lower at the present time than ever before.

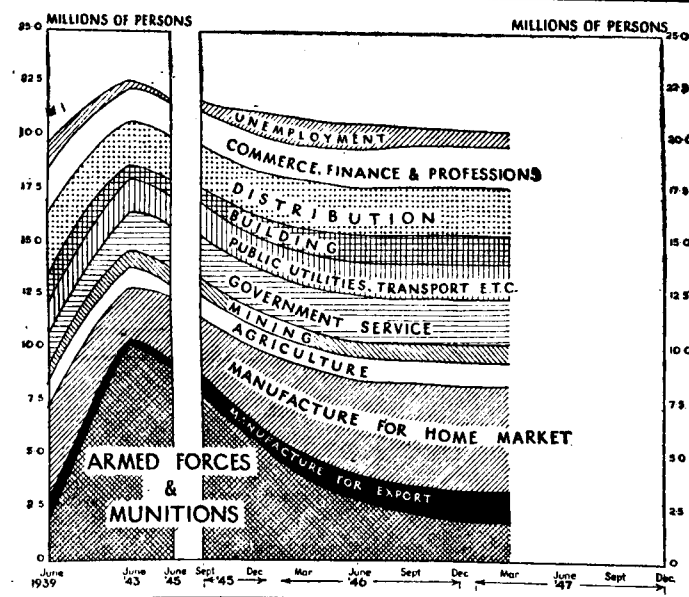
None of those who know why this deterioration in efficiency has occurred—not during the war, but two years after the war ended—seem to be very anxious to give a candid explanation. At one time the fuel crisis was the excuse; now it is the need to reduce the Civil Service, though enthusiasm in that cause is not very noticeable elsewhere. The truth is, as Mr Burke should have been man enough to admit, that the Postmaster-General is beating a steady retreat before the demands of the Union of Post Office Workers, whose objectives are a 40-hour week and no night work if it can possibly be avoided. The union, of course, is fully entitled to make such claims—that is its reason for existence. But it would be less hypocritical of the Assistant Postmaster-General if he abandoned the pretence that the public interest is being defended against these claims. In the present combination of trade union government and full employment, the public interest is defenceless, and the Post Office is being run in the interests of its staff rather than for the service of the public. That will change later, when circumstances change; but that it is so at present hardly admits of doubt.

* * *

Manpower Trends to 1951

The Ministry of Labour is to be congratulated on its boldness in publishing an analysis of the nation's manpower trends over the next four years. Such an estimate forms an essential background to any economic planning, and if the planners are serious they will certainly pay attention to the article on manpower in the current *Ministry of Labour Gazette*, and be warned by it.

The two salient, and disturbing, features of the article are, first, the decline in the younger age groups of the working population, and, secondly, the lack of balance between the sexes (also referred to in a Letter to the Editor on page 934). Between the end of 1946 and the end of 1951 the number of men in the age groups 15-39 will decline by over 400,000, whereas the number of men between 40 and 65 will increase by 470,000. The number of women between 15 and 39 will drop by 490,000, and the numbers



from 40 to 59 will increase by just under 300,000. The number of young workers under 20 will drop by 219,000. These trends are shown in the accompanying table.

The figures given in it refer to the population of working age. The article also estimates what proportions of these will be available for employment (excluding private domestic service), and its forecasts lead to the conclusion that the total actual working population will fall by just under 100,000 by the end of 1951. The proportion of women, on the other hand, will fall

from 28.4 per cent at the end of 1946 to 26.8 per cent at the end of 1951.

(000's)			
Age Group	End-1946	End-1948	End-1951
15-39	8,986	Men 8,820	8,585
40-64	6,976	7,145	7,445
15-39	9,044	Women 8,845	8,555
40-59	6,653	6,775	6,950
15-39	18,030	Total 17,665	17,140
40-64/59	13,629	13,920	14,395

The conclusions to be drawn from these forecasts are thus plain. Industry can rely on a sufficient supply neither of juvenile workers nor of women workers in the productive age-groups. This means that many of the processes in manufacturing industry hitherto regarded as women's work will have to be performed by men. It may lead to a natural revision of the relationship between men's and women's wages, for the scarcity of female labour may have the effect of levelling up the women's rates to the men's.

The diagram in the first column shows the distribution of the working population at the end of March, 1947.

* * *

Germans in Conference

When Dr Hans Ehard, Minister-President of Bavaria, took the independent step of inviting the heads of all the German states to a conference in Munich, his initiative at least carried with it the hope that the German leaders might react against their continued vivisection. It was reasonable to think that the German people themselves, until two years ago a genuine unified historical community, could not possibly be as divided as their victors have made them, and that from a conference representative of the most responsible Germans in all zones, some voice speaking for reconciliation and for fundamental unity beneath all local differences might have been raised.

In fact, the German delegates reflected to an almost fantastic degree the attitude of their Allied Military Governments. The mimicry was most marked in the case of the "Russian" delegation, which withdrew from the conference completely when the other delegates refused to discuss a programme, drawn up by the Socialist Unity Party, demanding the centralisation of government, of economic activities, of the political parties and the trade unions. And on their withdrawal, the Germans from the East attacked their colleagues in terms taken directly from Moscow radio—as "jackals of American imperialism" and "tools of Western finance capital."

The "French" delegates, permitted to attend as observers, were as non-committal as their French masters on the question of Germany's future in the wider sense. And, although the Prime Ministers from the British and American Zones showed rather more independence and infinitely more dignity, they, too, seemed to conform to a pattern of policy laid down for them from above. Why, for instance, did they refuse to discuss the question of a centralised political regime? It is true that the Germans from the East presented it in provocative form. It is also true that the "French" Germans might have gone home, had it been discussed. But in any event the Germans from the Russian Zone departed, so little was gained. Yet the conference would have gained greatly by an inter-German discussion of the issue of centralisation versus federalism—an issue upon which Germans everywhere are known to be divided. If it is argued that such a discussion might have been contrary to the Anglo-American policy of support for federalism, it follows either that the "Western" Prime Ministers were following instructions in refusing to discuss the issue or are so conditioned to obedience that they simply accept their Governors' views on this point. In either case, even if the discussions had taken place, little would have come of them. Even the establishment of a permanent liaison committee between the Zones is probably still too ambitious. But at least the conference would have offered the world some evidence of a German community—a *pays réel*—existing beneath the divisions established and perpetuated by the victors. Compared with this failure, the resolutions actually passed by the Prime Ministers from the Western Zones are of minor importance. They are sensible in their demands, for a higher level of industry, more food, better opportunities for trade. But they could have been passed by any town council. It is the evidence of emerging states-

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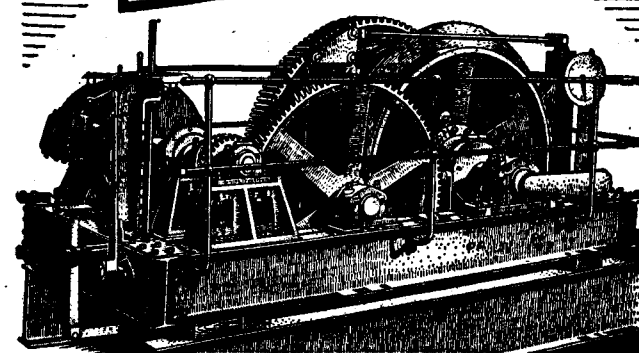
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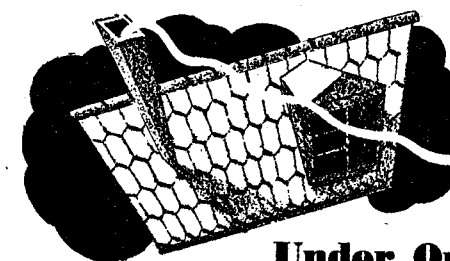
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manship on the part of the Germans themselves that was chiefly lacking at Munich.

* * *

German Rations and Allied Plans

In a press conference at Bad Salzungen on June 9th Sir Sholto Douglas told the Germans that there can be no prospect of better rations in Germany until the German harvest begins to come in. At the moment, the zones rely almost entirely upon imports and while enough grain has been secured for June, the July allocation is more doubtful. The press conference, at which both Sir Sholto and the Chief of the Food and Agriculture Division in the Control Commission spoke of the poor prospects for food, appears to have been conducted on a note of marked austerity and its sombre tone contrasted rather oddly with the conversations which had taken place a few days before between Lord Pakenham and the Minister of Food for the State of North Rhine-Westphalia, Herr Luebke. In these talks, Herr Luebke outlined a plan for an import programme which in the light of the threatening world food shortage is little short of fantastic. Besides suggesting increased imports of bread grains to build up stocks, the German Food Minister also asked for an increased allocation of maize to build up the pig industry and increase the fat ration. Admittedly in a normal world such proposals would be moderate. But the food situation is highly abnormal and one wonders with some anxiety what Lord Pakenham said to make Herr Luebke feel after his talks that "the ice had broken a little." If so, then Sir Sholto Douglas very quickly froze it over again a few days later.

But the lack of co-ordination between different branches of Military Government which these events suggest is not the only disturbing feature of the present situation. The ration to-day is no better than it was a year ago. Are the right decisions being taken now to ensure that it will be better in a year's time? Has the machinery been overhauled? Have all failures not due directly to the world shortage been eliminated? One or two points suggest that there is still much to be done. In the first place, the statement that the allocation of 400,000 tons of grain for July will arrive "with luck" suggests that improvements both in procurements and in control of the pipe line must still be sought. Insufficient oversight over the flow of supplies has long been a bad feature of Military Government. Apparently it is not yet remedied. A second point—is a policy which aims at securing "the average calorific value of the ration over the whole area" the most advisable at present? The needs of country towns and great towns vary tremendously. A policy of concentrating on the Ruhr and seeing that the stocks for the eight or nine great industrial centres never ran out might give better results, especially in terms of coal output which—at 211,500 tons a day—is still running well below its peak. Again, one may ask why it is only now that a new move is being made to strengthen both the inducements and the penalties of the farming community. Finally, it is relevant to ask by what failure in public relations has Herr Luebke, a responsible Minister, acquired so little knowledge of the world food situation that he could, with perfect seriousness, produce an utterly unreal plan.

* * *

Tickets for Tokyo

On August 15th Japan is again to be open to private foreign trade. The enterprising merchant will now once more be permitted to penetrate the seclusion of this forbidden country and even, with the blessing of the Supreme Commander of the Allied Powers, to dream of indulging the profit motive. But the obstacles in his way will be as many as the dragons confronting the hopeful knight-errant in a medieval romance. To begin with, the number of aspirants will be limited; there will only be accommodation and food supplies for 400, and the Inter-Allied Trade Board in Washington will have to distribute places among Allied nations, so that the would-be merchant must presumably first of all get on to a priority list of his own Government. If he is selected and can reach Japan, he will then be faced with the problem that the yen has no foreign exchange rates. Prices in dollars are to be fixed for various commodities by Allied Headquarters, but sales may be in "any acceptable currency." Transactions in sterling will presumably be in sterling prices fixed from the official dollar-sterling rate, and similarly with francs and other currencies, but what Japanese business men will think of the relative values of different currencies will presumably be reflected in the degree of their willingness to be paid in them at the con-

trolled prices. After the deals have been made they have to be confirmed by both the Japanese Government and Allied Headquarters, so that the merchant will never be sure whether he is wasting his time or not until the last form has been dealt with by the officials concerned. However, if none of these difficulties daunts the trader, there are said to be quite a number of products which Japan now has available for export ranging from paper, clocks and surgical instruments to dried mushrooms, chestnuts and tinned vegetables. As for what Japan wants to buy, it is almost any kind of raw material, but there may also be a certain market for manufactures and for capital goods to restore industrial capacity. There does not seem to be any economic reason why there should not be a considerable trade between this country and Japan, but if the conditions of commerce are to remain as now laid down, a business trip to Japan will be almost as much of a hazard as it was in the time of Queen Elizabeth. Perhaps the title of "Merchant Adventurer" might be revived and conferred by the Board of Trade on business men who have deserved well of their country in such voyages.

* * *

Foreign Service Recruits

The analysis of the educational background of the new recruits to the foreign service, given by Mr Bevin in answer to a parliamentary question last week, gives surprisingly strong confirmation of the superiority of the upbringing still available in the much-abused public schools. However people may rail against the class privileges and unfair opportunities of those who enter these gilded portals, and who then gravitate almost without conscious choice to Oxford and Cambridge, their outstanding success in the foreign service reconstruction examinations cannot be attributed to bias on the part of the examiners. The results must, indeed, be embarrassing to Mr. Bevin, whose preferences were all the other way. But no one who has any first-hand knowledge of the post-war system of civil service examinations, nor of the "house-party" tests, considers that there is any unfair prejudice in favour of the public school candidates. There is a high degree of correlation between the candidate's marks obtained in the written part of the examination, in which there could be no bias against the secondary school entrant, and those obtained in the personality tests at the house-party, and if, at the latter, ease of manner, vigour and initiative are highly marked, these are surely qualities which representatives of this country need abroad.

Of the 154 new recruits who have been admitted to the foreign service since the war 35 have been over 30 and 119 under 30 (as at August 2, 1945). Of the 119 only ten were not drawn from the services, so that there should have been ample opportunity for experience of life to counteract the theoretical advantages of an expensive education. Nevertheless, a few of the big public schools came out far ahead of the rest: Winchester has 14 successes; Eton 9, Rugby 6, Oundle and Stowe 4 each. The disparity is even more marked with the universities: Oxford produced 55 successful candidates, Cambridge 47, London 7, all the provincial universities together 2, and the Scottish and Dominion universities one each. Six successful candidates did not go to a university at all.

These figures show two things; first, how much upgrading of the other schools and universities there is still to do; and, secondly, how important it is that, meanwhile, the training of those who are selected from the present narrow circle should be designed to broaden their experience and to give them an understanding of other walks of life.

* * *

Hope for Lebanese Democracy

The curious boycott of the Lebanese Assembly by the Beirut press is worth watching. The editors of all the leading dailies have addressed a letter to the President of the Republic in which they bluntly attribute the Government victory in the elections last month to "falsification and fraud." Condemning the new Assembly as unrepresentative, they ask for its early dissolution. Meanwhile, they propose to stay away from the Assembly, refusing to report its proceedings and ignoring all acts proceeding from it. Only one newspaper of consequence, *Le Jour*, which is semi-official, has kept out of this protest, and even *Le Jour* had previously criticised the conduct of the elections.

Rigged elections are nothing new in the Middle East. Even in the relatively advanced Jewish community of Palestine voices

are regularly raised against the conduct of internal elections. What is new is that newspaper editors of all shades, of different Moslem and Christian sects, should be able to unite in such a dramatic demonstration.

Since the Lebanon became independent more than two years ago, the people, unable any longer to blame the French for the endemic diseases of corruption, nepotism and absurdly over-staffed public services, have been growing more and more bitter against their own Government, which in its composition is as nationally representative and respectable as could be asked. Moreover high prices, low wages and maldistribution are still clear enough evidence of the Government's failure to cope with the continuing economic problem. President Bishara al-Khoury himself is accused of weakness.

Yet similar causes of discontent have existed for years in Egypt, and no such united protest is recorded. As for the press, it seems hardly conceivable that such an encouraging gesture of independence and solidarity should occur in any other Middle East country. But for all their aversion where the stranger is concerned, there is a certain sturdiness and freedom of spirit about the Lebanese. Their newspapers too are not owned by political parties, and they can look for readers in a population of which a far higher proportion is educated than elsewhere in the Arab East. Above all, it would be wrong to overlook the special local influence of the American University of Beirut—known affectionately throughout the Middle East as the AUB—with the generations of Lebanese whose social conscience it has laboured to awaken.

Obviously something must happen. Either the newspaper protest will peter out ineffectively, and the Lebanon will settle down to wait for its share of the transit royalties on the projected new American pipeline from Arabia, for the revenue from the proposed new international airport, and for such development schemes as may emerge from the economic survey of the country now being carried out for the Government by a British firm. Or the President may capitulate to a press which seems to have the people behind it. In either case the crisis must continue: but in the latter there would be hope of the Lebanon's being the first Middle Eastern country to meet social problems with thorough-going social remedies.

* * *

Dinner is Served

Last week an innkeeper of Epping was convicted and fined at Epping Quarter Sessions for the old common law offence of failing to provide, without reasonable excuse, a suitable meal at a suitable price for a traveller who presented himself at his doors for lunch. The excuse offered by the innkeeper was the fact that all his tables for lunch that day were booked and as a result his allocation of food for that meal was exhausted. The Chairman of the Sessions held, as he was bound to do under common law, that the excuse was inadequate.

The common law draws a distinction between innkeepers and restaurant keepers. The innkeeper has certain liabilities which flow from his status. The restaurant keeper has freedom to contract with whom he will. The case is a nice illustration of the inevitable conflict that arises when the law of one day is carried forward unchanged into a different age—when a country progresses from an era of unlimited local supplies of food into one of state ration books and state regulation of even the most elementary needs. The only person to-day who corresponds to the traveller of the centuries when the common law was established is the man or woman on a walking tour. The *bona fide* traveller of 1947 has the resources of post and telephone to safeguard his comfort in advance and the facilities of railway, motor or cycle to transport him further if he ends up in an area of local shortage.

To suggest that every innkeeper should be given additional food supplies to enable him to avoid the fate of his Epping colleague would conflict with current notions of social justice, which frown on the giving of privileges to those with the facilities to seek them out and the money to pay for them. Yet all the arguments are not on one side. The innkeeper who sells service with his wine list and gives a bare and surly minimum with the food is not unknown. Again, from a practical point of view, an hotel licence is usually more profitable to its holder than is a restaurant licence. People do not become common innkeepers purely from a well developed sense of social service. Perhaps the only satisfactory advice to give any traveller to-day is that based on the old copybook maxim: Punctuality for meals is not only the politeness of princes; it is also the best remedy against day or night starvation.

Cambridge Women Triumph

Time and not tear-gas has won the final victory of the women of Cambridge University; and now only the processes of Royal approval and technical adjustment lie between them and full equality with the men as members of the university. It has been a long battle, fought tumultuously in its early stages, but with severe restraint in the nineteen thirties and with a Fabian caution at the last. In fact, this much heralded event is taking place practically unnoticed, and almost unopposed. Time has worked its slow processes upon the men, and the women have been content to wait.

A charming commentary on this event has been given fortuitously in a book* by Mrs. Keynes, mother of the late Lord Keynes, which has just been published. A vivid contemporary description of the crowded Senate House, where the voting took place in 1881 to allow women to sit as of right, instead of by courtesy, for the Tripos examination, ends with the following quotation: "When women get degrees, it will be nothing to this, we all feel it is the great crisis in the history of women's Colleges." How right this was. In 1921 the battle was still on; the streets of Cambridge were packed with the ancient denizens of country parsonages who came to vote against admitting women to membership of the university and to a place in its government, and were only prepared to grant them titular degrees. In the early nineteen thirties the women's representatives decided that time was on their side and that a violent campaign would only do their cause disservice. And so in 1947 the pendulum has swung right over, and the syndicate appointed to consider the status of the women has recommended that they should be given full equality except in holding the offices of Proctor or Esquire Bedell, and in their numbers; the proportion of women to men is to be limited to one fifth.

Shorter Notes

Signor de Gasperi's first statement of policy to the Assembly underlined Italy's dependence upon American assistance. The Prime Minister suggested that for two or three years to come, dollar loans would be necessary and that this year's trade deficit alone makes a credit of 200 million dollars imperative. That the country at large shares Signor de Gasperi's conviction is suggested by an extraordinary *volte face* on the part of the Communists. A week ago they were railing at the Americans for dollar imperialism and capitalist exploitation. But on June 7th, the chief organ of the Communist Party, *L'Unita*, startled everyone by declaring that "Italy needs the solid help of the generous American nation."

* * *

The new interim cost of living index is to be based on prices on June 17th, which will be taken as 100. This announcement by Mr Isaacs in the House of Commons on Thursday was accompanied by the publication of a White Paper, setting out the basis on which the new index has been compiled. It represents an index of retail prices, weighted according to the pattern of 1937-8 expenditure, with extra allowance made for expenditure on such items as tobacco. The cost of living advisory committee will now start to work out the basis for a permanent index, but it will clearly be some time before conditions can be regarded as normal.

* * *

In anticipation of yesterday's debate in the Commons on the Northern Ireland Bill, the Government of Northern Ireland last Monday published a pamphlet setting out the Government's case for its retention of the unusual powers given to it by the Civil Authorities (Special Powers) Act. The pamphlet contains an account of IRA activities during the 26 years the Government has been established, accompanied by nine full-page photographs of collections of small arms and small arms ammunition seized by the Northern Ireland police during the course of raids on houses in Belfast (the latest date of a raid given is November, 1943).

* * *

If yet further proof was needed of the prestige of university education the most recent report of the Building Apprenticeship and Training Council (HMSO 1s.) would give it. According to it the nation requires university-trained builders, who are apparently to be a breed of super managers with a general knowledge of building techniques, a broad understanding of the social implications of their work and a B.Tech or Dip.Tech after their name. The nation certainly wants first-class managers in building concerns, but this highly vocational but unspecialist method of creating them appears to combine the limitations of technical training with the dangers of amateur status.

* "By-ways of Cambridge History." F. A. Keynes. Cambridge University Press. 157 pages. 7s. 6d.

Letters to the Editor

Bonus Issues

SIR,—I disagree with Mr Monroe and suggest that your withdrawal to Mr David Eccles's challenge was fully justified—and, incidentally, an example of journalism at its best.

When the difference between a continued holding and a sale of the bonus "issue" is considered, Mr Monroe's examples of apparent surtax "evasion" will surely be seen to be based on misunderstanding. Many shareholders continue to hold both the original shares and the bonus shares. In that case it matters nothing whether the bonus issue is in shares of the same class (equity shares) or in another class of share, or even in debentures. The shareholder still holds his original property, and the nomenclature in paper certificates having been increased, and the ability of the company to distribute accumulated profits having been reduced by the additional capitalisation.

To understand the fundamentals of the alleged surtax evasion it must be realised that any potential evasion arises not out of the bonus issue but out of events much earlier than the bonus issue. As any company withholds from distribution substantial profits which could otherwise have been distributed, so the shareholders gain in capital what they lose in income. If there should be surtax-liable shareholders, they inevitably gain—and whether there is later a bonus issue or not. The occasion of the bonus issue is no more than a publication of the accumulative effect of a socially desirable under-distribution and the consequent adjustment in nomenclature.

I submit that for the above fundamental reasons Mr Monroe's contention is wrong in general. Let us, however, take the particular case, and suppose that the shareholder does sell the whole or part of his new pieces of paper. Mr Monroe admits that if the issue is in shares of the same class the sale is no more than a sale of a corresponding proportion of his original holding—a sale of a capital appreciation which he could turn into cash at any time and without the issue. He contends, however, that an issue in a different class of share which is paper with a printed heading "Preference Share," or "Debenture," is a simple "method of evading surtax."

Possibly the best way of exposing the underlying fallacy and to demonstrate the generality of the principle that a sale of part of a shareholder's property after a bonus issue is in essence no different from a sale before, is to liken the capitalisation of a company to a neapolitan ice, say, of white and red ice. In the bonus issue of which Mr Monroe approves, the ice lies with colours running horizontally. The ice is then cut vertically, and two helpings of half the size and each of red and white are made from the original double-sized ice. In the bonus issue of which he wishes us to disapprove, the ice is turned so that the colours run vertically, and the cut is made parallel to the lines of colour: there are again two helpings of half the size instead of one of double the size, but in this case one helping is red and the other white. The man who owned one big ice in both cases now has two smaller ones; if he sells either half he is doing no more than selling a part of what he originally owned—an action clearly as approvable in the second case as in the first.

Finally, Mr Monroe raises the further point that the debentures may be repaid within a few days. This is true, but is no more than saying that any repayment of capital to equity shareholders out of past profits may, to some shareholders, be surtax-free. After all, the Courts are not empowered to withhold sanction from a proposed partial repayment of the paid-up capital of equity shares by consideration of whether some shareholder may be a potential payer of surtax.

Let Mr Monroe tilt against accumulation of profits and against repayment of capital if he likes—these are the two fundamentals of any potential evasion—but let him admit that the bonus issue itself is never anything more than a fossilisation into the capital structure of profit balances until their distribution, and that it is the other two points—which are separate—which are the only relevant ones.—Yours faithfully,

I. J. PITMAN

House of Commons, Westminster

SIR,—Re your comments on bonus issues in connection with Mr David Eccles's letter in your May 10th issue.

I am not defending the tax on bonus issues nor suggesting that such issues are or ever have been used for the express

purpose of evading surtax, but surely the case quoted by you is the perfect example for proving that bonus issues do save surtax.

A holder of £100,000 stock receiving 5 per cent dividend and 5 per cent bonus in shares, is liable for surtax on £3,000, provided this is his only income. If, however, 10 per cent is distributed in dividends he would receive £10,000 gross, of which £8,000 become liable to surtax. This is the crux of the matter. Your references to selling bonus shares or reducing the original holding and thus keeping income steady seem to be beside the point.—Yours faithfully,

F. NEUBERGH

9 Bishopsgate, London, E.C.2

[The cases that Mr. Neubergh compares are not comparable. The cash equivalent of 5 per cent plus 5 per cent bonus would be 5½ per cent (i.e., 5 per cent plus one-twentieth thereof), not 10 per cent as he supposes. And the market valuation of a share paying 5½ per cent ought, in logic, to be almost exactly the same as that of a share paying 5 per cent plus 5 per cent share bonus. The only difference is that, with the bonus method, the shareholder has to wait a year for the extra ½ per cent. But that is not an evasion of surtax on income received, it is merely a slight postponement both of the income and of the tax liability.—EDITOR.]

The Use of Foreign Womanpower

SIR,—Your note on the use of womanpower tempts me to add my plea to those already made on behalf of the many women on the Continent who would come to this country and work well, if allowed to do so. You spoke in another paragraph of 10,000 voluntary workers who have been brought to this country from displaced persons' camps. Even if three-quarters of these are women, I cannot believe that 7,500 is more than a small proportion of those who would come from the Continent if a more active and liberal policy were followed.

The use of European women meets practically all the very real difficulties mentioned in your note and there is a point which I have not seen mentioned, namely that, probably for the first time in our history, the number of young men will shortly

From The Economist of 1847

June 12, 1847.

It is with reluctance that we commence a few observations on the proceedings of our Government in relation to Portugal before the pending debate, in which the conduct of Ministers will be fully explained and defended. But, if we would not be dumb on this interesting question, we have no alternative; and on such materials, therefore, as the published despatches and notorious facts supply us with, we must form our own judgment.

Up to a certain point, the intentions and acts of Her Majesty's Government were most honourable, considerate, just, and even kind. By what fatality they have been in the end brought to take such a decided part against the insurrectionists, the despatches do not inform us; at least we cannot believe that any apprehension of the present wretched Government of Spain interfering against the declared will of England could have led to such a result. It may have happened . . . that Lord Palmerston and his employees, full of the vast dignity and power of England, have formed a very weak opinion of the Portuguese in general, and thought it was only necessary to declare their will to the Junta, to make it immediately and thankfully adopt all their suggestions. Disappointed by the patriotic dignity of Das Antas and his friends, their pride got the better of their judgment, and they regarded the refusal to adopt the proposed conditions as an insult to themselves and Great Britain. We cannot enter into their views. Against the principle of interference with the internal affairs of other nations, our whole independent career as a nation, the jealous pride with which we have repudiated all such interference, is a strong and a durable protest. But to interfere in a quarrel between parties, and to take the side of a military revolution—the side of a faction, which sets aside the constitution, and makes the sovereign absolute for its own purposes—which suspends the freedom of the press, abrogates the jury laws, and destroys the privileges guaranteed to our own subjects, appears to us, in the Ministers of England, to be inexplicable and inexcusable.

exceed the number of young women. I do not know to what extent Dr Enid Charles's calculations should be modified to take account of the war, but the young people coming into the labour market did not fight and the sexes were affected equally. Dr Charles's "third estimate" gave, for 1950, 1,502,000 males and 1,476,000 females in the age group 20 to 24. This state of things continues throughout her tables for the more speculative years thereafter, while for 1935 the figures were 1,666,000 and 1,733,000 respectively.

The social consequences of there being more lads than lasses are bound to be great. A surplus of lasses has always been assumed. The vast majority of young men marry, and quite right too, and the absence of the surplus girls may mean not a shortage of young female labour, but its almost complete disappearance. The alternative would be the sacrifice of the first years of married life, so important to the young people themselves and to the community, to a short-sighted and illiberal immigration policy.

One of the errors of this period is the imputation of all our troubles to war causes. Many of these troubles are due to pre-war trends which were masked during the seven last years and are now making themselves felt with added momentum instead of gradually. Anyone who heeded the figures could have foreseen a grave shortage of labour in the occupations such as typing, nursing or light assembly work, for which a supply of young women is necessary.

There never was a clearer case than the present shortage of womanpower for a generous welcome to those willing and even longing to come.—Yours faithfully,

G. E. TOULMIN

Werrington House, Peterborough

University Progress

SIR,—Throughout your two recent articles on university policy there is one notable omission. It is assumed that the students for the expanded universities will be forthcoming, and there is no discussion of what, for students, is the major problem: grants. The Barlow report, quoting the Leybourne-White survey, estimates that "only about one in five of the boys and girls who have intelligence equal to that of the best half of the university students actually reach the universities." Finance is possibly not the only barrier to higher education, but it is undoubtedly the greatest. The Government has recently made generous increases in the amount and number of grants to students, but a consideration of the figures will show that these increases are not sufficient.

At present there are some 66,000 students at our universities. It is understood that over 35,000 awards have been made under the Further Education and Training scheme for ex-Servicemen, about 20,000 of them since last autumn. Compared with these figures, only 6,000 "normal" students will receive grants

Books and Publications

Eye Witness in Jugoslavia

"Partisan Picture." By Basil Davidson. Bedford Books. 18s.

MR BASIL DAVIDSON's book is the first eye-witness account by an Englishman of the Jugoslav war from the Partisan side. Read in conjunction with Rootham's account of the Chetnik movement, it gives an admirable picture of Jugoslavia. Part of the book is an account of the military and political struggle in Jugoslavia as a whole. Though not based on first-hand experience, and familiar to those who have studied Jugoslav affairs, it may be recommended to the public as a narrative of events inadequately known in Britain, and confused by the mass of ignorant or mischievous propaganda put out from various quarters. Mr Davidson's facts are as near the truth as can reasonably be expected in present conditions. Among points of detail which should be treated with reserve may be mentioned his oversimplified reference to the "coup d'état" of March 27, 1941, and some of his estimates of numbers engaged in the guerrilla war.

But the main value of the book lies in Mr Davidson's own experiences. Tito's forces were of two types. There were the regular units, "corps" and "divisions" numbering some thousands, with their staffs and headquarters, organised in a comparatively stable manner and located in "liberated territory."

annually from public funds after the new Government policy has come into operation. Clearly this is inadequate.

The National Union of Students advocates that as the ex-Servicemen students pass through the universities the money spent on FE and T grants should be allocated to "normal" grants, as a step towards the acceptance of the principle of grants for all students, with the corollary of entrance by merit on the basis of revised and co-ordinated tests. The popular conception of the poor student starving in a garret is still far too near the truth, and not until as a nation we recognise the principle of equal educational opportunity up to university level will our expanded universities be used to the best advantage.—Yours faithfully,

MARGARET RICHARDS, Secretary

National Union of Students, 3 Endsleigh Street, W.C.1

Dollars for Europe

SIR,—It would be inappropriate for an American to interpret Mr Marshall's recent address at Harvard or to suggest the proper shape and character of the European Plan which it was designed to evoke.

Two general observations may, however, be relevant:

1. The larger in scope, the more far-reaching in aim the plan is, the more likely is it to commend itself to the American people, and, in the last analysis, to the Congress;

2. Beneath the fluctuating views of Americans towards Europe is a deep and virtually universal conviction; namely, that Europe will never be stable and secure until it learns to operate, economically, at least, as a community.

These observations would suggest that Europeans might do well to match, in their planning, the largeness of Mr Marshall's offer.—Yours faithfully,

W. W. ROSTOW

The Queen's College, Oxford

Scope for Import Cuts

SIR,—Your note to Mr Drabble's letter on expenditure by British tourists abroad is nonsense. We have been persuaded to accept the necessity of exporting (refraining from consuming) things that we need so that we may import (and consume) things we need more. To justify an effective import of luxury consumption on tourism in order to be able to export (and thus deny ourselves) the things we need is the export drive turned upside down and run mad.—Yours faithfully,

S. A. ff. DAKIN

Mulberry House, Chestnut Avenue, Guildford

[If exports to a soft currency area did in fact curtail the amount of supplies to hard currency countries, this would indeed be an unwise policy. But surely when hard currency areas are taking as much as they want of a certain type of goods, it may be good policy to sell the remainder to soft currency areas even for "tourist" sterling, if by so doing a future export market is secured.—EDITOR.]

THE ECONOMIST BY AIR

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It is a good story, well and simply told, and there are portraits of Yugoslav characters, which will give the general reader a better notion of that delightful and exasperating country than whole volumes of history and political polemics. Mr Davidson also happily avoids the turgid phrases of political jargon that ruin most writing on European, and especially East European affairs. He is free from the "mental ingrowing toe-nails" which poison even intelligent minds with absurd suspicions. He had served on a headquarters staff before he went on his operation, he knew that not all his superiors were reactionary or incompetent, that when much-needed aircraft did not arrive, this was usually due, not to the machinations of "pro-Fascist cliques," but to weather conditions over the Adriatic or competing claims from guerrillas in Thessaly or Aosta. And if he was not always able to make his Yugoslav friends understand this, one can only say that no man can be expected to perform miracles.

The last chapter consists of general observations on British policy in the Balkans. Mr Davidson seems at times too ready to assume that brave resistance and a determination to improve one's country's lot are a guarantee that improvements will really take place, and too inclined to identify Soviet policy with progress and British opposition to features of that policy with reactionary prejudice. But anyone who wishes seriously to study the real Europe of to-day should read this book, whatever his view of Mr Davidson's political opinions, for it vividly and accurately portrays a social background and a mental outlook which, with variations of detail, prevail over about half the continent, in the lands lying geographically and culturally between the West and Russia.

More Than Gusto?

"Inside USA." John Gunther. Harper Brothers. New York and London, 1947.

MR GUNTHER describes his book *Inside USA* as a "long circumnavigation of the greatest, craziest, most dangerous, least stable, most spectacular, least grown-up and most forceful and magnificent nation ever known," and the description is a good one. In 920 pages and 52 chapters, he conducts his readers at breakneck speed round the entire continent of America, talking, sometimes a little breathlessly, in their ear the whole way round. "That was Cleveland. Look, there's Mr Taft ('What cannot be explained in Taft are his majestic wrongheadedness, his Brob-dingnagian bad judgments'). Quick, take a look at Boulder Dam. Hello, Mr Stassen ('Just when you're really close to Harold, he trips you up'). Over there we are passing Reno—and 'for every three marriages in 1946, there was one divorce.' Now, take Kentucky—yes, 'the curse of Kentucky is backwoodism.' Well, if it isn't Mr LaGuardia (the 'not so little Flower'). So it streams on, stimulating, jumping from fact to generalisation and back again, packed with people and with entirely miscellaneous information, slangy, expressive, bursting with life, in itself a sort of epitome of the immense empire it attempts to coax and bash and bully into the strait jacket of a book.

Needless to say, it is great fun.

But is it anything more? It is after all an undertaking to read 920 packed pages (holding the book is a physical effort) and at the end of it the reader should be able to feel that out of the cloud of fact and description some clear outline, some sense of the whole had emerged. Mr Gunther is conscious of this need.

Every now and then he says, "Notice this trend. It will come up again," or "This point represents a phenomenon you will meet all over America." But it cannot be said that the book altogether succeeds in this wider and more vital purpose. The final effect is one of entertaining confusion and the reader may know more about the Americans in detail, he may indeed have a better picture of their greatness, their craziness, their magnificence and their instability, but he still will not know, in the appropriate American phrase, "what makes them tick."

Mr Gunther promises a second volume, upon Washington (DC), Congress, Government, and nationwide politics. Here, no doubt, the broader statements and judgments will be laid down. But *Inside USA*, for all its gusto, would be a better book if one put down Volume One with some inkling of the broader perspectives promised in Volume Two.

A Frenchman in Berlin

"Souvenirs d'une ambassade à Berlin, Septembre 1931—Octobre 1938." A. François-Poncet, 1946. Flammarion, Paris. 195 francs.

M. FRANÇOIS-PONCET's book covers seven years of which neither Frenchman nor Germans (and, for that matter, neither Englishmen nor Americans) have reason to be proud. The Germans did almost everything within the power of a single nation to degrade and destroy Europe; the French did little to preserve it. The English went on trying obstinately to square the circle; the Americans just refused to face the technical and military consequences of a material progress to which they had largely contributed.

M. François-Poncet is concerned mainly with the *degringolade* of the German Reich. As French Ambassador at Berlin, he was in a favourable position to observe what was happening. He described to his Government very clearly what he saw; his book gives an equally clear picture, and indeed one may read it better as a history of National Socialism than as the record of an Ambassador's diplomacy. It is possible to infer a good deal from this discreet account of the French reaction to the growing German menace, but M. François-Poncet is almost too cautious. He was responsible for the execution and not for the formulation of policy, and thus has no reason to produce, like M. Bonnet, an *apologia*. He has nothing to hide and little to reveal, or, at all events, he does not produce any revelations. There are a few interesting points, e.g., Schwenin von Krosigk exclamation, "Gott sei dank" when he and other guests at a dinner party in the French Embassy were told that the Reichstag was on fire. There is also an interesting account of M. Lipski dropping out of the small dinners at which the French Ambassador and some of his colleagues met for the exchange of ideas and information. Or, again, M. François-Poncet tells that he asked Hitler more than once to add a footnote to the most virulent anti-French passages in *Mein Kampf* in order to explain that these passages were written under the influence of the French occupation of the Ruhr; "Hüter, tout en s'y prétendant disposé, ne voulut jamais s'y résoudre." In general, however, the book will appeal most to those who want a good, straight history of events in Germany between 1931 and 1938; a history written by a highly intelligent onlooker whose civilised disgust at the German reversion to barbarism does not distort his powers of observation.

AMERICAN SURVEY

80th Congress, First Session

(From Our US Editorial Staff)

TOM PAINE is rarely cited as a patron saint of the Republican Party. But the first Republican Congress in a decade and a half is now beginning to mark tentative adjournment dates on its calendar. And the legislative emphasis of its first session certainly underlines Citizen Paine's assertion that "Government, like dress, is the badge of lost innocence."

One Republican member puts it: "We came here pledged to make four reductions: in the budget, in the debt, in taxes, and in the power of labour unions to damage the national economy." (A further reduction was implicit in the Constitutional Amendment to limit the tenure of the Presidency to two terms, which Maine, appropriately, was the first State to ratify.) The amount of debt reduction that will be effected is still doubtful. Otherwise the Congress has made good on this pledge. Aside from the foreign affairs programme, which has had support from both parties, practically nothing more has been attempted; in the weeks that remain, the merger of the services and universal military training are the only important items besides appropriation bills, for which any consideration is now planned.

Two hotter potatoes could hardly have been handed to the President than the Tax and Labour Bills. With a Presidential election coming up next year, the general welfare is likely to be estimated—by both sides—in terms of votes in a particular column. At the time the Bills went to the White House, the impression was current that the President would veto the Tax Bill and might sign the Labour Bill. It was assumed that on balance, the average taxpayer's desire for relief could be outweighed by a message that would emphasise the proportionately greater relief afforded by the Bill in the upper income brackets, the danger of more inflation through release of new purchasing power and the desirability of saving future taxes by vigorous debt reduction when times are good. More dubiously, it was assumed that the general run of citizens who believe that something should be done about labour is a larger portion of the effective electorate than the organised workers. But the alternatives pressing upon Mr Truman were also recognised. A veto of the Tax Bill would almost certainly not be reversed by the necessary two-thirds vote in Congress, but it is probably too late for an alternative measure; that would mean no tax relief at all this year, and the Republicans would make it clear who was responsible. A veto of the Labour Bill would almost certainly be over-ridden. Then the Republicans would get the credit for its passage with the many electors of opinion that are strongly in favour of the Bill, particularly as toned down by the Senate. On the other hand, labour support will be crucially important to Mr Truman next year. In States with big electoral votes, such as New York and Illinois. For union leaders, the Bill is a symbol as well as a set of specific provisions. A veto, particularly coming just after Mr Wallace's not unsuccessful swing around the country, would increase the

likelihood of third-party activity in these States. In 1912, when the Progressives, with Theodore Roosevelt as their leader, broke off from the Republican Party, the Democrats got in. Next year, the Progressive Citizens of America, under Wallace, might reverse the process.

But while Mr Truman ponders these imponderables, the budgetary economies contained in some of the Appropriations Bills are giving the Republicans a few hot potatoes of their own. Reductions in the activities of the executive departments affect others than the despised bureaucrat. From its inception, the balance in the Republican Party between the industrial North East and the agricultural Middle West and Far West has been delicate. The recent slash in the Interior Department's funds for reclamation projects gave Far Western Republicans a slap in the face. (The Wool Bill was in part an effort to offer Rocky Mountain constituents a boon, in the best Hawley-Smoot tradition, to offset Republican disapproval of these public works.) Discontent moved to the Mississippi as comparable cuts in Department of Agriculture requests brought disgruntlement to the corn-hog area. After their brave show of economy-and-let-the-chips-fall-where-they-may, some Republican Congressmen will go home to find the chips on voters' shoulders.

In a broader constitutional aspect, the session has demonstrated rather strikingly how the Senate, with its staggered elections and longer terms, serves as a mitigating body, both in respect to the transfer of power from the outs to the ins, and in respect to sudden bursts of feeling through the country—as witness the story of the Labour Bill.

Both Houses have made considerable progress under the letter and the spirit of the Reorganisation Act. Business has been conducted under the reduced number of Standing Committees that the Act provided—only two additional Select Committees have been authorised in the Senate and three in the House. The number of standing sub-committees, is the same, but their work has shown more logic and less overlapping and grants about jurisdiction. Some progress has been made in improving the quality of the staffs serving these Congressional committees.

Less progress has been made on the Congressional side of the Employment Act, under which a joint Committee of the two Houses is required to file a report by May 1st of each year on the economic proposals made by the President on the advice of his Council of Economic Advisors. Mr Taft, chairman of this Committee, has been vastly occupied, particularly with the Labour Bill. So progress to date includes only the staffing of the Committee, the appointment of a sub-committee headed by the able new Senator from Vermont, Ralph Flanders, and the preparation of a questionnaire on which the work of circulation and compilation is being handled on a non-commercial basis by Dun & Bradstreet. The Committee has shown no tendency to take up the President's recommendations in related form; the concept of a legislative budget for economic measures, which was one of the basic features of the Act, is so far unrealised.

On the other hand, the Republican Policy Committee, established in the Senate under the Reorganisation Act, to take an overall view of the course of legislation, of which Mr Taft is

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also chairman, has functioned actively—especially in contrast to its Democratic counterpart—and survived certain problems of discipline.

A perennial question at adjournment time is, when will Congress come back? In theory, not until next January, and the leaders of the Republican majority have no other plans. But political speculators find reasons why the President might call a special session before the beginning of the winter. The necessity of a broad-gauge American programme for Western Europe is daily more apparent. The marginal nature of the Greco-Turkish programme has been commonly understood from the first. Appropriations of money by Congress play a central part in American foreign policy as it is developing. Before January, political and economic events in Europe may make clear to the country the cost of delay, which is already being counted at the operating level. Economic events in the United States may give business an interest in outlets abroad. And the members of both parties who want to maintain a bipartisan foreign policy may agree that 1947 is a better year than 1948 for consideration of difficult issues.

American Notes

Underwriting Europe?

Mr Marshall's speech at Harvard recommending the underwriting, by America, of a European plan of joint salvation, is an assurance that the issues raised by Mr Acheson will not prove to have been still-born. Whether the solution advocated by the State Department and supported by Mr Harold Stassen, Mr Walter Lippmann, Senator Fullbright, and others, will ever reach maturity is another matter. But only two other great debates in recent American history are comparable to the debate which is just beginning: that in 1919-1920 over whether the United States should join the League, and that in 1939-41 over whether the United States should take an active part in the war. The decision over economic aid to Europe in 1948 and 1949 is the economic counterpart of the political issues raised in America by the Versailles Treaty.

The considerations which may influence the decision in Congress are discussed elsewhere. So far only the friendly voices have been heard; the great issue is as yet, for the average Congressman, no issue at all. But one test is just ahead. President Truman has requested Congress three times, with a rising sense of urgency, to extend the import and export controls which are essential to the maintenance and effective distribution of American shipments abroad. At the end of March Congress could not make up its mind and postponed the distasteful decision until June 30th. Without further extension, it will become steadily more difficult to translate Europe's dwindling hoard of dollars into the goods so desperately needed. If Congress strains at this humble and necessary gnat, can it be expected to swallow the camel of an annual investment of some \$5 billion in Europe's future?

The project which Mr Marshall outlined can be acceptable only if supported by both parties. As yet Senator Vandenberg has given no clue to his attitude. To Republicans burdened both with international and party responsibilities, the dilemma must be acute. Not only is it unlikely that the device of a special session could successfully dispose of so controversial an issue before the brickbats of the Presidential campaign begin to fly, but the acrimonious exchange between Senator Taft and President Truman has already involved the foreign relief programme in the politics of domestic prices. The high cost of living is currently one of the sharpest issues between the parties: "Republican prices" the Democrats like to call them, resentfully remembering the dissolution of price control. Prices having obstinately refused to respond to the Republican recipe of freedom from bureaucratic control, Mr Taft would like to saddle the high cost of living on to the President's foreign policy and labour policy. Given continued full employment in the United States, the element of truth in Mr Taft's passing of the buck will hardly assist projects designed to maintain and even increase foreign purchasing power.

Truman v. Taft on Prices

Mr. Truman's insistence on the necessity for voluntary adjustments in industrial prices has now brought Senator Taft to the point where he is again willing to challenge the White House in terms of the unusually bitter antagonism which marked the 1946

controversy on the Price Control Act. A few days ago, Senator Taft remarked, somewhat sourly, that the President had "abandoned talk of keeping prices down in favour of heavy spending abroad that will keep them up." In his view, the only way to bring down prices was to reduce the demand for goods.

In reply, Mr Truman declared that, quite obviously, the \$400 million loan programme for Greece and Turkey was not designed to correct the price situation, but to bolster a corner of the world economy in desperate need, and to resist "totalitarian aggression." The Administration, he continued, fully recognised the danger of inflationary trends arising from foreign loans, and was therefore the more determined to "handle domestic problems with vigour and common sense." In a passage which served as an eloquent reminder that Senator Taft led the fight against price controls, the President observed that "business intelligence must take the place of government regulation" and that Senator Taft's cry for diminishing the level of effective demand was, in effect, a plea for depression as a cure for prosperity.

On the whole, this does not seem to be a particularly profitable level of controversy, and Mr Truman's selection of the quite sharp decline in food prices by comparison with those of other commodities (between the March, 1947, peaks and end-May food prices had come back 9 per cent, and all other commodities by one-tenth of one per cent only), is surely invalidated by his own recognition that, for very obvious reasons, the flexibility of farm prices can have no general reflection throughout industry.

On the other side, Senator Taft's eloquence from V-J Day onwards was scarcely directed towards price reduction through dwindling demand—if that be his current target—and the \$400 million loan proposals look very small by comparison with the \$4 billion tax cut which the Senate has just approved. The President's own vulnerable record in terms of price movements was detailed in *The Economist* of May 31st, but it may be worth repeating that the "moral drive" against price rigidities is not likely to carry very much weight. A significant item in the recent business pattern was the brave attempt made by traders in the small town of Newburyport to buttress demand by a general downward revision of retail price-lists. For this scheme, there was nation-wide publicity, and general commendation from the President downwards. The attempt was, nevertheless, a failure because the suppliers refused to co-operate and price cutting efforts were soon abandoned. Meanwhile, longer-term forces are still working for price revision. They include the high output of non-durable, and the steady rise in output of durable, goods; the heavy accumulation of stocks, and the growing productivity of labour. By the turn of the year, they may well have succeeded in ironing out some of the more obvious anomalies in the present price-structure.

Fairer Rates for the South

A grievance nearly as old as the Civil War was sustained, and, in part, redressed, on May 12th when the Supreme Court upheld an order of the Interstate Commerce Commission to adjust freight rates as between the East and the South and West. The South, and more recently, the West have always maintained that the freight rate structure organised from the industrial north-east was designed to keep them in a state of exploitation, colonies supplying raw materials to the industrial giant of the East, prevented from industrialising themselves almost as effectively as British laws in the colonial period forbade competitive American manufactures. The cause was taken up vigorously by Mr Arnall when he was governor of Georgia; it was fought by 9 States and 33 railroads.

The passionate belief in an Eastern "conspiracy" to stunt Southern and Western industry may somewhat over-dramatise the situation. Freight rates originally were higher in the South and West because distances were greater and traffic lighter. But the differentials have persisted long after the conditions that originally excused them have disappeared, and the North-East has never protested against the competitive advantage this entailed.

The aim of the South and West is a nation-wide equalisation of freight rates. This is still a long way from realisation, for America's freight rate pattern is a maze unravelled by very few, and the present order concerns only "class rates," that is, rates on manufactured and other high value goods. On these, the ICC can now put into effect the 10 per cent reduction in the South and West (though not in the Far West), and the 10 per cent increase in the East, which it originally ordered two years ago. These rates skim the cream of the traffic; bulk commodities and agricultural products are charged at other rates, as yet unaffected. The principle, has, however, been established. The Supreme Court upheld the ICC's contention that class rates were preju-

dicial to the economic development of the South and West. As an example, the ICC cited rates on cottonseed oil, which are 7 per cent higher from Southern to Official (north-eastern) territory than within Official territory. If the cottonseed oil is manufactured into margarine in the South, the discrepancy amounts to 33 per cent. This decision will give a new stimulus to the industrialisation of the South and West, which is already well under way and providing serious competition to the older industrial centres. An era of veiled colonialism is drawing toward its close.

Locking the Back Door in South America

The decision to welcome back the prodigal Péron ends a long drawn out and unhappy episode in Pan-American relations. The attempt to oust Péron had patently failed; the displeasure of the United States was proving an aid, rather than a hindrance, to Argentine efforts to forge an economic and political block among the South American States. Against this background, the Service view has prevailed that it is urgent to lock the back door of the United States against potential aggressors. The announcement that Argentine compliance in ousting known Nazis had reached a degree sufficient to warrant the holding of the Rio Conference has followed hard on the President's renewed request to Congress for approval of the project of standardising and distributing surplus American arms throughout the Americas. Once the decision had been taken, the caste of characters changed with dazzling swiftness. The President accepted the resignation of Mr Braden, who has consistently advocated a tough policy towards the Argentine and opposed the distribution of American military largesse south of the border. He is succeeded at the State Department by Mr Norman Armour, who will enjoy a wider field of activity. With the success of the mission he pressed so ardently, Mr Messersmith, the Ambassador to the Argentine, has also resigned.

These are moves which will be pleasing to many Republicans and in particular to Senator Vandenberg, who has long made it clear that his party's support for the foreign policy of the Administration did not extend to South American affairs. They are calculated to appease the Republicans at a time when bi-partisan support is more necessary than ever to Mr Marshall and becoming progressively more difficult to secure.

Yet the realisation that the "normalisation" of relations with

the Argentine was the only practical course has not made the pill any sweeter to many Americans. That the fatted calf should be killed for the Argentine at the precise moment when the Péron family is re-introducing the Fascist salute to Europe, poses very sharply the distasteful possibilities of the Truman Doctrine. For although the proposal to standardise and provide arms for the South American countries ante-dates the official proclamation of the Truman Doctrine, it is powered by the same fear of Communism. Even Mr Braden, who has so eloquently voiced the fear that the scheme will merely strengthen the strong by modernising the armies of South America, and foster an armaments race, has testified this week that Communism is a much greater danger than Fascism in those countries. Thoughtful critics in the United States are concerned that the constructive, as well as the negative, aspects of the Truman Doctrine should be applied to Latin America, where it is so pitifully clear that the best defence against Communism is the full dinner-pail.

ITO and Farm Prices

The recent approach of Chicago wheat futures to within a very narrow margin of all-time records was in itself a salutary reminder of the imponderable forces governing farm prices. The record grain crops harvested throughout North America last year were then very widely regarded as marking the close of the post-war farm boom, and early this year the Bureau of Agricultural Economy insisted upon the probability of a very sharp decline in farm cash incomes for 1947. Altogether, reports from the corn and wheat belts still suggest bumper crops, but over the last week or so there has been a significant stress on damage brought by heavy rains to feed crops. With so much of the world still clamouring for every ton of food available, it is clearly quite premature to expect a major collapse in grain prices. Many US economists are suggesting that a domestic business downturn may be the first signal for a reversal of the farm price curve. It would, however, be very foolish to predict 1947-48 crop incomes with any precision for the next few weeks.

In the meantime, the Department of Agriculture has for long shown a growing concern with the established programme of "parity prices" for farm products. These price guarantees for



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PAN AMERICAN WORLD AIRWAYS

WINNER OF THE AVIATION SAFETY AWARD FOR 1946

major farm products continue automatically through 1948, and with this year's Congressional agenda fully booked, and with the Presidential campaign down for 1948, it looks as though neither party will at present agree to any basic revision of farm policy. It is true, of course, that possibly thousands of farmers' dislike particular features of the price-guarantee schedules. But altogether their interest is in bumper farm prices, and they have shown little inclination to resist near-term bounties which could, conceivably, wreck the farm economy over a longer period.

The Administration has new worries on hand, however, in the shape of the present Geneva negotiations on the charter for the International Trade Organisation. A special survey made by the Tariff Commission notes that the imposition of cotton import quotas might be technically permissible under the Charter because of current "surplus-removal" plans, but that "considerable friction" might follow if these plans were made the basis for import quotas. Export subsidies, again, "must be removed after a three-year interval, unless special permission is granted, or unless there is a failure to reach a wider agreement between world growers." The wheat position is held to be "much the same as that for cotton," while "tobacco exports could not again be subsidised unless a burdensome world surplus developed."

No specific comment is made on tariff rates, nor on the amazing variety of health and sanitary regulations by which the United States has frequently raised barriers more formidable, and not infrequently, even less justifiable, than simple import dues. The Tariff Commission's brief report, however, emphasises once again that all farm policy over the last twenty years has failed to solve the problem of the marginal producer, and that war conditions alone prevented the accumulation of surpluses on such a scale that the cost of carrying them might appal even a farm-dominated Senate. It remains to be said that, under present plans, ITO commodity schemes would seem to offer more than one device for cushioning the impact of world competition.

Democratic Come-back?

The jubilation with which the Republicans celebrated their famous victory in November has given way to something like alarm. The come-back of President Truman and the Democratic Party registered by the polls has been underlined by a scattering of elections. Mr Truman's popularity (tested by the question "Do you approve of the way he is handling his job?") now stands at 57 per cent, a decline of 3 points since March, but 25 per cent above October's low-point. The party-strength polls reveal the Republicans and Democrats running neck and neck, with 51 per cent of those questioned favouring the Democrats. On April 1st, in Chicago's mayoralty election, which one of the Republican strategists had unwisely prophesied would be the first important preliminary engagement of the 1948 campaign, the Democratic candidate, Mr Kennelly, defeated the Republican by a majority so large that, if repeated in 1948, it would make the whole of Illinois Democratic. In a Wisconsin by-election the Republican majority was whittled down from 29,061 to 847. Republican administrations in Charleston, West Virginia, and Baltimore have recently given way to Democratic control.

Not everything is going the Democrats' way. The big city machines on which the votes of New Jersey, New York, and Missouri hang are recovering with difficulty from the catastrophic beating they received last November. Mayor Hague has actually retired in Jersey City. In one corner of the State of Washington, a Wallace Democrat triumphed in the primaries over a Truman Democrat who supported the President's foreign policy, and kept the majority for the victorious Republican (who also supported the Truman Doctrine) down to 1,500. Mr Wallace's growing independence as his triumphal tour of the West unfolded is, indeed, the cloud the size of a man's hand on the Democratic horizon, holding as it does the possibility that the Democrats might lose just enough labour votes in the key states of New York and California to lose the Presidency in 1948.

Senator Aiken, a liberal Republican, wrote recently that in November the country put the Democrats out, rather than the Republicans in, and that consequently the burden of proof is still on the Republicans. Prices, which they argued would fall with the removal of the dead hand of bureaucracy, are higher than ever. Voters have tended to regard the achievements of Congress as disappointing and the pace slow. Economy in government—apart from the sheer wish-fulfilment of passing Bills cutting taxes—is hard to achieve without treading on voters' interests in the West and the agricultural districts, largely because of two hard facts: that the country has become accustomed to and dependent on the growing functions of government since 1932;

and that government, like private industry, has higher costs under inflation.

It is a key to the political mood of America that of the candidates in both parties it is Mr Truman, Governor Dewey, and Senator Vandenberg who are leading Senators Bricker and Taft, on the Right, and Mr Stassen and Mr Wallace on the Left, are almost equally out of the effective running. It is a mood which favours Mr Truman, who is not even that little way left of centre to which Mr Roosevelt once confessed. Can the President maintain that coveted central position, with the hardest tests in domestic and foreign affairs still ahead? At least his come-back makes him a competitor no Republican is now disposed to under-rate.

The Oil Pact Again

The Foreign Relations Committee of the Senate has at last agreed to provide time for debate on the Anglo-American petroleum agreement, though the support necessary for ratification of the treaty seems to be as uncertain as ever. The pact was signed in London as long ago as September, 1945, the subsequent delay having been due to the belief of an influential section of the domestic industry that the agreement is only an initial step in the formation of an organisation which would regulate American output as part of a world control programme.

Denials by the State Department have made very little headway, and opponents of the treaty are once again voicing their distrust of "cartel plans." The real struggle here, of course, is between the integrated and international units which can always be persuaded to abandon swings for roundabouts, and the smaller independent units whose prosperity is based simply on the domestic rate of operations. Even within the ranks of the big units, however, there is a continuing suspicion that the government is, in fact, determined upon much stronger regulatory powers in the longer run.

In the last few weeks, the opposition of the Independent Petroleum Association has been extremely clamorous, and the State Department has been accused of promoting a "flood of oil imports that will make it impossible for many producers to continue business." It is, of course, the declared policy of the Federal government to conserve domestic supplies by an expansion of imports, but the attitude of the independent operators is almost incredible in the light of the statistical position.

Crude oil output recently reached an all-time peak of 5 million barrels daily, while domestic demand, which averaged 5.3 million barrels through 1946, is now estimated at a minimum of 5.7 million barrels. The best statistical experts within the industry have recently predicted a curtailment of exports later this year, while industry has been warned that fuel oil shortages may actually force a curtailment in factory operations over wide areas. For a nation which has such prolific resources, the position is astonishing, but in addition to shortages of crude oil, refinery capacity has long been below commitments, and labour disputes have recently reduced the supply of refined and residual products.

The situation could change quite rapidly with a general business setback, for crude stocks are not unsatisfactory, and with prices at the highest since the 1920 boom, drilling and exploration work is at a very high level. Some abatement of present demand, however, would certainly not injure the domestic industry, and there is every indication that the long-term trend of consumption is still upwards.

Shorter Notes

The Senate and House have now both passed Bills extending Federal rent controls from June 30 to February 29, 1948. Both Bills contain the escape clause that 15 per cent increases in rents will be allowed where both tenants and landlords voluntarily agree. As the tenant's only alternative in many cases is to go homeless, his agreement, whether strictly "voluntary" or not, will usually be forthcoming. In effect the Bill is one for an increase of 15 per cent in rents, a concession sought by the landlords' lobby. The President has no choice but to accept the Bill, for a veto would simply mean that all controls would lapse on June 30th.

Mr Truman has appointed Mr Dwight P. Griswold, a former Republican Governor of Nebraska, to administer the Greek aid programme, and Mr Richard F. Allen to be field administrator of the \$350 million foreign relief fund recently approved by Congress. The appointment of Mr Griswold, a Republican, is laid in some circles to a desire to underline the bi-partisan support for the Greek programme. If this was the intention, the choice of one of Mr Stassen's backers was maladroit.

THE WORLD OVERSEAS

Interim Report on Geneva

(From Our Special Correspondent)

1. Tariff Bargaining

THE preparatory committee of the United Nations conference on Trade and Employment has now been in session for just over two months and there can be no denying the fact that the time-table is getting somewhat out of joint. The bilateral tariff negotiations, which should certainly have been virtually completed by the beginning of June, are still at a very early stage. The Americans, with ample staffs, have been making reasonably good progress with a number of smaller countries, and agreements with Brazil and the Lebanon are expected from day to day. But their negotiations with the Dominions have bogged down for the time being, largely due to the deadlock with Australia on the question of wool.

The negotiations on the American wool tariff were exclusively handled by the Australians, on the principle that each country only negotiates on a particular article with the country from which it obtains its largest imports of that commodity. This is intended to simplify the negotiations. The "principal supplier" can be relied upon to make the best case and obtain the best possible bargain for the article in question, and any concession obtained from the importing country will later be extended to all other suppliers through the most-favoured-nation clause.

It is, therefore, the Australians who have been fighting the battle on wool with the Americans. That battle will only be joined once more when Mr Clayton, head of the United States delegation, returns from Washington. The American delegation here is fully conscious of the damage done to the tariff negotiations and indeed to the whole foreign economic policy of the United States by the wool episode. Some of its members profess to believe that the Administration intends to take up the challenge of the wool bloc in Congress and argue that, if the Administration were to exercise its executive powers to reduce the duty on wool and challenge the Republicans to make this one of the issues at the 1948 elections, the Republicans would not be very happy. This issue should be decided soon and must be affected by the fate of the legislation now before Congress.

Of the other tariff negotiations it can be said that, in general, they are making fair progress. The American offers, barring always the case of wool, were more generous than most countries had expected, and a number of the recipients of these offers had to hasten to revise their own, which, by and large, were on the meagre side. This is, of course, as it should be. The United States entered into these negotiations with one of the highest tariffs in the world and it is the country which, by all criteria, should have the lowest. Most of the giving should thus come from America. But allowing for this fact, an appropriate response should be forthcoming from the other countries. The British demands on the United States amounted to nothing more nor less than an overall 50 per cent cut in the duties on all items under negotiation, i.e., the limit of present American concessions. The British offers, on the other hand, were not pitched in similar key: a few small reductions in tariffs, a very few offers for reduction and elimination of preference margins and, for the rest, an undertaking to "bind" margins of preference at their existing level. This collection has not made the best of impressions. In particular, the offer to bind margins of preference has not appeared to the countries to which it was made to have any negotiating value whatsoever since the British undertaking to eliminate preferences should leave no room whatever for the possibility of an increase in these margins and, therefore, should have left the maintenance of existing margins as the worst conceivable possibility, and not as something having any value as a *quid pro quo*. The Americans are thus somewhat hurt that the generosity of their initial offers should have been ignored in the fuss caused by their highly publicised attitude on wool.

Of the other negotiations it can be said that the French

have caused the greatest difficulty, owing largely to the chaotic muddle in which the French tariff structure has evolved. The new *ad valorem* rates are intended to allow for an adjustment of specific duties to the higher level of prices and for the protective element of import quotas which have been abolished or are due to disappear. In some cases the increased duties appear to do more than justice to these two factors. Moreover, the obvious and substantial overvaluation of the French franc makes the whole French tariff position one of extreme uncertainty.

The negotiations on preferences are dogged by the paradox that the party which is giving away the preferential margin is doing so at somebody else's expense. When the Americans, for example, ask for a reduction of the preference on canned fruit imported from Empire countries into Great Britain, the request is made to Britain but, if granted, will primarily hurt Australia. Before the request can be considered, there must, therefore, be some contact on this point between the Americans and the Australians to see what concession the former can make to the latter as a counterpart for this item in the Anglo-American deal. In this specific case the argument comes back immediately to wool. This example illustrates the fact that the tariff negotiations are a net-work of discussions even more complex than the pattern of some 120 bi-lateral deals with mutual concessions in each, rendered multilateral through the most-favoured-nation clause.

Though the time-table is not being adhered to, it can already be prophesied that the tariff negotiations will yield appreciable results. Even if the American tariff on wool is not reduced—and on this point it is too early to be pessimistic—the Geneva negotiations will achieve a definite reduction in the general level of tariffs and also in the margins of preferences. The key to this part of the negotiations must be the American attitude. Although the initial American offers are reasonably generous, they are not generous enough, given the comparatively high level at which American tariffs stood at the beginning of these negotiations and given the fact that in the present world it is America which must give. There is still too much evidence of American delegates having their eyes glued too anxiously and fearfully on the Tariff Commission to which all negotiated changes must be reported, of a minuteness of calculation to see that every American concession is fully matched by a concession from the other side. Yet not only must it be said that it is far too early to despair, but the progress achieved so far makes despair a wholly inappropriate sentiment. When the concessions already offered and accepted in the 91 sets of negotiations that have been initiated so far are given multilateral scope by the operation of the most-favoured-nation clause, it will be found that no previous comparable period in history has yielded such an abundant harvest of reduced obstacles to international trade.

2. The Charter Debate

THE reduced tempo of the tariff negotiations in Geneva has given more time to delegates to further the debate on the proposed Charter of the International Trade Organisation. The task has been entrusted to two commissions. These commissions, "A" and "B," give the chapters referred to them what might be termed a first reading and then submit points on which differences are revealed to sub-committees whose task it is to produce texts reconciling them. First readings have been given to chapter 3, dealing with employment, effective demand and productivity, to chapter 4, dealing with economic development and to chapter 6 dealing with restrictive business practices. The initial consideration of the crucial chapter 5, dealing with general commercial policy, has begun. So far, therefore, the most controversial topics have been avoided. But discussions of the other sections have revealed interesting points of difference and led to some important amendments.

The discussions on the employment chapter have revealed familiar differences. A number of delegations have consistently shown their dislike of its allegedly loose terminology. Amendments have been suggested and will probably be accepted which will stress the importance of productivity and will make clearer than at present the fact that the members of the ITO are committed to maintain not merely employment, but productive employment. But the main debate has centred on the safeguards for members subjected to external deflationary pressure. Some delegations argue for more urgent and positive action being provided in the event of deflationary pressures being exerted on members by the inability of others effectively to control their economies. There have been demands, first, for more automatic and immediate initiation of consultations by the ITO in such circumstances and, secondly, for the rights of members to take unilateral defensive action, provided it was notified to the ITO.

The fourth chapter on economic development has so far caused a greater outpouring of oratory than any other. This, in effect, gives the "under-developed" countries the right to avoid most of the provisions of the Charter on the ground that their more diversified development redounds to the general interest. Whatever they may lack in other respects, those countries have highly developed dialectical skill and vocal powers. They have stressed the basic character of both chapters 3 and 4 of the Charter and have urged that the obligations deriving from them must be regarded as equally binding with the obligations deriving from chapter 5 on commercial policy. The obligation it imposes must, they argue, be conditional on the attainment of the objectives of full employment, high demand and increasingly diversified economic development in all member countries. The most interesting aspect of the debate on this chapter has been the counter-attack made by the countries—notably by the United States—that would be expected to provide much of the capital from which this development would be financed. They have suggested that certain rules be set out for the treatment of foreign capital. This amendment suggests that there be equally favourable treatment for investment by foreign countries as for enterprises financed by domestic capital; that there should be most-favoured-nation treatment for foreign investment in any member country and that provision should be made for the compensation of foreign-owned property requisitioned or confiscated.

Another subject of keen debate has been the question of applying sanctions against members which may be found guilty of measures which conflict with the terms of the Charter. The difficulty is that, if a member can be "penalised" because it is not helping another to diversify its resources or because it is not doing all that may be deemed necessary to maintain employment in its area, the application of sanctions may involve a serious derogation of national autonomy. Sanctions there must be, and, since they can only be applied with the full concurrence of the ITO, they should not be feared by members prepared to abide honestly by their obligations under the Charter. But the position is aggravated by the importance attached by certain countries to sections of the Charter which can by no means be regarded as a specific code of commercial behaviour, but are rather general aspirations as to the objectives of economic policy.

But the debate on chapter 5 is generally considered the most important. It lays down a code of commercial behaviour and deals with tariff reductions and preference margins, with quantitative restrictions on imports and their non-discriminatory administration, with subsidies and with state trading. This is the hard core of the Charter. It is this section of the document which will form the main part of the interim agreement or "Little Charter" which, it is hoped, will be negotiated by the "nuclear" nations at Geneva and by which they will undertake to abide prior to the ratification of the full Charter after the full world conference on trade and employment has finished its labours—which can hardly be before the spring of 1948.

This crucial debate has begun with one concession to the views of Great Britain and the other Commonwealth countries. The important Article 24 has already been amended so as to make it less automatic that negotiated reductions in most-favoured-nation import tariffs should operate to reduce or eliminate margins of preference. The amended form of this article leaves the way open for reductions of preferential rates as well as of non-preferential rates, provided the margin of preference is not increased. This represents a major concession on the part of the Americans. Nevertheless, even more vital issues will be involved when the articles dealing with quantitative restrictions on imports come to be discussed. It seems unfortunately all too likely that the need for quantitative restrictions on imports will face many countries of the world for some years to come. How to reconcile that fact of economic

life with the American demand for the non-discriminatory operation of such restrictions and with the need to maximise the volume of world trade will provide the Geneva meeting with one of its main problems.

Communism in Eastern Europe—II

[BY A SPECIAL CORRESPONDENT]

CZECHOSLOVAKIA was the only country east of Germany where Communists experienced political freedom between the wars. Elsewhere, though there were brief Parliamentary periods when some of the opponents of the old regimes were able to criticise, the Communists were always outside the law. They do not understand the principle that every man should have the right to express his opinions freely. They never had this right, it never existed in their country, so why should their enemies have it? Talk of it in the Western press seems mere hypocrisy. The Western politicians and journalists are only concerned, they believe, to protect Fascists and reactionaries. The Communists always ask the question "Freedom for whom?" There are some people to whom experience has shown that it is dangerous to give freedom. There are others who, although perhaps themselves democrats, hesitated in the past to prevent Fascists from destroying democracy, and at the same time were quite indifferent to persecution of Communists. Such people, they claim, do not deserve liberty. If a Hungarian Communist heard praise from the West of the relative liberty which until recently existed in his country, he was offended, for he was ashamed of this liberty, which he believed benefited only the reactionaries, and which he regarded as a symptom of political backwardness. Only the Czech Communists seem proud that their country enjoys such liberty. But then they themselves were allowed liberty under the old Republic.

The present regimes in Eastern Europe are usually described officially as "popular democracies," distinct from either "bourgeois democracy" or "Soviet democracy." The Communists have no sympathy for the old parties, and will co-operate with them only on their own terms, which usually amount to complete subordination to Communist leadership. They believe that the old parties proved in the past their inability to solve vital social and political problems and should not be given another chance. Their greatest fault, in Communist eyes, was their failure to bring the masses of the people into political life. This was especially true of the Balkans, where the majority of the peasants and workers had absolutely no influence on policy, and regarded parties with increasing indifference. To them elections were just occasional opportunities for winning a little cash and a few free drinks, but were not expected to have any concrete effect on their daily lives of toil and misery. The Communists are determined to bring the "non-party masses," the disinherited majority of the nation, into active participation in national affairs. During the Partisan War in Yugoslavia this was actually done. In the areas liberated from the enemy, administration and supplies were controlled by local men, who proved their worth by their efficiency and by the respect which the population showed for them. Many hold the same, or more important, posts to-day. Something of the same kind has been attempted, with much less success, in Bulgaria through the "Fatherland Front Committees" and in Rumania through the "Ploughmen's Front."

"Popular democracy" is not intended to be a "dictatorship of the proletariat." It has a more moderate programme, including specific guarantees of private property. It is to be based on the "non-party masses," organised in mass political professional and cultural organisations, under the leadership of the Communist Party. A share in leadership is also allowed either to individual prominent figures, or to rump groups, from any of the old political parties who will accept the new programme and are prepared to co-operate "honestly," that is to say unconditionally, with the Communists. The only country which definitely does not conform to this pattern is Czechoslovakia, where co-operation between parties has been on a basis of genuine equality.

Lenin taught that the State is an instrument of power in the hands of the ruling class, and this lesson has been learnt by his East European pupils. They have taken steps to seize for the party the "commanding heights." The key positions in the civil administration are allotted as far as possible to Communists or to such members of other parties as can be relied on to carry out their wishes. Communists everywhere control the Ministry of the Interior, and occupy a strong position in the police, especially in its political, economic and security sections. Com-

munist influence in the armies is ensured by the introduction of political commissars, and by the recruitment at high and medium levels of officers trained—whether as pre-war exiles, war-time allies or prisoners of war—in the Soviet Union. Communists are also well placed in the Education and Propaganda Ministries. Communications is another Ministry much sought by the party. Finally, Communists play a dominant part in planning organisations, both of the economy as a whole and of more limited but essential sectors—such as electrification in Bulgaria or reconstruction of the "western territories" in Poland.

Communist Cadres

The Communist parties of Eastern Europe suffer from a severe shortage of personnel. The number of experienced and reliable party members is everywhere small. In Yugoslavia considerable numbers were recruited during the war from those who, whatever their political antecedents, showed themselves able and loyal in action. But a gift for guerrilla leadership is not necessarily a qualification for peace-time administration. In Czechoslovakia some pre-war cadres were left, and in Bulgaria those who had survived the savage persecution of 1934-44 had proved their worth. In Hungary a section of the workers had, while belonging to the legal Social Democrat Party, sympathised secretly with the Communists, and the discipline of factory and trade union had trained them. But in all these countries the hard core was very small, while in Poland and Rumania it hardly existed at all. The Rumanian party had some support from national minorities, especially Jews. Its leaders were a handful of political internees and exiles. For its new recruits it has been largely obliged to accept former members of the Fascist Iron Guard. These may be of three kinds—vaguely revolutionary idealists disappointed by Fascism and seeking some other "dynamic" movement; toughs who want a respectable excuse to beat up their fellow citizens; and conscious Fascists who aim at undermining their opponents from within. The Communists may make something of the first group, but the second will merely bring them discredit, while the third will be positively dangerous. Throughout Eastern Europe the Communists are obliged to fill many key posts with former business men or officials of the old regime. This disappoints the revolutionary-minded because the old bureaucratic methods and abuses remain, and at the same time infuriates the conservatives who regard all changes of personnel as an outrage.

The exact relationship of the Communists to the Soviet Government cannot be known with certainty. It is not necessary to assume that they receive vast funds or detailed instructions from Moscow. Their leaders can be trusted to pursue a policy compatible with Soviet State interests. They regard the USSR as the only socialist State in the world, and the only effective support of socialists in other countries. They therefore wish to see the USSR strong, and simply identify Soviet policy with the words "peace" and "progress." What the USSR wants must be good, because it is the USSR that wants it. They refuse to consider the possibility that Soviet policy can be contrary to the interests of their own country, or that the USSR can have imperialistic aims. "Imperialism" is by definition an exclusive characteristic of the "Western capitalistic Powers." When Pan-American Airways obtain special facilities in a South American state, or Anglo-Iranian oil derives profit from Persia, that is imperialism. But when Hungarian civil air transport is monopolised by a

joint Soviet-Hungarian company, or "Sovrompetrol" controls one-third of Rumanian oil reserves, that is popular democracy.

The Communists of Eastern Europe often state that they wish to trade with the West, and that they would welcome Western capital in the work of reconstruction. But "economic co-operation" depends on the total acceptance by the West of their political terms. Bargaining and compromise are unintelligible to them. And they are not easily able to control their emotions. They believe the West considers them as "inferior" colonial peoples. They remember that before 1939 Western diplomatic and business representatives associated only with their ruling classes, which in many ways acted as colonial governors on behalf of Western interests. Western representatives were utterly indifferent when dictatorships repressed democrats and tortured Communists, yet now eagerly protest when Mikolajczyk or Maniu are denied full liberty. The Communists therefore hate the West, and use every means to discredit it. All the past abuses of foreign capital in their countries are exaggerated, and its contribution to the creation of their industries is ignored. British social reforms are hardly mentioned, but whenever Sir Oswald Mosley opens his mouth he gets headlines. A distinction is officially made between "broad popular masses" and "reactionary circles" of the West, but the impression is given (without being explicitly stated) in press, public meetings and radio, that only the latter count. And at the lower levels of the party the distinction is forgotten altogether. Here there is an extraordinary confusion of the doctrines of Marx and Goebbels, of proletarian classes and "proletarian nations," of the Communist idea and the Slav soul. In conversation with Western visitors, the Communist leaders will admit and deplore this confusion, but it must be said that they do little to put an end to it. On the contrary, they often encourage it, and one sometimes has the impression that they begin to believe it themselves.

The propaganda has not had much success. Thanks to economic distress and Soviet tactlessness, the Communists are unpopular in most of Eastern Europe. (Bohemia and the mountain areas of Yugoslavia are important exceptions.) But except in Czechoslovakia, opposition to them is negative. The opposition leaders—for example Petkov, Grol or Mihalache—wish for political freedom and friendship with the Great Powers of both West and East, and have no desire to abolish social reforms. But their followers like the rank and file of the Communists, oversimplify, and make up in passionate hatred what they lack in understanding. All who stand in their way are "Jewish scum" and "Moscow agents," while their own material interests are equated with a crusade of Christianity against Bolshevism. Their enthusiasm for Western values is recent, and has less to do with Shakespeare and Leonardo than with the atom bomb.

The chances of genuine democracy, combining social progress with political freedom, were never very bright in Eastern Europe, but to-day they are rapidly dwindling. Czechoslovakia alone offers hope, but between the Truman Doctrine and Moscow's new counter-offensive who can say how long she will stand? Inevitably the two Great Powers attract to themselves their jackals and whet their appetites. Whether they be Communist or neo-Fascist, the demagogue and the police tough are confident that the future belongs to them. Though their nations be doomed, they will at least enjoy a little brief authority. Their only concern is to place in advance upon their rival the blame for the catastrophe which each side equally holds inevitable.

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Poland's Foreign Trade

[BY A SPECIAL CORRESPONDENT]

LAST week, an Anglo-Polish agreement on trade between the two countries for the next three years was signed in London. Great Britain is to export to Poland goods to the amount of £35 million—raw materials and other goods valued at £20 million and capital equipment at £15 million. Poland is to export to Great Britain food, furniture, chemicals, etc., to the amount of £23 million. The Polish exports will increase from year to year. They will amount to £5 million in the first year, to £8 million in the second and to £10 million in the third. The conditions of payment for goods exported from this country have been fixed as follows: Polish buyers will pay in cash 40 per cent of the price of ordered goods on placing the order, 20 per cent on delivery and the remaining 40 per cent in three annual instalments. The credits extended to Polish importers come under the Export Credits Guarantee. Out of the total turnover an adverse balance of £12 million will arise for the Poles which will be covered as follows: £2 million from the Polish gold deposited here, £1,500,000 from Polish assets in this country and £800,000 from deliveries of Polish coal in the course of the first year. The Poles will also receive raw wool worth £1,500,000 instead of the surplus army supplies that were allocated to them. Thus the actual credit from which they will benefit will amount to over £6,000,000.

The Anglo-Polish agreement is one of a series of trade agreements that Poland has concluded or is still negotiating with the Western countries—Sweden, Norway, France, Switzerland, Italy and the countries of Latin America. It is only now, in the third year after the armistice, that Poland has been able to resume trade links with the West. In the previous two years Polish economy was still engulfed by the post-war chaos to an extent that made the resumption of trade very difficult. The unsettled political relations between the new Polish regime and the Western countries was also an obstacle to the renewal of commerce. Under such conditions Poland's trade was done mainly with Russia, as can be seen from the following table:

POLAND'S FOREIGN TRADE IN 1946*
(In Millions of U.S. Dollars)

Countries	Import	Export	Balance
U.S.S.R.	86.8	53.8	-33.0
Soviet Zone of Germany	7.1	7.3	+ 0.2
Sweden	16.6	22.4	+ 5.8
Denmark	2.5	6.5	+ 4.0
Norway	0.9	2.6	+ 1.7
Jugoslavia	0.9	1.1	+ 0.2
Hungary	0.9	1.8	+ 0.9
Romania	0.3	0.8	+ 0.5
Switzerland	0.8	3.1	+ 2.3
France	...	5.7	+ 5.7
Finland	...	0.4	+ 0.4
Bulgaria	...	0.2	+ 0.2
Austria	0.4	0.8	+ 0.4

Total 117.2 106.5 10.7

* January 1st to November 30th.

It is characteristic that Polish official statistics of foreign trade are most often calculated in American dollars. Though Russia is looming so large in eastern European trade, the rouble has not become the international currency or standard of value inside the Russian zone of influence. The value of Polish trade in 1946 was nearly half the pre-war level, but, because of the rise in prices, its volume was considerably lower. Of all imported goods, 78 per cent came from Russia and 53 per cent of all exports went to Russia. Over the year, however, the Russian share in Poland's trade has steadily decreased. In January, 1946, nearly 87 per cent of all exports went to Russia and 83 per cent of all imports came from there. The balance of the trade was adverse to the Poles to the tune of \$33 million, which was the virtual loan in goods advanced by Russia to Poland. As the result of a recent agreement, the Russian share will further decrease, because the Poles will have to deliver only 50 per cent of the originally stipulated quotas of coal to Russia—six and a-half instead of thirteen million tons in each of the next four years. But the Russian share in Poland's exports decreased much more quickly than in its imports. For most essential goods—food, raw materials and oil—Poland depends on Russia. So far Russian trade policy towards Poland has been quite liberal. On the other hand, the Russians have also encouraged the Poles to renew trade with the West. The reduction of the quotas of coal to be delivered to Russia has

given the Poles a bigger export surplus to be diverted to the West. In addition, the Poles have been enabled to draw on Russian gold to the amount of \$29 million for the payment of capital goods and raw materials which they may buy in hard currency countries. As the Russians themselves have so far been very careful in using their gold reserves for their own needs, this loan appears surprisingly generous.

It is also noteworthy that in the past year Poland's trade with the other countries of eastern Europe was less than its trade either with Sweden or with France or even with eastern Germany. It is nevertheless very probable that in the next few years regional trade between Poland and the rest of eastern Europe will be developed on a more systematic basis. The Poles have already negotiated commercial treaties with Czechoslovakia and Yugoslavia; and trade with each of these countries has been planned for five years ahead. The turnover between Poland and Czechoslovakia is to amount to \$200-300 million over the whole period and the turnover with Yugoslavia will not be much less. The idea is now canvassed in Warsaw that Poland and Czechoslovakia could jointly fill the trade vacuum left in the Balkans after Germany's collapse, an idea that had been propagated in a different political context by Poles and Czechs in London at the time when President Benes and General Sikorski produced their still-born agreement on Czech-Polish federation. It is now apparently realised that at least in the near future Russia, absorbed in its own reconstruction, will not be able to fill the Balkan economic vacuum. This gives the western Slav nations the chance to expand in the Balkan markets. For two reasons the idea appears to be more realistic now than during the Sikorski-Benes negotiations. After the detachment of the Silesian industry from Germany, the common Polish-Czech potential in heavy and manufacturing industries is probably big enough to serve, under favourable circumstances, as the basis for a rational exchange between industry and agriculture and manufacturing and primary production in the Danubian basin.

Whether such ambitious plans will succeed, depends on Poland's as well as Czechoslovakia's own industrial re-equipment. This again depends on their trade with the West. In the longer run, too, a regional Eastern European and Danubian trade association will not be self-sufficient. Its links with Russia will be very close, but this need not eliminate trade with the West. An expanding and planned regional economy, if it were not governed by purely strategic considerations, would tend to increase the demand for a wide range of foreign goods, some of which Russia would not be able to supply. In both Poland and Czechoslovakia, some of the industries' needs and consumers' tastes would best be served by goods from the Western countries; and the cutting out of trade with the West would entail a relative lowering of the standard of living.

But such speculations are still highly tentative. The immediate problem is illustrated by the following table, which shows the percentages of the various categories of goods in Polish imports and exports in 1946:

STRUCTURE OF POLISH TRADE IN 1946
(In Percentages)

Goods	Import	Export
Consumers' goods	54	13
Food	47	...
Capital goods	15	3
Industrial	8	3
Agricultural	7	...
Raw materials and fuel	31	84
Total	100	100

About half of all imports consisted of food of which Poland used to be an exporter. The Poles are now making an attempt to alter the structure of their trade. Last year's crops were about 60 per cent of average pre-war harvests. The food deficit was filled by Unrra. Supplies from Unrra have now come to an end, but the Poles hope to fill the gap from the better harvest expected this year and from promised Russian food supplies. Will this be enough to allow them to reduce radically the share of food in their imports and to increase that of capital equipment accordingly? The Poles take the optimistic view. The fulfilment of their three-year plan certainly depends on the import of capital goods, because 15 to 20 per cent of the planned investments are to be made with the help of foreign industrial equipment. Trade with Great Britain will certainly help the Poles gradually to shift the burden of their imports from consumers' to producers' goods. More than 40 per cent of their purchases from this country will consist of industrial equipment—the rest will be made up by raw materials. From the Polish as well as the British viewpoint a welcome beginning has been made.



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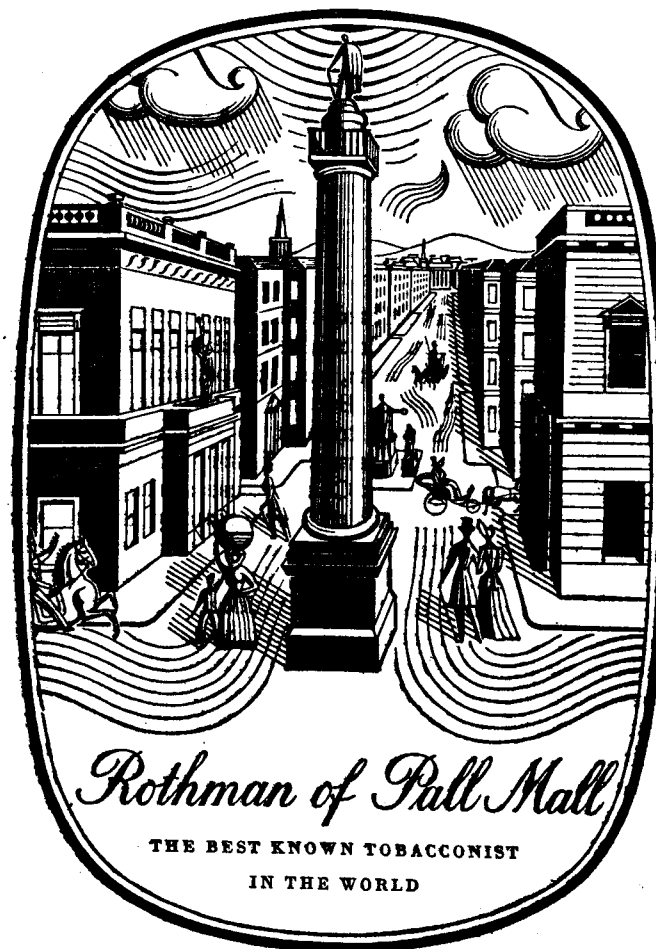
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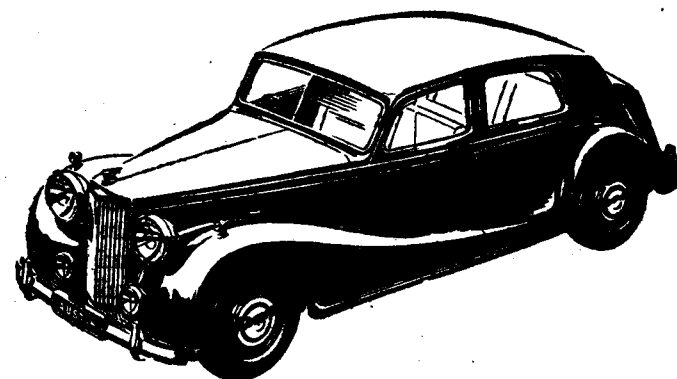


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THE BUSINESS WORLD

China's Debt Problem

THE creditor fallen on hard times rarely gains much sympathy or satisfaction. Britain has sold or pawned the best of her overseas investments, and desperately needs every pound of overseas income. But she finds herself in the ungrateful position of having to turn to countries even more seriously affected by the ravages of war for something on account. Such a country is China, whose sterling obligations exceed £60 million, on which, with scarcely an exception, coupons and drawn bonds have not been met since well before the European war. By that time, China had been resisting Japan for two years; the "China Incident" dragged on into the Pacific war, and not until eight years after did China again know peace of a sort. Lesser people than the Chinese would have thrown up their hands in despair at the appalling destruction and strain of those years; but instead they bent their energies to new tasks of improvisation and, be it added, to new wastes in civil war. It would be unrealistic, no doubt, to hope that China might squarely face the question of the sterling debt at a moment when its economy is racked by inflation, political confusion and administrative incompetence; if Britain has to reconstruct, China has to rebuild almost from the foundations of a peasant economy, and to embark once again on the nascent industrialisation of the 'thirties.

In these circumstances, some promise of economic and political stability is necessary before even tentative discussions would be worth while. China has meagre foreign exchange resources; its import requirements, were the means of payment available, would be almost boundless. Even the hardest creditor would recognise that this is a case in which the debtor needs time in which to pay. On the other hand, there is a good case, before the financing of China's post-war reconstruction is finally agreed, for "writing into the record" the extent of British financial help in the past; the sacrifices made in 1936 (and since) by British bondholders to assist China to recover from an economic crisis which American silver policy two years earlier had done much to exacerbate; and the inequity of any move to displace British claims in favour of other countries which are, fortunately, able to provide China with new finance. Like the rest of the world, China now looks to America and Canada for funds; the Export-Import Bank has recently granted \$66½ million, while Canada is furnishing a \$60 million loan under the Export Credits Insurance Act. There was also a rather vague promise of much more substantial aid from the United States; when the capital of the Export-Import Bank was increased, \$500 million was earmarked for China, on certain conditions, in the period ending this month—but this project must be presumed to have lapsed. The two loans recently granted, however, represent about half of the nominal value of China's outstanding sterling debt. Britain cannot at present compete in this financing field; it lacks both the financial resources, and the export capacity to translate them into real terms, which China so desperately needs; but Britain is no less entitled to recognition for past assistance to China. And the need for such recognition is underlined by the fact that, according to a recent study by Mr Arthur N. Young, a well-known authority, US wartime credits totalling \$45 million (secured on commodities) and the balance of US credits granted in the early 'thirties, have been repaid. Only a part of the credits granted

through the British Export Credits Department have been repaid. It would obviously be advantageous if the principal creditors and new lenders—the United States, Canada and Britain—could agree to act, if not actually in concert, at least only after consultation. A joint committee would be valuable.

An accompanying table gives particulars of the present sterling obligations of the Chinese Government. These total £60.9 million, of which rather over one-third is secured, directly or contingently, on the Customs Revenue. The table shows the extent of the reorganisation of the railway loans in 1936, which formed part of the bondholders' contribution towards the clearing of the financial jungle in China during the middle 'thirties. At that date, arrears of interest on all sterling loans totalled more than £17 million, and, of the £6 million odd representing the railway loans issued wholly or partially in London, nearly £5 million were cancelled. For three of the railways (Tientsin-Pukow, Canton-Hankow, and Canton-Kowloon) interest arrears at the end of 1935 totalled £5,880,000; the whole of this amount was absorbed by cancellation of arrears or by reduction of future interest. To-day, the extent of default on interest on the sterling debt as a whole is over £33 million; as for principal, £22 million is affected by default. Obviously, there is no hope—immediately at any rate—of meeting all these claims; in any case, they have accumulated over more than a decade of war and disturbance, and China has a strong case for seeking their abatement.

Several factors have changed the nature of the British bondholder's security since 1936. There was, formerly, no better covered obligation than the Chinese loans secured on the Customs Revenue. Before the Chinese Treasury law of 1938 was introduced, the Inspector-General of Customs had a free hand in the disposal of the funds collected by his staff, and the prior charge security of the Customs Loans was effectively recognised by the direct transfer of funds to meet their service by the Inspector-General to the paying agents. This is no longer the case. The Law of 1938 requires that payments of Customs duty must be made directly to Treasury officials stationed at each Customs House, and the Customs officials, themselves, have no say in their disposal. The old system worked admirably, but it had become incompatible with the national aspirations of the new China. But tradition dies hard in China, and it still appears that, although Customs duties are paid direct to the Treasury, the Customs administration still makes its book entries to cover, notionally at any rate, the requirements for service on the various loans. These entries, of course, are in Chinese national currency, but they appear to be made at the pre-war rate of 3d. to the dollar. The bondholder may dismiss this as a matter of empty form, and indeed, counting the credit is not the same as collecting the cash. Yet it may eventually be of some use, when the future of the Customs loans is being negotiated, to have these records available. Recent collections of the Chinese Customs give little guide to the position when trading and financial conditions in China become more normal. On paper, the Customs are flourishing, but it is literally paper, based on inflated prices. Collections last year are thought to have amounted to about 330 billion Chinese National dollars, of which Shanghai contributed over 90 per cent. For the current year, the budget

figure is C.N.\$620 billion, but severe restrictions on imports to conserve exchange have led to some falling-off in revenue.

These changes in administration will have to be recognised in a future settlement. But they are changes in machinery rather than changes in the underlying character of the Customs loans. Admittedly, the Chinese Customs Administration no longer makes the payments for the loan service, but that does

CHINESE GOVERNMENT STERLING LOANS

	Out-standing	Due Date of last Drawing Paid	Due Date of last Coupon Paid	Remarks
Chinese 4½% Gold Loan 1898	2,996,425	March 1, 1939	March 1, 1939	Secured on Customs Rev
Chinese 5% Rly. Loan 1899	172,500	Aug. 1, 1941	Aug. 1, 1941	...
Shanghai - Nanking Rly. Loan 1903	2,784,000	June 1, 1929	June 1, 1936	...
Do. Net Profit Sub-Certs.	580,000	...	Oct. 12, 1934	Entitled to 20% of Rly. profit until 1953. The Chinese Govt. may repay at £20 per Sub-Cert.
Honan Rly. Loan 1905...	475,700	July 1, 1937	July 1, 1937	Arrangement of 1936 for repaying outstanding principal by 1963. Interest reduced to 2½% p.a. for 1936-38 with contingent increase to 5%; thereafter 5%. Non-interest bearing scrip issued for 1/5th interest arrears; rest cancelled.
Do. Non-Interest Sterling Funding Bonds 1938	44,613	...	...	...
Canton Kowloon Rly. Loan 1907	1,101,500	June 1, 1938	June 1, 1938	Scheme of 1936 to repay outstanding principal by 1986. Interest reduced to 2½% from 1936 to 1956; thereafter 5%. Non-interest bearing scrip issued for 1/5th interest arrears; rest cancelled.
Do. Non-Interest Sterling Funding Bonds 1938	122,265	...	...	...
Chinese Gold Loan 1908...	250,000	Oct. 5, 1937	April 5, 1939	...
Tientsin-Pukow Rly. Loan 1908	3,598,990	April 1, 1926	April 1, 1938	Arrangement of 1936 to repay outstanding principal by 1976 commencing 1940. Interest secured on Customs Revenue reduced to 2½% p.a. 1936-38; thereafter 5%. Non-interest bearing scrip issued for 1/5th interest arrears; rest cancelled.
Do. Supplementary Loan 1910	2,550,780	Nov. 1, 1924	May 1, 1938	...
Do. Non-Interest Sterling Funding Bonds 1938	843,678	...	...	...
Hukuang Ryhs. Gold Loan 1911	6,656,000	June 15, 1925	June 15, 1938	Scheme of 1937 to repay outstanding principal by 1976. Interest secured on Salt Revenue reduced to 2½% p.a. 1937-38; thereafter 5%. Issue of non-interest bearing scrip issued for 1/5th interest unpaid indefinitely postponed; rest cancelled.
Chinese 5% Gold Loan 1912	3,666,971	Sept. 30, 1935	Sept. 30, 1938	Secured on Salt Revenue.
Chinese 5% Reorganisation Loan 1913	19,691,880	July 1, 1938	Jan. 1, 1939	Secured on Salt Revenue and on Customs surplus. Service was in fact paid from Customs for many years.
Lung-Tsing-u-hai Rly. Loan 1913	4,000,000	...	July 1, 1938	Issued in Brussels. Arrangement of 1936 to repay outstanding principal by 1982 commencing 1947. Interest arrears cancelled; interest reduced to 1½% for year ended July, 1937, increasing ¼% each year to 4% p.a. for year ending July 1, 1942, and thereafter.
Shanghai - Fengching 6% Rly. Loan 1914	225,000	July 20, 1937	Feb. 12, 1937	Under revised schedule.
8½ 10-Year Treas. Bonds of 1918 (Marconi)	600,000	...	Dec. 31, 1938	Arrangement of 1936 to secure interest and principal on Salt Revenue and repay outstanding principal by 1975 commencing 1941. Interest arrears cancelled; interest reduced to 1½% for 1936-7, increasing annually by ¼% to 3% p.a. for 1942-3 and thereafter.
8½ 10-Year Treas. Notes of 1918 (Vickers)	1,803,200	...	Dec. 31, 1938	...
8½ Rly. Equipment Loan 1922	800,000	...	...	Issued in Brussels.
8½ Bonds of 1925 (Skoda Loan)	6,866,046	...	...	Issued in Austria—in complete default.
6% Sterling Indemnity Bds. 1934	972,000	Jan. 1, 1939	Jan. 1, 1939	Secured on Boxer Indemnity—issued in Shanghai.
5% Shanghai - Hangchow Ningpo Rly. Completion Loan 1936	1,100,000	...	Dec. 15, 1937	Issued in Shanghai.

English Issue of which 50% only paid.

not mean that their security has been, or should be, set aside. It is still the responsibility of the Loans Department under the Ministry of Finance to supervise the service of Chinese Government bonds. The practical problem is to secure that the pledged revenues are made available to the department, to the required extent, and protected from the "clawing back" tendencies which all Treasuries, China's not excluded, show in highly developed form. It would be safest, perhaps, if the bondholders had some form of control over the pledged revenues, or their equivalent, and these might be deposited in a special account for joint supervision. It is unlikely, however, that the Chinese Government would be prepared to concede the principle of foreign control, in any form, over its revenues. But at the least it should provide—and it is also the least that bondholders may fairly expect at this stage—a regular statement of Customs collections, the sums segregated for the debt service, and the sterling available for interest and amortisation.

As for the railway loans, a major operation will be necessary to rectify the wounds of war. If the British railways are "a poor lot of physical assets," how would Mr Dalton describe the Chinese railways? In 1937, China had about 11,000 kilometres of single track, mostly of standard gauge. During the war, some of these lines were completely demolished, either by the Japanese or by the Chinese "scorched earth" policy, though nearly 3,500 kilometres of new railways were built. Indeed, the Chinese Ministry of Communications claims that nearly 10,000 kilometres of line are in operation, but many stretches are open only for intermittent traffic. The most important lines have suffered such extensive destruction and lack of maintenance in the last ten years that it could not be otherwise. Limited operating, slow speed, rails worn and of mixed section, improvised fishplates, sleepers decayed, and signals non-existent—that is a fair summary of the present position of the Chinese railways. In detail, the position is this:

Shanghai - Hangchow - Ningpo. — Demolished between Chientang Bridge and Ningpo.

Chekiang-Kiangsi.—Demolished except for 60 kilometres.
Canton-Hankow.—102 out of 119 major bridges destroyed; three through trains in each direction weekly, taking six days; track has been restored by timber bridges, improvised fishplates and spikes.

Nanking-Shanghai-Hangchow } Not greatly damaged, but
Peking-Tientsin } deteriorated through lack of maintenance.

Canton-Kowloon.—Extensively damaged, temporarily repaired to provide through service, but in a precarious condition.
Peking-Hankow } Sections of both railways in hands of
Tientsin-Pukow } Communists.

In 1943, a former Minister of Railways estimated that US \$100 million would be required for rebuilding destroyed lines and completing partly finished lines, and that another \$350 million would be required for a ten-year programme of equipment and rehabilitation. To-day, those estimates would be very greatly exceeded, and China will need considerable assistance in men, money and materials from abroad—largely, in present circumstances, from America. The Chinese authorities have paid much attention to the railways since the end of the war, and they have achieved miracles of improvisation. To have restored a through service on the Canton-Hankow line is itself an astonishing achievement. They have also regrouped the railways into ten separate systems. So far, however, there has been silence about the future position of the bondholder.

At the end of March, the chairman of the Hongkong and Shanghai Banking Corporation admitted that there was little hope of action to deal effectively with the Chinese debt until the currency and political situation had been cleared up. Mr Morse then proceeded:

However, there would be general satisfaction if the Chinese Government were able to give some public assurance to bond-

holders that the latter's rights, as established in the bonds they hold, will be maintained and will not be vitiated by the various government or semi-governmental loans and credits which have been concluded in the past year. Representations have, in fact, been made recently to the Chinese Minister of Finance about these matters and about the re-establishment of the Loans Service Committees, which were set up as part of the settlement of the railway loans in 1936 and 1937.

There is reason to believe that these representations have been of a friendly and informal character and the reaction of the new Minister of Finance to them will be awaited with interest. As an earnest of good intentions, the reconstitution of the

"Bottlenecks" in Containers

MR HERBERT MORRISON'S reminder last week about the need for collection of salvage, especially of paper, may have come as a shock to some local authorities. But the appeal is opportune, for Britain appears to be heading towards yet another crisis—a shortage of containers and packing materials. It is true that this may not affect the public directly or immediately; the effects may be felt only indirectly, or some time hence—for example through the export trade. But especially since the fuel crisis, the shortage has been causing grave concern to many industrialists and planners, particularly in the consumer goods' industries. Nor should this be regarded as a minor or localised problem. In many industries containers and packing are as vital as a key constituent of the product; a bottleneck here can be the limiting factor of output by causing a stoppage of the whole flow of production.

The need for containers in modern life is so ubiquitous that they are generally considered as an integral part of the product. In the huge development of the canned food industry the importance of the "can" is obvious. But who thinks of tooth paste or shaving cream without mentally including the tube or jar? Admittedly, these are particularly striking examples, but they illustrate forcibly the effects over a very wide range of commodities, many of them in vital categories, of the development of marketing technique in recent years. Few foodstuffs are nowadays (or at least were before the war) sold loose over the counter. The milk-bottle has replaced the jug; the newspaper has given place to cartons, grease-proof paper or transparent cellulose wrappings. This is not a mere question of habit; nor, with very few exceptions, are containers mere refinements imposed on society by a higher standard of living—a luxury which became established by clever advertisement. In the case of many perishable foods, they are clearly the indispensable means of bringing a large supply over great distances and of spreading the distribution both geographically and temporally. In other instances they are vital to the safety of the product, or in a hygienic sense, of public health. And, almost everywhere they are used to-day, they are essential to smooth running of the distributive channels and economic handling of the goods. The severe wartime restrictions on the use of wrappings and containers eliminated all, or nearly all, of those of a secondary nature, which served only "brand," good will or quasi-luxury purposes, as well as many which ministered primarily to convenience, whether of wholesaler, retailer or consumer. There has been some relaxation in this sphere since the end of the war, but, on the whole, still only the more or less essential wrappings are permitted.

This, then, is the setting of the problem. The impending crisis has been threatening since the beginning of the year, when container manufacturers had to reduce output owing to shortage of coal. During the shut-down period, food manufacturers and distributors, coming within the priority class, were allowed to continue functioning, but the manufacturers of con-

Loans Service Committees would make a particularly favourable impression. These were set up for certain railways before the war, with Chinese and foreign members under a Chinese chairman, expressly to meet the objection that loan agreements negotiated under the Empire contained stipulations which infringed China's sovereign rights. They were quickly swept away by the war, but not before they had proved themselves to be a valuable link between the railway administrations and the bondholders. Their restoration now, coupled with a general statement of policy on the sterling debt, would be a valuable step forward in the long march towards Chinese recovery.

tainers were not. In some instances serious dislocation was averted only by the granting of special permission to certain manufacturers to restart production. Since then, in spite of every effort to make up the loss in output, the position has remained far from satisfactory. And it may be many months before the threat of crisis has passed.

The extent of the dislocation and loss that would be caused if the shortage of containers developed so seriously as to cause a breakdown in supplies can be readily indicated. Already, large quantities of exports are being held up until sufficient packaging material can be obtained for shipment, and certain industries are experiencing similar difficulties on the home market. Foodstuffs, particularly the welfare foods such as orange juice, cod-liver oil, national dried milk, etc., have been given top priority for containers and packing material. Tobacco, cigarettes, medical stores, building stores and Army equipment also appear to be included in the priority category—without any order of preference having been allocated. Radio equipment, electrical appliances and similar goods come well down the list, but they equally require containers, and on the export side the need is urgent. Vacuum cleaners, to take a case in point, need careful packing with adequate materials if they are to be usable on arrival at their export destinations. The authorities, with good reason, have requested that orders from the food trades should be fulfilled, "if necessary by making reductions to other users." They suggest that savings in the vital materials could be achieved by using some other form of packaging—the authorities, apparently, have prudently refrained from attempting to specify what other forms exist—or by ensuring a higher degree of "returnability." But many containers are "expendable," designed to be used once only. If damaged containers are re-used, transport companies may refuse to handle them for fear of claims for theft and pilferage. In practice, therefore, the priority for the food trades means that, while food supplies are protected, other commodities, both for the export and the home market, will be held up until a larger output is available.

The shortage of tin-cans is likely to be more than temporary. A large part of the output of the tin-plate mills is allocated to the Ministry of Food, which controls its use not only for home supplies but also for export. The total quantities shipped overseas are relatively small and, in any case, releases are generally conditional upon the sale of the relevant foodstuffs to Britain. For example, tin-cans are sent to Eire so that condensed milk can be shipped to Britain. The petroleum industry is probably the second largest consumer of tin-plate containers, but its proportion of the total is far less than that of food, so that the scope for relieving the food categories at the expense of other users is small. The basic problem, however, is the limited tin-plate capacity in Britain, and no great increase can be expected until the present old-style mills are replaced by the new continuous-strip type. Output of the South Wales mills showed some recovery in 1946 over the previous year, but it was still

insufficient to meet requirements. As with many other industries, there exists a shortage of labour, workers being reluctant to return to the tin-plate mills, which were largely closed down under the wartime concentration scheme; but the introduction of a short working week has had positive results upon recruitment. The new plants are not expected to be in full operation for five years.

Little if any relief can be expected from external supplies. The major producer is the United States, which is covering only 65 per cent of its domestic requirements. As soon as the American allocation system is terminated, which it is expected to be this month, what little quantities have hitherto been exported will probably be diverted to the American market unless the business recession develops to curtail home demand. In any case, if the tin-plate could be purchased from the United States, the problem of dollar expenditure would arise. Another possible source of supply is Germany, where there are some good strip mills that could be restarted and possibly fed on Belgian billets. Such a policy would help to relieve the difficult position in Britain and at the same time save dollars.

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The position of fibre-board containers is no better than that of tin-plate. Here, however, capacity presents no real problem; the production of containers is conditioned almost entirely by the supply of raw materials. Kraft liner boards are either manufactured in Britain or imported from America, Canada and Sweden. Although these sources of supply all happen to be hard currency areas, the limitations upon supplies arise mainly from physical rather than currency factors. In Sweden, output has not yet recovered to pre-war levels, although in trade circles it is known that quantities could be purchased there. In the United States, domestic demand has been so strong as to oust foreign customers. In the last month, however, for the first time since the war, the output of American mills is reported to have surpassed the requirements of the converters; thus providing a possible exportable surplus. Should the American business recession gather momentum, domestic demand will no doubt decline still further. The other main raw material for fibre-board containers is best jute liner board, which uses up to 60 per cent waste paper. It is here that domestic salvage becomes of crucial importance, and the drop in paper salvage returns since the end of the war has had a noticeable effect on output. Local authorities have been unwilling to collect paper salvage, and in any case the dustmen generally refuse to keep it separate from the general waste, so that large quantities of this much-needed raw material are lost.

It has been said that, given effective operation of the priorities of containers for the food trades, the shortage is not likely to make itself felt in this most vital sphere of all. But this apparently reassuring fact is itself the unhappy consequence of the ab-

normal winter. The coal shortage aggravated the shortage of containers and packaging, but the winter's ravages in agriculture, and especially in dairy stock, are now showing themselves in a reduced demand for cans. Output of national dried milk, condensed milk and the like in the first four months of this year was considerably smaller than was at first expected. Had the earlier expectations been realised, a really grave situation in containers for food would have now been imminent. The peak demands for canning of peas and other vegetables and soft fruits now meet the peak demand for canning of milk. But for the losses in yield from dairy herds, the crisis would have come to a head in this early summer, and planners would have faced the invidious choice of whether to can peas or fruit or milk. As it is, the general consumer will get his peas, but the infants will, willy-nilly, get reduced supplies of national dried milk.

It is in this sense only that the container crisis is not a crisis in food. But the food demands have not eased enough to assure the position of other industries. The real effect will be, and is being, felt in those industries producing consumer goods, whether for home or export. In many cases the packing stage is made an integral part of the production process. The whole organisational scheme is set to a certain pattern; many factories, for example, dispense almost entirely with facilities for storage of the finished product because their production lines flow direct to the transport loading bays. In such cases a lack of containers involves, almost inevitably, a general stoppage in production. Even where storage facilities are available, containers are still required, since many products cannot be stored without being packed. Good examples of such products and types of production are electric light bulbs and toys, both of which have an important and increasing export market. It would be interesting to know the extent to which the export drive has been hindered through a hold-up of shipments due to a lack of packaging materials; it is thought to be considerable, even though exports are, after food, given priority for tin containers.

The "container crisis" is a real threat; although, if its impact is mainly on exports, its effects may for a time be concealed from the public. But the ultimate loss, in terms of dislocation of supplies and a probable wastage of dollars, may be severe, whether the direct effects fall mainly upon home or export deliveries. In the planning stage, containers must be considered integrally with the product. Of what value is it to allow new factories and new industries to start production if their products cannot be shipped except at the expense of shipments from established firms? An expansion in the output of cartons could no doubt be achieved if there were adequate returns of waste paper. It may even be necessary to spend some scarce dollars to buy materials. But while the shortage persists, the greatest need is to ensure adequate co-ordination and a careful weighing of the priorities, at the planning level.



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Business Notes

Tidying up the Finance Bill

To all who had not pitched their expectations too high, the outcome of this week's Committee stage of the Finance Bill should seem quite reasonably satisfactory—with the one striking exception that there has been no progress on the vexed question of the Bonus Issues tax. The Government held fast to all points of principle—it would have been unrealistic to expect it to do otherwise—but on many lesser points useful ground has been gained. A quite unusual crop of Governmental promises has been sown. On the wider plane, it is cheering to know that Mr Dalton hopes eventually to raise the earned income relief to a higher proportion than the one-fifth which obtained seven years ago. And, in detail, the most important of this year's tax innovations—the distributed profits tax—now promises to work more equitably and less frictionally than at first seemed likely.

On this issue, the Opposition assailed the whole principle of taxation which falls differentially on risk-bearing investors, but must obviously have been well aware that its plea would find no echo in Mr Dalton's heart; it failed even in its attempt to get preference shares treated on the same basis as loan capital. But on a wide range of miscellaneous points it secured undertakings either from the Chancellor or from the Solicitor-General—who in the all-night sitting on Wednesday was particularly tractable—to "look again" at the drafting before the Report stage. The most important of these undertakings relates to the treatment of the proceeds of share premiums on the winding-up of a company. The Opposition sought to ensure that distributions eligible for treatment as capital will be limited not (as in Clause 29 (1) at present) simply to the amount of the company's nominal paid-up capital, but to that amount plus accumulated share premiums. It would certainly be consistent with the principle of the tax, as explained more fully in a Note in these columns on May 17th, if this concession were granted—but presumably it would be limited to premiums received after January 1st last. Other promised concessions include proposals to extend from six to nine months the period after the end of a financial year in which a dividend relating to that year may be declared; to abate the tax liability of interest on unpaid War Damage claims, and to clarify the definition of what constitutes a "distribution," with particular reference to reconstruction schemes and mergers.

The one clear victory for the Opposition was in the matter of the anomalous Clauses 14 to 18 relating to retirement benefits, the curious implications of which were criticised in these columns last week. Captain Crookshank's attack was commendably restrained, but none the less effective. It was quite obvious, from the Chancellor's response and his undertaking to study the whole matter afresh "with members opposite," that he personally had not appreciated the implications of the proposals. Finally—though most unsatisfactorily—the tax on Bonus Issues seems to have emerged from discussion almost in its original form. The debate occurred in the night session, so that considered comment must await the appearance of the relevant official report; but it appears that the Opposition's broadside has had no perceptible effect. The Government, it is true, had itself introduced an amendment to Clause 50, but this appears to have done little more than assimilate the wording to Stock Exchange terminology, by substituting "Letters of Right" for "Rights." It is still no easier to see precisely how the tax will be calculated as in the circumstances the City Spokesman in the House did good service in asking the Chancellor to consider an arrangement whereby the amount of the tax would be computed and communicated to the company concerned in advance of the share issue.

Sterling Talks

With the rapid approach of July 15th the time table for completing negotiations on accumulated sterling balances is becoming strained. The discussions with Brazil are virtually completed but no formal agreement has yet been announced. Those with Uruguay are proceeding satisfactorily. Arrangements were completed with the three Scandinavian countries during the visit of Mr Ellis Rees of the Treasury to the three capitals concerned, but the terms of the agreements have yet to be made public. In all three cases the "expendability" of current earnings of sterling will be assured.

The Egyptian delegation has been in London for some days. It had its first meeting with the British negotiators on Friday of last week and since then much preparatory work has been done and the actual negotiations have begun. The most interesting comment on these particular discussions is a statement attributed to the Egyptian Minister of Finance and suggesting that Egypt may use her freedom to dispose of accumulated sterling between now and July 15th in order to switch part of the funds in question from low interest bearing short term securities to higher yielding stocks. There is, of course, no reason why such transfers should not be made and in some respects Mr Dalton may be grateful for the support which such operations would bring to the market for longer term gilt-edged securities. But there appears to be some lack of realism in the assumption that any sterling so transferred will be treated differently from that left in more liquid form. Such securities bought with pre-July 15th sterling would remain blocked and the amounts involved would have to be taken into account when calculating any writing off or "adjustment" that may be agreed upon. Any undue exercise of the present freedom with which accumulated sterling can be invested would, admittedly, have an undesirable effect on the interest burden represented by these debts and if it occurred on a really substantial scale it might call for some defensive move on the part of Britain.

The discussions on the Indian sterling debts have been postponed as a result of the immersion of the Indian ministers concerned in the political problems which require their whole attention. One aspect of the political separation of the country which immediately impinges upon the sterling debt discussions is the splitting up of the ownership of the accumulated balances between Hindustan and Pakistan. The problem, in turn, is merely part of the wider question of the currency regime that will operate in the two separate Dominions. There are hopes that a common currency may be maintained and that the Reserve Bank of India may continue to serve the whole of India as central bank and issuer of currency. This would facilitate the solution of the separation problem as it applies to the accumulated sterling balances.

Transport Bill Concession

Viewed realistically, the significance of this week's proceedings on the early clauses of the Transport Bill at the committee stage in the Lords—the political aspects of the Opposition's tactics are discussed in a Note on page 927—lies less in the three Government defeats which the lay press has spotlighted than in a voluntary concession from the Government. In the Commons, the Minister seemed to have set his face absolutely against any increase in the size of the Transport Commission, and was equally determined to avoid defining whether its five members should be whole-time or part-time. On Monday, however, Lord Addison accepted an amendment extending the membership to "not less than four members and not more than eight," excluding the chairman, who, with at least four members, will serve whole-time. Evidently, the Government had done some hard thinking on the merits of the case; a committee of five, as has been forcibly argued here in the past, would have been dangerously small for the exacting and complex functions it will be called upon to fulfil, lacking both elasticity and the capacity to work in sub-committee. The concession represents a welcome and solid gain.

Unfortunately, the same cannot be said of the changes made by a majority vote. They were certainly improvements of the Bill; but amendments on major points that are forced through the Lords in the teeth of Government opposition are obviously unlikely to survive the return trip to the Lower House. An amendment was carried which transfers from the Minister to the Commission the power of appointment of the Executives—a change which would do much to save the Commission from the invidious position that is inherent in the Government plan. But, for that very reason, it would undermine the main line of policy which runs through the whole scheme, an extreme extension of the principle of Ministerial responsibility. Reaffirming that policy, the Government is determined to retain the right of appointment. But if, on the Bill's return to the Commons, the original provision is likely to be restored, so that the strength of the Commission may be menaced from below, the Government has at least promised restraint in interference with it from above. On

the important question, in Clause 4, of the scope of the Minister's powers to give directions to the Commission, Lord Addison gave an undertaking that the powers will be used sparingly—whatever that may mean.

The second issue on which amendment was forced upon the Government was also fundamental—it would restrain the Minister from giving to the Commission any directions which would prevent it from paying its way. The Government tried to represent this as "unnecessary," on the ground that Clause 3(3) lays down that the Commission's revenue shall be "not less than sufficient for making provision for the meeting of charges properly chargeable to revenue, taking one year with another." But what the Opposition feared was precisely that the financial limitation imposed by this clause might not be held to circumscribe the Minister's power to give directions, and that in consequence a chaotic conflict might arise. Certainly, the possibility of such a clash would not be inconceivable if the two clauses had to be construed separately, and a rate structure duly worked out and approved might be hopelessly undermined. If the Government were to seek demonstrably non-economic or uneconomic objectives, unrelated to the efficiency of the transport system as a whole, it is plainly desirable that the issue should be forced to a decision in Parliament. The amendment seems to have put the matter beyond doubt; it is greatly to be hoped that, in essence at least, it will survive.

The other defeat for the Government was on an amendment to exclude the docks from the authority of the Docks and Inland Waterways Executive—a move designed, in conjunction with an amendment still to be considered, to leave with the Commission the power to review their activities. There is much to be said for keeping the docks under the general supervision of the Commission without tying them too rigidly to any one particular Executive in the initial period of the new transport set-up. Lord Swinton was on firm ground in arguing that the Commission will have its work cut out in any case during the formative years without bringing in the docks; these could later be brought under more direct control under the Commission as circumstances might dictate.

Russian Trade Negotiations

The trade discussions with Russia which were opened towards the end of April on the occasion of the visit to Moscow of Mr Harold Wilson, Secretary for Overseas Trade, have stalled for the time being owing to the Russian demand for a renegotiation of the 1941 civil supplies credit arrangements. Under this agreement some £100 million of goods were supplied to Russia against 40 per cent cash payment and 60 per cent credit, the credit to bear interest at 3 per cent and to be repayable over seven years. The deliveries under this agreement gave rise to some disputes, particularly on the question of pricing and qualities, and when the whole matter was reconsidered in 1946 on the occasion of Mr Marquand's visit to Moscow, certain concessions were made to Russia. Most important of these were the allowance of a discount of 1½ per cent on the price of goods still to be delivered under the agreement and the reduction of from 3 to 2 per cent in the rate of interest on the credit outstanding, namely about £55 million. The whole matter was again reopened when Mr Harold Wilson recently visited Moscow and opened though Mr Wilson had no authority to negotiate on this subject it was understood that satisfaction of certain Russian demands would be a condition of satisfactory trade relations. These demands, which have this week been considered by the Cabinet in London, are that the rate of interest be reduced to ½ per cent—which, according to the Russians, is the "right rate among gentlemen"—and that the period of repayment be extended over sixteen years. The only question under consideration is the revision of the terms of the outstanding credit. So far as can be ascertained, there is no question of fresh credits being granted. Any trade which may develop between the United Kingdom and Russia as a result of the discussions now under way is expected to be of essentially compensatory character, and no substantial overdraft or line of credit will be allowed to develop either way. If it does, it is probable that the technique of the payments agreements will be adopted and that any balance over a specified and modest figure will be automatically convertible into gold. If satisfaction is given to the Russian demands regarding the outstanding credit, it is probable that the commercial negotiations as such will be resumed in Moscow before long.

Obscurantism in Coal

On Monday last, the Minister of Fuel and Power announced that weekly figures of coal production, which have been issued

each week since the beginning of the five-day week, will no longer be published. Only the usual monthly output figures will be available in future. It is true that when the weekly figures were first issued the Minister said that they would be published for only four successive weeks. But the decision to suspend them now will none the less create an unfortunate impression. The informed public had begun to follow the weekly trend with an interest almost reminiscent of the daily count of enemy aircraft losses in those crucial weeks in the late summer of 1940. Certainly, an almost equal concern is justified, and more people than the Government perhaps realises already recognise it.

Figures of coal production and stocks have indeed achieved a certain notoriety over the last few months. The conflicting statistics quoted at the time of the fuel crisis and the difficulty of interpreting the summer coal allocation figures for industry, to say nothing of the notorious, unpublished "November quota" which serves as the official starting point for all published percentage figures of industry's coal allocations in 1947, all predispose the public to suspicion in approaching coal statistics. Only full and frequent figures, in a form which becomes well recognised and therefore understood, can restore confidence that the true position is being disclosed.

The timing of Mr Shinwell's announcement has not, in any case, helped to remove the unfortunate impression that the Government is more anxious to conceal than to reveal. The last published weekly figures embraced the Whitsuntide holiday, and were heavily down. Secondly, to add to the confusion, Mr Shinwell announced a "new" coal output target—or at least a new "interpretation" of the old one. He is reported as having said at Cardiff that to reach the 200 million tons target for 1947, average weekly production must reach 4.14 million tons from now until the end of the year. The ordinary arithmetic average weekly requirement is about 3.9 million. The "new" figure presumably allows for the fall in weekly output which may be expected during the holiday period and relates to the higher average output which must be achieved in the remaining weeks of the year. But the Minister did not say so. Nor did he show any real confidence that the post-holiday output will reach the new weekly objective—though obviously trying to appear optimistic, he referred simply to the prospect of well over 4 million tons weekly. The weekly figures exist—in more detailed form than has yet been revealed—and the public seeks to know what they are. What good reason can there be for refusing publication?

TDRs and Gilt-edged

The resumption of maturities of Treasury deposit receipts after an interval of seven weeks has afforded the authorities an opportunity of reducing further the outstanding total of this type of floating debt. This week the authorities resumed TDR borrowings, with an issue of £60 million, but the amount required of the banks was some £10 million less than the £66 million of their corresponding maturities, so that there was a small net repayment. The money market is hoping that this represents a continuance of the policy, which since 1945 has been pursued whenever opportunity offered, of switching the emphasis in floating debt borrowings from TDRs to Treasury bills. It is true that the clearing banks' holdings of money markets assets—Treasury bills and call money—have risen to very high levels by contrast with their experience during the war; even the ratio to deposits, which at one time was as low as 6½ per cent, has recently been restored to the relatively normal level of nearly 20 per cent. But in May (the complete figures were published in the *Records and Statistics Supplement* last week) the combined total of bills and call money dropped by rather more than £54 million. Were this trend to continue, the elasticity of the banking position would be considerably impaired, whereas, in view of the sharply rising trend of bank advances, there is need for much greater elasticity than during the war, when most of the additional deposits which accrued to the banks were automatically employed in Government securities of one kind or another. Except at times when the "tap" issues of bonds were flowing strongly, the counterpart of rising bank deposits was generally to be found in TDRs. It would be logical, therefore, to assume that if the trend of deposits is now turning downwards in consequence of a reduction in net borrowings by the Government, the Treasury's repayment of debt should take place in TDRs rather than in bills.

It would perhaps be unwise, however, to assume that the approach towards budgetary equilibrium necessarily means that

a declining trend of deposits is assured. In the past few months, as *The Economist* pointed out last week, the downward impetus may have been offset by Treasury borrowings for undischarged purposes; if it were true that these borrowings reflected accumulations of dollars on the Treasury account in New York, the eventual spending of the dollars would tend to accentuate the downward trend of deposits. On the other hand, the coming discharge of the sterling debt to Argentina will involve a corresponding increase in British Government borrowings from the domestic banking system, since the UK floating debt which is at present held by the Argentine authorities will in effect have to be taken up at home, and obviously will not be absorbed by the former holders of Argentine rails who will be the recipients of the resultant cash.

Preparing for Argentine Repayment

If the Argentine share-out proceeds according to plan, these influences may be expected to make themselves felt in the early autumn, when they are likely to synchronise with the first steps by the British authorities to prepare for the situation which is likely to arise in the gilt-edged market next year. At this stage it can hardly be doubted that the issue of compensation stock under the Transport Nationalisation Plan will be the signal for selling on a scale which will require substantial official operations if a reasonable equilibrium is to be maintained.

Obviously it is impossible to make precise forecasts at this stage, but it does seem that in the second half of this financial year these and other special operations will provide weighty offsetting influences against the effects on bank deposits of the improved position of the ordinary budget. In the circumstances, an appreciable expansion of the effective floating debt—that is, the portion of the debt held outside official quarters—seems probable in this period, and, in view of the need to minimise the pressure on the gilt-edged market, it is reasonable to assume that Treasury bills will carry a larger share of the burden than they have generally done in recent phases of heavy borrowing. If the banks were forced to take large additional lines of TDRs, they would be likely to be correspondingly more reluctant to increase their holdings of gilt-edged—and, in the absence of a tap issue, there would be no possibility of converting TDRs into gilt-edged. On the other hand, if the finance is obtained by bills, the elasticity which the banks obtain from a liberal holding of money market assets will give them at least an opportunity to expand their investment portfolios further if they so desire.

If the authorities really are seeking all possible technical devices to ease the problem of gilt-edged management in this prospectively difficult phase, there is one further point which ought not to be overlooked. Earlier this year there was a good deal of discussion of the way in which flexibility of the money market might be improved by standardising the currency of Treasury bills at 91 days, i.e. an even number of weeks, instead of the present system of three calendar months. The experience last month, when the usual dislocation was caused through the effects of the "lacking days" in February, has drawn attention again to the unnecessary friction which is occasioned in the market by reason of the absence of this quite simple reform. If there is a prospect that the bill issue is likely to be appreciably expanded in the autumn, a system which will ensure a more even balance between maturities and payments day by day will become more than ever desirable. Certainly the 91-day Treasury bill is a logical corollary to the rationalisation of the short loan mechanism which was achieved by the ending of bank window-dressing. The same is true of another project, of which less has been heard, for a 182-day Treasury deposit receipt.

International Bank Bonds

Preparations are now being made at the headquarters of the International Bank for Reconstruction and Development in Washington, and at the New York office which it has recently opened, for the initial bond issue of the bank to private investors. The intention is to make an issue of the bank's own bonds, amounting to approximately \$250 million, and thus providing the resources from which the \$250 million loan to France will in effect be financed. The exact amount of the issue may not be specified, and it is possible that the bonds may be on tap for some time and that more than the \$250 million in question may be collected if the response from subscribers over-reaches this target. The terms of the issue have not yet been fixed, but it seems probable that they will approximate fairly closely to those on which the loan to France was made, namely, a rate of

interest of slightly over 3 per cent with bonds maturing over a period of 30 years. The difference between this rate of interest and the 4½ per cent charged to France is explained by the 1 per cent guarantee fund commission which the bank is compelled to charge on all its loans. It has already been widely suggested that this guarantee fund commission is too high and that if it is adhered to it will make bank lending too expensive, thus encouraging only borrowers whose intention to repay and meet their obligation cannot be rated too high. If a change is to be made in this respect there will have to be an alteration in the articles of agreement of the bank. This may well be a matter that will come up for discussion at the second annual meeting of the governors, for which active preparations are now being made in London. The meeting will take place in September, in the building of the Institution of Civil Engineers.

The only interesting recent news from the International Monetary Fund is that this institution is devoting some attention to the problem of free gold markets and of the operation of monetary authorities in these markets. One of the obligations undertaken by members of the IMF is not to sell gold at prices other than those indicated by the designated parities of their currencies. This obligation has repeatedly been breached. Mexico, for example, makes a habit of selling gold coins for export at an appreciable premium. Certain central banks in Western Europe are suspected of operating in their own black market for gold by selling coins in order to reduce the premium on gold, hoping thereby to underpin confidence in their currencies. The practice has gained sufficient amplitude and notoriety to justify some investigation and perhaps action by the IMF.

Higher Steel Production

Both pig iron and steel output in May showed an improvement on April, but both were lower than in May, 1946. The May production figures issued this week by the British Iron and Steel Federation show that weekly average production of pig-iron was 141,900 tons, compared with a weekly average of 139,200 tons in April and 151,200 tons a year ago. Steel ingots and castings last month averaged 243,900 tons a week, compared with 236,400 tons in April and 261,900 tons in May, 1946. The *Economic Survey* "hoped" that the steel output for 1947 would reach the level of 1946. There was a wide gap, however, between the annual rate of output in May and the annual rate a year ago—12,684,000 tons compared with 13,619,000 tons in May 1946.

According to the Federation, the May figures still reflect the effect of recent fuel limitations. Unfortunately, with a coal allocation based on last summer's consumption, there is little hope of a spurt in output which might close the cumulative gap between the level of production in 1946 and the performance so far in 1947.

Brazil Tightens Import Control

Some perturbation appears to have been caused by the recent announcement that Brazil had tightened the machinery for import licensing and that at the same time commercial banks in that country had been requested to offer to the Bank of Brazil 30 per cent of the foreign exchange they purchase from their customers. The surprise caused by these developments springs largely from their timing, in particular from the fact that they followed the sterling agreement under which Brazil's current accruals of sterling were given the rights and privileges of inclusion in transferable accounts. In fact, this sequel is far from paradoxical. When the full details of the agreement with Brazil have been published, it will no doubt be found that accumulated sterling has been subjected to some form of funding, while current accruals of sterling will, of course, be freely expendable, and transferable for current purposes. The point to note is that henceforth sterling will be a decidedly harder currency for Brazil than it has been in the past, for Brazil will be deprived of the facility available to her hitherto to draw on accumulated balances to finance her sterling requirements. This, together with the dwindling dollar reserves at Brazil's disposal, explains the extension of the export licensing system that was announced this week. Since Britain is in the same position as Brazil and operates similar selective restriction of imports, strictures of Brazil's decision do not come very appropriately from this country. As for the requirement that the commercial banks sell part of their exchange receipts to the central bank, it merely reverts to the position that obtained until about a year ago and copies the procedure followed in Britain and many other countries.

Recovery in Rayon

The rayon mills have weathered the fuel crisis better than most industries. February was a bad month, but the fall in output was largely concentrated on the smaller continuous filament producers. By the end of April, production—taking the continuous filament producers as a whole—had recovered almost to the level of January. According to the Customs and Excise returns, total rayon production in April was 15.9 million lb., compared with 16.6 million in March and 13 million in February. The slight setback in April, which included the Easter holiday, was due to a fall in staple fibre production from 7.5 million lb. to 6 million, a decline only partially offset by increased output of continuous filament, which improved from 9.1 million lbs. in March to 9.9 millions in April.

Total rayon production is now above its pre-war peak of 15.1 million lb. a month. Average monthly production in March and April was 16.2 million lb., compared with 18.5 million lb. in January and 17.2 million lb. in the last quarter of 1946.

The wide range of uses to which rayon is now put is shown in an analysis of rayon deliveries to user industries published in last week's issue of the *Board of Trade Journal*. A summary is reproduced below.

RAYON YARN AND STAPLE FIBRE DELIVERIES
(January to March, 1947)

Rayon Yarn			Staple Fibre		
	Tb. lb.	%		Tb. lb.	%
Weaving	10,776	48	Cotton Spinning	10,794	7
Hosiery	3,241	13	Wool "	1,515	7
Warp knitting	2,381	9	Flax "	4,935	28
Industrial (Tyres, etc.)	3,969	16	Jute "	469	2
Miscellaneous	2,017	8	Silk "	262	1
Exports as yarn	2,960	12	Exports as staple fibre	3,362	16
Total	35,344	100		21,337	100

Weaving accounted for over 40 per cent of total continuous filament yarn (rayon yarn) deliveries for the first quarter of 1947. Industrial purposes, which include the coarser deniers now used in tyre manufacture, occupied second place—above deliveries to either the hosiery manufacturers or the warp knitters. Cotton spinning naturally took the major portion of staple fibre output (51 per cent). Rayon is now used for a large variety of purposes in the textile trades and in industrial uses, not only as a substitute for natural fibres but also as a yarn with its own distinctive qualities. The final abolition of the 6d. per lb. excise duty should increase the field of rayon's uses, but its ability to take advantage of this relief will depend on the availability of coal supplies. A cushion was provided for falling production in February by drawing on stocks, but output for the rest of this year will be much more dependent on regular coal deliveries.

Saar Currency

The French Government has this week announced its intention to proceed to an exchange of currency in the Saar territory, which as from June 15th will use the Saar mark instead of the German reichsmark. The exchange of currency is to be effected at par. The move is admittedly made to facilitate and prepare for the eventual complete economic fusion of the Saar territory with France; it anticipates a second currency conversion operation, namely from Saar marks into French francs. A provisional rate of exchange of 12 French francs to the Saar mark has been fixed but how ephemeral this figure must be is evident from the complete uncertainty with which the prospects for both marks and French francs must be viewed. For the former only a drastic surgical operation can secure any remnant of acceptability or value. The broad lines of such an operation have been drawn up but still await quadripartite agreement, which means that they may have to wait a long time before being realised. As for the franc, every day that passes in France, every incident of the labour situation, indicates the piecemeal disintegration of the *expérience Blum* with its attempt to secure a prices-wages stabilisation. A further devaluation of the franc appears, therefore, to be ultimately inevitable. The only questions that arise are what will be the most propitious timing for this operation and what will be the appropriate rate to which to devalue. Both questions will have to be submitted to the International Monetary Fund. They are no doubt already the subject of study by the experts of that institution.



June

The first long days of midsummer bring thoughts of travel. Whether you are beginning to plan your holiday or whether you feel that now would be an appropriate time for that long-deferred business trip, preparations have to be made. The Midland Bank is ready to assist you with the services of experienced specialists in exchange matters, by obtaining your foreign currency and by providing travellers' cheques and letters of credit which are readily encashable abroad. With an unrivalled reputation overseas, this Bank has thousands of agents throughout the world who are at all times ready to assist its customers.

MIDLAND BANK LIMITED

World Linseed Prospects

In spite of the development of substitutes, the world linseed oil position is still causing anxiety. Flax is grown over a wide area, but its primary purpose is for fibre. In Europe a "dual purpose" variety has been cultivated for some years, but the seed yield is still rather low. About three quarters of the world's output of linseed, which in 1946 totalled only 110.5 million bushels, is accounted for by Argentina, the United States and India—in order of importance. During the war, with the emphasis upon foodstuffs, the acreage of linseed declined in both India and Argentina. In the United States, on the other hand, as in Canada and the United Kingdom, it was expanded very rapidly in the early years of the war, and in spite of a significant reduction since 1943, it is still above the pre-war level. The low 1946 world output—about 20 per cent below the pre-war—was mainly due to smaller yield, although acreage was also nearly 20 per cent less than in pre-war years. Full details are given in this week's issue of the *Records and Statistics Supplement*.

According to the United States Department of Agriculture, prospects for 1947 are good, and the world output of linseed should be substantially above the 1946 level. In Canada the acreage is expected to show a 67 per cent increase, stimulated by a price increase of \$1.75 to \$5.00 per bushel for No. 1 grade. In view of the difficulty of diverting acreage from other crops to linseed, this is regarded as satisfactory, although below the target. In the United States, with a support price of \$6.00 per bushel for No. 1 seed, Minneapolis basis, prospective acreage is 70 per cent above that for 1946. With the continued lateness of the season, farmers may even plant linseed on ground intended for wheat, particularly as reports suggest a record wheat crop this year. The Indian crop is expected to be below average, but an export quota of some 27,000 tons of linseed oil, to meet the International Emergency Food Council's allocations, has been established for 1947-48.

In Argentina there is little prospect of increased acreage unless the Government amends its policy towards the farmers, who were dissatisfied with the 1946 price. Last year's acreage of 4.7 million acres was, with one exception, the smallest since the early 1920's, and output was also affected by locust damage and wet harvest weather. In November, 1946, the Government reduced the price of linseed to the growers from \$2.65 to \$2.27 a bushel, at the same time raising the export price. Purchases of linseed oil made by the United Kingdom and the United States for delivery in 1947 were concluded at between 30 and 31 cents a lb. (equivalent to about £170 per ton), compared with 25 cents in 1946 and 9½ cents in 1945.

The hope of increased linseed supplies, therefore, lies mainly in the American output. Domestic consumption in Canada is expected to be under 10 million bushels, so that there may be an exportable surplus. The United States, if the hoped-for increase in output materialises, will at least be a less significant purchaser in the world market, and may also be in a position to furnish additional supplies. Although the quantities involved will not be sufficient to cover world requirements, they may be just adequate to counter the present Argentine policy.

Coal for Building Materials

By the end of April, production of building materials had made a notable recovery from the low levels of February. There is no reason to suppose that this progress has not continued. But output of certain key materials in April was still well below that for last October, the best month, in most instances, of 1946. The extent of the lag, as at end-April, behind last autumn's production levels is indicated in the table below.

PRODUCTION OF BUILDING MATERIALS: MONTHLY PRODUCTION

	Bricks	Cement	Asbestos Cement Sheet	Clay Tiles	Plaster-board	Rainwater Goods†
	(mn.)	(Th. tons)	(Th. tons)	(Th. sqs.)	(Th. sq. yd.)	(Th. tons)
October, '46	442	766*	35.0	63.4	3,830*	...
January, '47	379	550*	34.5*	63.5	3,424*	6.19
February	247	192	11.9	46.0	1,598	4.13
March	277	366	25.9	44.8	2,780	6.93
April	349	601*	30.0*	45.6	3,711*	7.08

Source: Monthly Digest of Statistics

* Five weeks periods. † Includes cast iron and steel, aluminium and asbestos cement; asbestos cement output is for 5 week periods in January and April.

The building material industries are now in the summer coal allocation period. Their output between now and November, before autumn brings flooded clay and chalk pits and before they face the as yet unpredictable effects of next winter's coal

allocation, is vital for this year's housing programme. Sir Stafford Cripps, when he announced the summer coal allocation for industry generally, promised special treatment for the building material industries. Their coal allocation, he said, would not be based on last summer's consumption. An allowance would be made for their intervening expansion in output. It now appears that all producers of building materials will in effect receive each week the equivalent of their average weekly consumption in the period May to October, 1946. In addition, the Ministry of Works has been given a block allocation of additional coal for allocation to firms which have expanded output above the level of their average production last summer. The effect of this increased allocation will be, nominally, to provide this group of industries with 85 per cent of the coal they would have needed to achieve the output (after slight adjustments) required to meet the original housing targets. But in practice the effective allocation may be slightly better than this, owing to the way in which the supplementary allocation can be used. The Ministry of Works will no doubt be able to give preference to key industries, such as cement, and to others using a small amount of coal per unit of output, such as the Flettons brickmakers. Again, there will be scope for the Ministry in making its allocations, to have regard to the scale of production and efficiency of different firms.

On paper, at least, the net effect appears to be that the building material industries as a group will, in the matter of their summer coal supplies, fare rather better than most other industries. The crucial test in maintaining the flow of materials and housing components, however, will be the success achieved in obtaining actual delivery of the coal at the right works or factory at the right time.

Coal-to-Oil Conversion in Perspective

The Minister of Fuel and Power announced last week that, for the time being, further authorisations for conversion from coal to oil firing will have to be suspended. When present plans are completed, which Mr Shinwell hoped would be in the middle of 1948, total consumption of fuel oil will be at the rate of seven million tons a year, compared with 1,960,000 tons in the year ended April, 1946. This additional five million tons a year should represent an annual saving of about eight million tons of coal.

The advantages of a change-over from coal to oil where such relatively small savings in coal are involved clearly depend upon the chances of achieving conversions rapidly at key points in the industrial process. Even a few hundred thousand tons of coal are worth saving by importing fuel oil from Middle East sources if they stave off another fuel crisis this coming winter. The February fuel crisis underlined the significance of marginal coal supplies. Encouragement of conversion at such strategic points by the installation of standard types of equipment has been a keynote of official policy.

But it was inevitable that a halt would have to be called before long. The shortage of materials, especially of steel, for both plant and storage capacity has become increasingly acute. To limit the programme now is obviously wise, if to do so will ensure delivery by not later than the middle of 1948 of equipment for all schemes so far approved; there was a danger that the limited supplies of oil-burning appliances, too, might outstrip supplies of storage capacity, for instance. It is now clear that most rapid progress has been made in converting steel capacity. Mr R. M. Shone, of the British Iron and Steel Federation, recently estimated that as much as 1.8 million tons of coal a year might be saved by conversion schemes already approved.

When supplies of materials and the capacity of the oil industry itself make further authorisations of conversion feasible, the longer term problems will deserve closer study. By then it may be possible to estimate from the trend of coal production and relative costs just how far British industry should be encouraged to become permanently dependent on imported oil supplies. But by then, the fundamental issues of cost and efficiency should carry more weight than they have done at times in the recent past.

Inquiries into Building Costs

Three committees have been appointed, it was announced in the House last week, to exercise a continuous review of housing costs. The first two will keep house-building costs under review in England and Scotland respectively and make recommendations. The third will have the same terms of reference for enquiring into costs of building materials.

These terms of reference are wide enough to give the committees a broad purview of house building and its ancillary industries. But it is difficult to see how they can do much more than record facts of a kind that are already well known and make recommendations on isolated instances where economies might be obtained. It is true that the housing costs committees are likely to disclose large discrepancies in building costs between different areas. But since they must regard the available building labour force, the price and the flow of building materials to sites and the shortage of qualified staff in many local authorities' administrations as fixed—at least in the short period—the scope for constructive recommendations cannot be very great.

The committee on building materials prices is in a similar position. In this group of industries, many important factors in cost are already determined by official policy. Most of these industries are large users of coal. Their level of output and costs now depends on the amount of coal they receive from the Ministry of Works allocation, its price and its ash content. Many firms are being encouraged to instal new equipment, and its cost when finally installed may vary considerably from original estimates. It will therefore be exceedingly difficult either to assess the trend of production and costs over the next twelve months or to gauge the effect upon individual firms of, say, overall reductions in prices.

But to list the committees' difficulties is not to argue that they cannot do useful work. There is persistent upward pressure on building costs at present both from the side of labour and materials. So long as that pressure continues there is a clear advantage in having an organisation available which can maintain an overall review of costs and prices.

Dock Labour in Transition

The annual report of the National Dock Labour Corporation for 1946, issued at its meeting last week, is of particular interest, in that it coincides with the termination of the existing scheme and the beginning of the new national, permanent scheme for dock employment. The report covers the difficult period of the transition from war to peace—the period of decline from the high level of wartime earnings and uncertainty about the future organisation of the industry. Lord Ammon, the Corporation's chairman, is outspoken in his comments about unofficial strikes, which caused the loss of more than 40,000 manhours during the year; he condemns the "unofficial and quite irresponsible leadership" of the strike instigators. His remedies—a more lively interest by the rank and file in trade union branch activities and

greater confidence in the constitutional negotiating machinery—are, however, easier to prescribe than to put into operation.

The chief function of the Dock Labour Corporation in wartime was to ensure the maximum speed in the turn-round of ships, often under bombardment. This aim is hardly less important in post-war conditions, when delays in the clearance of cargoes may hold up vital exports. The Corporation aimed at securing a balanced and properly distributed labour force, to achieve which apparently requires a minimum manpower surplus of 10 per cent. The labour conditions of last year were, however, exceptionally difficult. Although some 5,000 men were dismissed as redundant and 2,000 retired, the effect of demobilisation was to leave the industry with 600 more men at the end of the year than at the beginning—but with a greatly reduced volume of work. At one stage in 1946, the Corporation was carrying a surplus of 9,000 men, or about 25 per cent of its total labour force of 37,000. This imposed an altogether uneconomic burden upon the finances of the Corporation; it paid out £400,000—or 50 per cent—more in attendance money than in 1945. This was met only by calling heavily on reserves and by increasing the percentage levy on the wages of allocated workers, which added to the burdens of the industry. On the initiative of the Corporation, a fact-finding committee was set up by the Ministry of Transport, to try to adjust the labour supply to the likely requirements at the main ports. The committee was able to agree upon the adjustments necessary, but not upon the means of making them, so that most of its findings have not been implemented.

There will be general agreement about the financial, economic and administrative advantages of having a national labour scheme for the docks—Glasgow and Merseyside were excluded from the Corporation's scheme. At the same time, it should be recognised that the National Dock Labour Corporation, for all its limitations, did good pioneering work in the decasualisation of dock labour and in the development of port welfare services in a hitherto largely casual and uncared-for industry.

Explaining the Stock Exchange

City institutions have remained surprisingly aloof from the modern growth of "public relations." There is scarcely a large body in industry, the professions or labour which is not nowadays ready to explain itself, and if need be to defend itself. "The City" has been under political fire for a decade or more, and it is increasingly called upon to cater for a larger number of cus-

(Continued on page 956)

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: J. Lyons; British Electric Traction; Royal Dutch Shell Group; Clan Line; Odhams Press; Amalgamated Metal Corporation; British Insulated Callender's Cables.

Prices, Jan. 1-June 11, 1947	Name of Security	Price, June 4, 1947	Price, June 11, 1947	Net Yield,* June 11, 1947	Gross Yield,* June 11, 1947	Prices, Jan. 1-June 11, 1947	Last Two Dividends	Name of Security	Price, June 4, 1947	Price, June 11, 1947	Yield, June 11, 1947
High	Low					High	Low				
British Funds*											
103½	101½	102½	102½	£ s. d.	£ s. d.	113½	106½	110	110	2 10 11	
103½	101½	102½	102½	Conversion 3% March 1, 1948-53.	1 3 11	105½	99½	101	101	2 8 8	
102½	100½	101½	101½	War Bonds 2½% August 1, 1949-51.	0 3 11	102	100½	101½	101½	3 8 1	
105½	101½	103½	103½	War Bonds 2½% March 1, 1951-53.	0 9 5	142½	104½	123½	127½	3 18 5	
105½	101½	103½	103½	War Bonds 2½% March 1, 1952-54.	0 12 3	162½	118½	158½	158½	2 10 4	
106½	103½	104½	104½	War Bonds 2½% June 15, 1952-57.	0 15 8	80½	60½	78½	77½	3 17 8	
108½	103½	106½	106½	National Def. 3% July 15, 1954-58.	0 13 11	48½	36½	40½	40½	4 18 2	
109½	103½	106½	106½	War Loan 3% Oct. 15, 1955-59.	0 16 11	95½	79½	90½	88½	3 3 6	
109½	103½	106½	106½	Savings Bonds 3% Aug. 15, 1955-59.	0 17 4	245½	197½	217½	213½	2 6 10½	
109½	103½	106½	106½	Funding 4% May 1, 1960-90.	0 18 0	110½	88½	109½	110½	3 12 4	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 1 1	58½	50½	64½	62½	2 16 10	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 2 3	29½	24½	26½	26½	6 0 9	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 1 1	81½	68½	79½	77½	3 17 3	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 14 0	53½	41½	52½	51½	3 17 3	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 2 7	49½	40½	46½	47½	4 5 0	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 15 6	57½	47½	55½	57½	1 14 9	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 18 0	77½	62½	70½	69½	3 12 6	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 1 4	84½	73½	79½	79½	5 0 8	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 16 11	36½	33½	34½	34½	4 1 9	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 13 8	47½	41½	46½	46½	3 19 4	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 19 10	39	35	38½	38½	1 18 8½	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 8 11	63½	52½	55½	54½	4 11 4	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 15 10	108½	91½	106½	106½	1 3 6½	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 15 3	147½	118½	140½	138½	3 12 0	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 18 11	96½	81½	91½	90½	2 15 3	
109½	103½	106½	106½	Funding 3% April 15, 1959-61.	0 18 11	96½	81½	91½	90½	3 8 10	

* To earliest redemption, except § flat yield and † assumed average life 17 years 6 months. Net yields after allowing for tax at 9s. in £.

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

COMPANY MEETINGS

F. FRANCIS AND SONS,
LIMITED

IMPROVED RESULTS

The forty-sixth ordinary general meeting of F. Francis and Sons, Limited, was held, on the 11th instant, in London.

Mr John Ismay (the chairman) said that the profit, including dividends from subsidiary companies, was up from £68,200 to £88,180. After making provision for taxation and payment of the final dividend of 15 per cent. the total of their undivided profits and reserves had risen from £73,043 to £86,257. They had retained over one-third of their profits in the business. Therefore the dividend, although an increase over the previous year, was still a conservative one.

They were acquiring a controlling interest in Keighley Lifts, Limited, Keighley, Yorks. He was confident that the link-up of the two companies would be of great advantage. Although they were producing entirely different articles there were many ways in which both the works and the sales departments could co-operate. The issued capital would be increased by 140,000 ordinary shares, and to pay the present rate of dividend on the additional capital would therefore call for a return of £7,000 a year gross. They had every reason to anticipate that the profits from Keighley Lifts, Limited, available to the company would far exceed that figure.

Shareholders might ask perhaps why, as the company only required 140,000 additional new ordinary shares to complete the present deal, the board should ask for power to increase their ordinary capital by as many as 400,000 shares, the reason being that they wished to be in a position to take advantage if, and when, a favourable opportunity arose to extend further their interests.

The report was adopted, and at a subsequent extraordinary general meeting the increase of capital was approved.

(Continued from page 955)

tomers of moderate means, instead of a smaller number of very wealthy clients, as a result of changing economic patterns and high taxation. The mysteries of banking, insurance and the Stock Exchange call for simple and informed explanation, first because the public which uses these institutions ought to know how they work, and secondly because ill-natured, prejudiced criticism should be stifled to give fuller opportunity for worth-while improvement and reform.

These reflections are suggested by the appearance this week of a short, popular book on the Stock Exchange and its place in the modern world.* Mr W. T. C. King has written a lucid account of all aspects of the work of the Stock Exchange, which is designed to provide for the small investor and the lay citizen very much what "the Radio Doctor" provides for those who are interested in preventive medicine. In other words, the book is popular in style; it explains how things work in the Stock Exchange; it is technical, where necessary, but always comprehensible, and it is well produced and illustrated. It is, perhaps, a little delicate to divide the responsibility for its appearance between the author and its sponsors. Evidently it is an independent work by the author, but the fact that the Stock Exchange Council have formally subscribed to its publication suggests that Mr King's views can be taken to carry the official endorsement of the Council. There is no reason for objection to this procedure. The Council could hardly be expected to wield a collective literary skill comparable to Mr King's, and it might have some diffidence—though it would hardly be justified—in itself claiming the credit for the reforms which it has undertaken since 1930.

For the general reader, perhaps, these form the most impressive section of the book. The Stock Exchange Council is, in legal form, an elected governing body of a private club, owing first duty to the interests of its members. But the legal form is widely

* "The Stock Exchange." By W. T. C. King. Published for the Council of the Stock Exchange, London, by George Allen and Unwin, Ltd. 84 pages. 5s.

AULT AND WIBORG,
LIMITED

ACTIVITIES BROADENED

The annual general meeting of Ault and Wiborg, Limited, was held, on the 6th instant, in London.

Mr Gerald Wellesley (the chairman), in the course of his speech, said: Our financial year included the disastrous months of February and March. This notwithstanding, the turnover of our company and its subsidiaries has increased to such an extent that, despite a lower margin of profits on sales, the net earnings amount to £180,018. The directors recommend dividends totalling 30 per cent. on the Ordinary stock.

The board has always aimed to broaden the basis and widen the scope of the company's trading. Accordingly during the past few months we have acquired the entire issued capital of the following five companies: Associated British Cellulose, Limited, Allied Paints and Chemicals, Limited, Cecil Oliver, Limited, A. Learner and Company, Limited, and Wembley Paint Company, Limited, all of which are actively and successfully engaged in the production of paints, industrial finishes and metal decorating products. We have also opened a branch of Ault and Wiborg in Northern Ireland.

We are still faced with an acute shortage of raw materials, without which our business would automatically expand to a very much larger volume. Necessity, however, is proverbially the mother of invention, and our technicians have succeeded in producing satisfactory substitutes for many materials which we most urgently require. We continue to press forward with the export side of our business, but here again we are finding ourselves continually hampered by the shortage of raw materials.

The report was adopted.

APOLLINARIS AND PRESTA,
LIMITED

MR J. D. BROAD'S REVIEW

The fiftieth annual general meeting of Apollinaris and Presta, Limited, was held, on the 10th instant, in London.

Mr J. D. Broad, F.C.A. (the chairman), in the course of his speech, said: The year under review has again seen us operating under the Concentration Scheme for the Soft Drinks Industry, and our share of the profits has enabled us to make a distribution of 4½ per cent. to our debenture stockholders.

During the year under review our Presta factories at Elland, Yorks, and Colindale, Hendon, have been de-requisitioned. At Elland we were able to reinstate the plant and machinery within a short time, and deliveries commenced in October last. The reinstatement work at Colindale, however, was a much more difficult operation, and it was not possible to re-commence deliveries from that factory until April this year.

We are not yet in control of our Apollinaris Spring and Bottle Works in Germany. Colonel Broad has recently been to Baden Baden and the Spring, and we hope that the fruits of his visit will result in arrangements being made whereby we can export Apollinaris and restart the bottle works.

With regard to the Apenta Spring at Budapest, the position is very difficult, and recent developments are not encouraging.

The sale of our Buxton Water continues to develop, and we have been able to obtain permits for export to various markets abroad.

There is now some prospect of permission being obtained in the near future to import Vichy, Contrexeville, Evian, Vittel and similar French Waters on a quota basis.

Our sales of Cyder have been well maintained, despite a tendency to restrict supplies.

The report was adopted.

different from the practical fact. The Council's primary interest nowadays is the protection of the investor. It has no statutory limits within which it must legislate; its powers are wide, flexible and absolute—and, without doubt, more effective than the enormous system of regulations imposed by the Securities and Exchange Commission in the United States. The SEC was the American answer to the Wall Street boom and slump of the late 'twenties. In London, it was the Stock Exchange authorities which undertook reform from within. Mr King, while not neglecting the need to describe the way in which the Stock Exchange works, has usefully underlined the wider functions of the market in safeguarding the investors' interests, providing a free and fair market, and mobilising the nation's savings into the most useful channels. These functions ought to be more widely understood, and this book will certainly help in their understanding.

Shorter Notes

The official forecast of the United States wheat crop suggests that this year it will be 1,410 million bushels. This would exceed last year's record production by 250 million bushels. Of the total, winter wheat is expected to account for 1,093 million bushels and spring wheat 317 million bushels.

*

Statistics of the trade of independent retailers which have been published regularly in the *Board of Trade Journal* since October, 1946, are to be extended. The panel of traders making returns has been widened to cover the following trades: drapery; boots and shoes; hardware, electrical and radio shops; bookellers, stationers and newagents; jewellers and allied trades; motor and cycle dealers; toy and sports retailers. The first of the new figures, which refer to January, February and March, have now been published.

DUNLOP RUBBER COMPANY, LIMITED

MOST SATISFACTORY ACCOUNTS

SIR GEORGE BEHARRELL'S ADDRESS

The 48th ordinary general meeting of the Dunlop Rubber Company, Limited, was held on the 11th instant in London.

Sir J. George Beharrell, D.S.O., the chairman, in the course of his speech said:—

The accounts before you are in my opinion the most satisfactory and impressive ever submitted to a general meeting of this company. During 1946 the Dunlop organisation throughout the world was engaged in the process of conversion from war to peace, and in spite of many difficulties this was, on the whole, satisfactorily carried forward.

THE PLANTATIONS

When I spoke to you last year about the Plantations I gave you an indication of the immediate difficulties that confronted us, but said that looking further ahead I felt the estates would be able to render a good account of themselves. I am glad to be able to confirm this. The crop that is being harvested now exceeds the 1941 rate of production; our most valuable business in the form of concentrated latex has been re-established, shipments being now comparable in quantity and quality with those of 1941.

This has not been achieved without careful planning, heavy expenditure, and the most strenuous work on the part of our staff in Malaya under the most difficult conditions.

An outstanding factor in our recovery has been our progressive policy in developing large areas of rubber planted with high-yielding strains of buddings or clonal seed. Practically the whole of these mature areas survived the period of occupation with little damage and have, since tapping recommenced, produced at an annual average rate considerably in excess of 1,000 lbs. per acre.

During the past year important developments have taken place in the rubber markets of the world. I feel that we have now definitely reached the stage where the world rubber position can be discussed in a clearer atmosphere—free from the effect of those artificial restrictions which have so fundamentally effected the world rubber position since the beginning of the war. The situation is now under consideration by the International Rubber Study Group, whose membership is being considerably expanded, and it would be unwise of me to attempt to forecast the result of such international discussions, which, I feel, should be of vital importance to both producers and consumers. The Study Group's function is, of course, purely advisory.

TYRE DIVISION

Last year I expressed the hope that adjustments to the tyre rationing scheme would permit a wider distribution. By October, the scheduled output of car covers was reached and output generally was at approximately 93 per cent. of full normal capacity. This load was held for only two weeks, when reductions were necessary owing to difficulties in maintaining cord supplies. This, and the acute shortage of some raw materials, particularly carbon black, have restricted the industry's output, and tyres continue to be in short supply. The unavoidable shut-down during the earlier part of this year accentuated our difficulties, but by skilled distribution we succeeded in maintaining supplies to the public services and to the vehicle manufacturers. Cycle tyre production reached an all-time maximum, but here again output has been restricted until quite recently owing to cord shortage.

We are gradually reinstating the variety and attractiveness of the normal ranges of Dunlop tyres, in place of the war-time ranges, and only the inadequate supply of a few

essential materials stands in the way of tyres being made readily available to all.

ALL TYRES SOLD

You will understand that we sold all the tyres we could make, and in this connection you will be interested to know that the number of miles run by public service vehicles on Dunlop tyres was greater in 1946 than in any previous year of the Company's history.

Starting early in the year natural rubber became more freely available, and continued reconversion from synthetic, to natural was made, until by the third quarter practically all tyres had been changed back to natural rubber.

Although we may be handicapped by shortages of material from time to time, this change has enabled the quality of our tyres to be improved, particularly in the giant range, and the tread life built into giant tyres has been appreciably increased.

A substantial proportion of our tyre production is supplied to the manufacturers of motor cars and other road vehicles, and a section of our organisation is devoted entirely to these interests. You will know that there is a shortage of steel, and we cannot dissociate ourselves from the possible effects of this shortage upon the motor and cycle industries with which our own prosperity is linked.

I hope that in the allocation of raw materials, the outstanding importance of transport in all its sections and interests will receive the ready recognition of the authorities concerned.

EXPORT SALES MARKETS

A greater volume of goods was available for export than in 1945, in spite of the high priority given to major rubber goods for essential home industries and other requirements. There was further relaxation in the control of exports and we were enabled more fully to meet requirements in markets of our choice. Dunlop plants overseas have again been helpful in assisting to meet demands.

Certain overseas markets have been able progressively to relax their control of tyre sales and, in some, free market conditions have already returned, chiefly because of increasing exports from other countries. This has accelerated the change from a seller's to a buyer's market.

PLANS AND PROSPECTS

Production is our country's greatest need today. We have laid our plans to increase Dunlop productivity and extend Dunlop activities, as and when supplies of fuel, labour and materials permit. The response of our employees during the year under review gives me confidence that we can rely on their co-operation in our efforts to meet the national need and to adapt ourselves to changing circumstances.

Turning to the position which faces Britain as a whole, I need not remind you that our overriding need is for a great increase of production, in order to pay for essential imports and to maintain our standard of life. Without this our people must relapse into poverty and Britain cease to be a first-rate power. This position is becoming daily more and more fully recognised. We have the necessary skill in management, design and craftsmanship; our reputation for fair dealing and for high quality stands as high as ever; and I am convinced that as soon as those engaged in our factories realise that production is not going to be continually held up by failure of essential supplies, they will respond to the nation's need, and we shall achieve an output per worker surpassing in volume and value for money anything that has been accomplished in this country before.

The report was adopted.

GREYHOUND RACING
ASSOCIATION TRUST,
LIMITED

MR F. S. GENTLE ON RESTRICTIONS

The nineteenth ordinary general meeting of the Greyhound Racing Association Trust, Limited, was held, on the 2nd instant, in London.

Mr Francis S. Gentle (chairman and managing director) said that there were three reasons why the issue of the accounts had been delayed—racing restrictions, the Budget and rating. With regard to racing restrictions the Government made an Order during the fuel crisis which had the effect of suspending greyhound racing entirely as from February 11th. This discrimination whilst closing them entirely, allowed cinemas and theatres to continue. On the grounds that absenteeism must be prevented, the Government then called representatives of all sports to the Home Office and insisted upon their operating on Saturdays only, but horse racing was allowed to continue in mid-week and there had been no ban on cricket. The temporary Act was for a period expiring on June 30, 1948, and could not be extended except by new legislation but could be ended at any time by order of the Secretary of State.

There had been a possibility of some discriminatory tax, such as a betting tax, being proposed in the Budget. Happily the Chancellor did not propose such a tax.

RATING ASSESSMENTS

As to rating, for some years now Rating Authorities had been inclined to the view that all race tracks ought to be assessed on what was known as the profits or revenue principle. They had recently appealed successfully in the Scottish Court of Session against assessments on that basis, but in England large assessments had been made which were the subject of appeal.

During the year the restrictions on maintenance and building had to all intents and purposes prevented any progress with the improvement of facilities which they would have liked to have made. Active steps had, however, been taken to re-plan their stadia on the most modern lines and some progress had been made in improving totalisator equipment to meet the demand. The photofinish camera was now an established part of their equipment and had proved itself invaluable.

OTHER ACTIVITIES

The year 1946 had really been the first since the cessation of hostilities in which they had been able to return to activities other than greyhound racing. At the White City a full season of athletics had been held. At Harringay arena Roller Speedway, Ice Hockey, and Boxing, etc., had been operated and the Board were taking steps that the arena was used as far as possible in the current year. During the current year they had recommenced speedway racing at Harringay Stadium. Whereas in pre-war years they had let the track for that purpose, they were now operating the racing themselves, and so far the Board was satisfied with the results.

Profit and sundry income for the year was £2,090,000 compared with £1,616,000 in 1945, which was an all-time record. Of that amount taxation absorbed in total £1,649,000, an increase of over £200,000, although E.P.T. was mainly at the 60 per cent. rate.

The net profit of the Trust was £340,000 after appropriating £84,000 to reserve in the subsidiary companies. The directors recommended a final dividend of 45 per cent., making a total of 115 per cent. for the year. He had hopes that the present restrictions would be lightened, at any rate on some tracks, in the not too distant future, but till then it was obviously impossible to give any forecast for next year.

The report was adopted.

AMALGAMATED METAL CORPORATION, LIMITED

EFFECT OF WORLD SHORTAGES

The eighteenth ordinary general meeting of the Amalgamated Metal Corporation, Limited, will be held at Princes House, 95, Gresham Street, London, E.C., on the 17th instant.

The following is an extract from the statement of the chairman, Mr Walter Gardner, circulated with the report and accounts for the year to March 31, 1947:—

Non-ferrous metals have remained under control, and continue to be in short supply the world over. This state of affairs is deterrent and frustrating to business. The rise in values since the beginning of 1946 is not a healthy sign, for increasing production is slow in materialising. There are, of course, many reasons for this, upon which it is not proposed to comment now. However, the outstanding feature of the situation is that the United States has become an importer of metals.

A favourable feature for the Corporation has been the freeing of rubber from control during the past year, and, with most countries eager to purchase the commodity, and the producing areas—more especially Malaya—showing progress, the movement of rubber into consumption has been on an enhanced scale. It is all to the good that the London Market in Mincing Lane has reopened.

During the past year visits have been made by directors and other senior executives of both the British Metal Corporation, Limited, and Henry Gardner and Company, Limited, to various parts of the world. These journeys, have included visits to Australia and Canada, where we have had an opportunity of renewing, after the gap caused by the war, personal contacts with those engaged on the spot in the industries with which we have such important and valued connections.

During the past year the British Metal Corporation has acquired the entire share capital of Forest Hardwoods, Limited, a company engaged in the import of timber into this country and in the distribution of imported and home-grown timbers.

PROGRESS OF SUBSIDIARIES

The following notes in regard to some of our subsidiaries may be of interest.

Huntington, Heberlein and Company, Limited, the metallurgical and chemical engineering subsidiary of the British Metal Corporation, is fully employed at the present time with both home and export business, and has a number of important contracts in course of execution.

Colliery Engineering, Limited, specialises in plant for collieries, which includes the handling, cleaning and classification of coal at the surface. In recent years the company has introduced into the industry in this country new processes of very high efficiency to clean coal of all sizes mechanically.

Aerex, Limited, specialises in ventilating and fan plant of all kinds and of a very efficient character, principally for industrial work.

Henry Gardner and Company, Limited, have now entered the export fields for the sale of manufactured products in overseas territories. They are engaged in building up a network of associations in Malaya, India, Cyprus, South America, Canada and China. The association which both companies have with their agents, Messrs C. Tennant, Sons and Company, of New York, is of great and increasing value, whilst the British Metal Corporation, through its associated companies in Montreal and Calcutta, is well placed in Canada and India to further the company's business.

Great Britain's rôle in gaining her livelihood cannot in the future, any more than it has been in the past, be solely of an industrial character.

Commerce has always played a large part in her economy. Peculiarly situated as she is and highly populated, she must continue to be a world trader, and when the present sellers' market is over her position as the world's greatest importer must again be a factor of vital importance to the well-being of the world. Accordingly, the reopening of the Metal Exchange, if and when it becomes possible, should be a most beneficial measure to producers and consumers alike.

WILLIAM BEARDMORE AND COMPANY, LIMITED

EFFECTS OF NATIONALISATION

SIR JAMES LITHGOW'S REVIEW

Sir James Lithgow, chairman of William Beardmore and Company, Limited, at the company's annual meeting in Glasgow, on the 5th instant, stated that the demand for the company's commercial products still remains good.

The failure of the Ministry of Fuel and Power to obtain from the individual miner an output the least approaching what he was accustomed to give to his individual employer, to which the chairman referred last year, has made itself even more manifest. Attempts are now being made to obscure the issue by suggesting the necessity for recruitment of a personnel larger than was ever before employed on mining coal for home consumption.

Fortunately, much of the company's production is now for purposes enjoying a high degree of priority.

Continuing, he said Nationalisation had not produced cheaper, better and more abundant fuel. On the contrary, it seems necessary to reconcile ourselves to dearer, poorer and scarcer supplies, with all that that implies in the lowering of our industrial tempo and an automatic reduction of our national wealth. Even greater loss to the country's industrial prosperity must inevitably follow the handing over to centralised political control of the highly technical iron and steel industry. This loss will be most acutely felt on Clydeside.

CONSERVATIVE VALUATION

The chairman, in referring to the accounts, indicated that he was satisfied the fixed assets were conservatively valued and would be able to hold their own in earning capacity with any in the trade.

The liquidation of Newton Mines and Beardmore Diesels, two of the company's subsidiaries, will produce fully £100,000 in cash more than the 1938 valuation in the balance-sheet, and he stated that the value of holdings in associated companies as shown in the balance-sheet was very substantially below the cash value today.

Referring to the hope expressed twelve months ago that any doubts then existing as to the company's liabilities in respect of taxation and as to the assets in the shape of unsettled Government accounts would by now be cleared up, the chairman stated that this hope had not been fully realised, but sufficient progress had been made for him to be able to assure stockholders that the figures included in the accounts for these items were conservative.

After referring to the immensely strong liquid financial position of the company, the chairman said it was the declared policy of the board, as enunciated last year, to conserve these ample resources until some clear opportunity arises of utilising them in furthering the interests of the proprietors, as well as of the trade of the country. In the particular trade in which the company is such an outstanding unit political uncertainties counsel caution, but the directors were determined to maintain the company's plant and equipment to cover its existing lines of business in the most efficient and up-to-date condition.

The report and accounts were adopted.

BRISTOL AEROPLANE COMPANY, LIMITED

CONSIDERABLE PROGRESS

The thirty-seventh ordinary general meeting of the Bristol Aeroplane Company, Limited, was held, on the 3rd instant, at Bristol.

Sir William G. Verdon Smith, C.B.E. the chairman, in the course of his speech, said: Whilst we have reason to present with confidence the results of the company's work in 1946, the degree of optimism for the future of the company which our technical progress fully justifies must be tempered by restraint for economic and political reasons.

ACTIVITIES OF THE COMPANY

During 1946 the company's aircraft division concentrated partly upon the Brigand for the R.A.F. and partly upon the Bristol Type 170, known as the "Wayfarer" (passenger) and the "Freighter" (cargo). The Bristol Type 170, with Bristol Hercules engines, has been sold overseas in a number of countries.

In addition, steady progress is being made with the building of the Bristol type 167, Brabazon Mark I.

Our first helicopter has recently started flight tests, and helicopters of more advanced design are being discussed with the Ministry of Supply.

Our engine division had a successful and encouraging year. Bristol Hercules engines power all the Vickers' Vikings. They are used in our own Wayfarers and Freighters; also in the Short Silent flying-boats, the Handley-Page Hastings and Hermes aircraft and the Avro Tudor VII.

The Bristol Centaurus has been in steady production for the Brigand and Sea Fury, also civil variants for the Airspeed Ambassador, the Brabazon and other types.

Excellent progress was made with our Theseus propeller gas turbine, the first to pass an official type test. The Theseus will be installed in the Hermes V, whilst later types of Bristol gas turbines will be installed in the Bristol Type 167 Mark II and in the Saunders-Roe flying-boat.

Since the last general meeting good progress has been made with the Bristol 2-litre car; the early stages of production have been reached, and the car has been exceedingly well received by discriminating critics both at home and overseas.

A further branch of the company's activities is the production for the Ministry of Supply of aluminium houses. As this constitutes a specialised business, a separate wholly-owned subsidiary company has been established known as the Bristol Aeroplane Company (Housing), Limited.

A reduction of £2,571,534 in debtors is largely the result of final settlement of outstanding wartime contracts.

At the end of 1945 there was a sum of £799,939 due to our bankers, the end of 1946 found us with a balance at bank and cash in hand of £706,846 and tax reserve certificates of £1,118,700. To a considerable extent this arises from the E.P.T. post-war refund.

ALLOCATION OF PROFIT

In the profit and loss account the net profit is £639,405.

After usual charges, including income-tax at £285,000, there is a balance to be carried to the appropriation account of £346,721, which with the addition of the balance brought forward of £36,204, leaves £382,925 available. Out of this the dividend on the preference stock and a 4 per cent. interim dividend on the ordinary stock absorb £89,100, and £100,000 is being added to general reserve.

Out of the balance of £193,825 your board have recommended payment of a final dividend of 6 per cent., making 10 per cent. for the year, the same percentage as previously, leaving £84,925 to be carried forward.

The report was adopted.

GOVERNMENT RETURNS

For the week ended June 7, 1947, total ordinary revenue was £37,082,169, against ordinary expenditure of £67,124,340 and issues to sinking funds £760,000. Thus, including sinking fund allocations of £2,169,015, the surplus accrued since April 1st is £202,563,881 against a deficit of £196,938,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to June 8, 1946	April 1 to June 7, 1947	Week ended June 8, 1946	Week ended June 7, 1947
ORDINARY REVENUE					
Income Tax	107,300	161,319	152,025	7,046	9,769
Sur-tax	80,000	9,985	10,510	448	650
Estate, etc., Duties	155,000	29,929	30,853	2,010	2,885
Stamps	57,000	4,890	8,570	...	800
N.D.C.	202,000	5,119	4,340	410	130
E.P.T.	1,000	52,097	35,375	4,830	2,410
Other Inland Rev.	...	104	60	...	...
Total Inland Rev.	156,800	263,443	241,733	14,781	16,644
Customs	736,960	106,412	150,069	8,845	14,892
Excise	643,040	106,700	104,400	2,597	2,300
Total Customs & Excise	1,380,000	213,112	254,469	11,442	17,192
Motor Duties	50,000	4,665	5,508	420	611
Surplus War Stores	95,000	545	28,564	276	2,253
Post Office (Net Receipts)	...	4,000	2,950	200	350
Wireless Licences	11,000	720	1,670	...	...
Crown Lands	1,000	180	180	...	...
Receipts from Sundry Loans	21,000	3,436	3,724	126	...
Miscell. Receipts	270,000	3,314	136,255	1,087	32
Total Ord. Rev.	345,100	493,415	675,052	28,331	37,082
SELF-BALANCING Post Office	144,230	20,600	24,100	1,700	1,900
Income Tax on E.P.T. Refunds	49,000	36,705	4,786	6,586	309
Total	364,230	550,720	703,938	36,617	39,291

Expenditure	Estimate, 1947-48	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to June 8, 1946	April 1 to June 7, 1947	Week ended June 8, 1946	Week ended June 7, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	94,097	105,074	8,989	32,128
Payments to N. Ireland	23,000	1,773	4,186	443	696
Other Cons. Fund Services	8,000	316	319	14	...
Total	556,000	96,186	109,579	9,446	32,824
Supply Services	262,537	592,390	360,741	43,400	34,300
Total Ord. Exp.	318,137	688,576	470,320	52,846	67,124
SELF-BALANCING P.O. & Broadcasting Income Tax on E.P.T. Refunds	144,230	20,600	24,100	1,700	1,900
Total	337,457	745,881	499,206	61,132	69,333

After decreasing Exchequer balances by £124,987 to £2,503,042, the other operations for the week increased the gross National Debt by £36,142,481 to £25,483 million.

NET RECEIPTS (£ thousand)		NET ISSUES (£ thousand)	
Title Act, 1936, Sec. 26	360	P.O. and Telegraph	400
P.O. and Telegraph	400	E.P.T. refunds	378
E.P.T. refunds	378	Overseas Trade Guarantees Act, 1939, Sec. 4 (1)	1
Overseas Trade Guarantees Act, 1939, Sec. 4 (1)	1	Local Authorities Loans Act, 1945, Sec. 3 (1)	2,300
Local Authorities Loans Act, 1945, Sec. 3 (1)	2,300	New Towns Act, 1946, Sec. 12 (3)	500
New Towns Act, 1946, Sec. 12 (3)	500	War Damage: Board of Trade	2,000
War Damage: Board of Trade	2,000	War Damage: War Damage Commission	147
War Damage: War Damage Commission	147	Finance Act, 1946, Sec. 26 (7), Post-war Credits	...
Finance Act, 1946, Sec. 26 (7), Post-war Credits	...	Finance Act, 1935, Sec. 30 (1), 3 per cent. Local Loans Stock	50
Finance Act, 1935, Sec. 30 (1), 3 per cent. Local Loans Stock	50		5,826

Statistical Summary

CHANGES IN DEBT (£ thousand)		NET REPAYMENTS	
NET RECEIPTS		Treasury Bills	18,427
Nat. Savings Certs.	250	3% Defence Bonds	2,416
2 1/2% Defence Bonds	1,682	3% Term. Annuities	1,068
Tax Reserve Certs.	1,023	Other Debt	14
Other Debt	1,023		
External	47,123		
Ways & Means Advances	7,990		
	58,068		21,925

* Including £1,822,000 paid off in maturity.

FLOATING DEBT (£ million)

(£ million)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
June 8	1930.0	2579.5	333.6	13.5	1370.5	6230.2
1947						
Mar. 1	2175.0	2565.5	533.3	15.0	1473.5	6759.3
" 8	2185.0	2500.7	583.7	...	1443.5	6612.9
" 15	2185.0	2528.5	582.2	...	1435.0	6530.7
" 22	2185.0	2690.9	582.6	2.25	1434.0	6594.7
" 31	2185.0	2699.7	613.5	...	1456.5	6594.6
Apr. 5	2185.0	2704.4	592.7	18.75	1443.5	6944.4
" 12	2185.0	2728.8	580.6	...	1443.5	6937.9
" 19	2185.0	2708.6	583.8	...	1463.5	6941.0
" 26	2190.0	2692.1	519.9	...	1463.5	6865.5
May 3	2190.0	2661.5	507.9	...	1463.5	6822.9
" 10	2190.0	2629.4	401.3	...	1463.5	6584.8
" 17	2190.0	2627.1	348.0	5.25	1463.5	6633.8
" 24	2190.0	2620.1	327.5	...	1463.5	6601.1
" 31	2180.0	2603.3	337.5	1.5	1463.5	6585.8
June 7	2180.0	2584.9	341.5	5.5	1463.5	6575.4

TREASURY BILLS (£ million)

(£ million)					
Date of Tender	Amount			Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1946					
June 7	150.0	267.5	150.0	10 0.76	33
1947					
Mar. 7	170.0	287.0	170.0	10 1.15	43
" 14	170.0	273.9	170.0	10 1.59	51
" 21	170.0	288.2	170.0	10 1.29	45
" 28	170.0	296.9	170.0	10 2.51	42
Apr. 3	170.0	293.9	170.0	10 2.60	43
" 11	170.0	296.2	170.0	10 2.57	43
" 18	170.0	280.7	170.0	10 3.10	51
" 25	160.0	291.8	160.0	10 2.72	27
May 2	160.0	308.0	160.0	10 0.84	32
" 9	170.0	296.3	170.0	10 1.38	44
" 16	170.0	281.2	170.0	10 1.62	49
" 23	160.0	284.6	160.0	10 1.45	43
" 30	170.0	282.5	170.0	10 1.66	49
June 6	170.0	290.5	170.0	10 1.49	45

On June 6th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 45 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for June 13th. For the week ended June 14th the Banks will be asked for Treasury deposits to a maximum of £60,000,000.

NATIONAL SAVINGS (£ thousand)

(£ thousand)			
	Week Ended		Totals
	June 1, 1946	May 31, 1947	Mar. 31 to May 31, 1947
Savings Certificates :—			
Receipts.....	2,600	2,000	67,700
Repayments.....	2,900	2,000	26,450
Net Savings	<i>Dr. 300</i>	...	41,250
Defence Bonds :—			
Receipts.....	6,810	1,440	17,070
Repayments.....	...	561	6,103
Net Savings	6,810	879	10,967
P.O. and Trustee Savings Banks :—			
Receipts.....	12,390	11,271	113,563
Repayments.....	11,301	13,765	107,963
Net Savings	1,089	<i>Dr. 2,494</i>	5,600
Total net savings.....	7,599	<i>Dr. 1,615</i>	57,817
Interest on certificates repaid	464	400	5,615
Interest accrued on savings remaining invested	2,032	2,247	20,327

BANK OF ENGLAND RETURNS

JUNE 11, 1947

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt	11,015,100
In Circul.	1395,452,039	Other Govt. Securities	1438,188,962
In Bankg. Department	54,795,794	Other Secs.	786,021
		Coin other than Gold	9,917
		Am. of Fid.	1450,000,000
		Issue	247,833
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	1450,247,833

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	324,805,660
Res.	3,499,179	Other Secs.	
Public Depts.* ..	7,259,485	Discounts and Advances	16,862,704
		Securities	17,245,017
Other Depts.		Notes	33,607,721
Bankers	295,769,763	Coin	54,795,794
Other Accts.	93,551,837		1,424,109
	389,321,620		
	414,633,284		414,633,284
* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.			

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Bombay	Delhi	Nuwara	Nakuru	
Calcutta	Kandy	Rangoon	Entebbe	
Cawnpore	Karachi	Tuticorin	Jinja	Uganda
Chittagong	Lahore	Zanzibar	Kampala	
Dar-es-salaam	Mwanza	Tanga		Tanganyika Territory

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PAID-UP CAPITAL ... £2,000,000

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WADHAM COLLEGE**BARNETT SENIOR SCHOLARSHIP**

The Warden and Fellows of Wadham College propose to elect to a Barnett Senior Scholarship. The Scholarship is tenable for two years, and its maximum value is £300 per annum. The Scholar will be expected to pursue research or advanced study in Economics or Economic History. He may, if he wishes, undertake a small amount of teaching in the College. Applications, which should be accompanied by a statement of the candidate's career and intended programme of work as well as by three testimonials, should be sent to the Warden, Wadham College, before Saturday, June 21, 1947.

UNIVERSITY OF BRISTOL**DEPARTMENT OF ECONOMICS**

Owing to the resignation of a Senior Lecturer in Economics the University proposes to make a senior appointment in that Department for which applications are invited. The salary and conditions of appointment will be in accordance with the approved Grades and terms. Further particulars will be furnished on application to the Registrar, WINIFRED SHAPLAND, Secretary and Registrar.

UNIVERSITY COLLEGE OF HULL

Applications are invited for a Statistician in the Lecturer's grade, attached to the Department of Mathematics. Salary range (including cost-of-living allowance) £525 rising by increments to £800. Particulars may be obtained from the Registrar, to whom applications (six copies) should be sent not later than July 2nd.

BIRKENHEAD EDUCATION COMMITTEE

Applications are invited for the position of Headmaster of the Birkenhead School of Commerce.

Salary £600-£25-£750 per annum (no Bonus), with provision for increments under this scale for previous suitable experience.

Further particulars and Forms of Application, which must be returned by June 27, 1947, may be obtained on receipt of a stamped addressed envelope, from the Director of Education, 63, Hamilton Sq., Birkenhead. Canvassing either directly or indirectly will be a disqualification.

ASHRIDGE-BERKHAMSTED, Herts. (Principal: General Sir Bernard Paget, GCB, DSO, MC.) Instruction at Ashridge is entirely factual and caters for the ordinary man and woman. Week-end Course Friday, July 4th-Monday, July 7th. Subject: Commonwealth and International Affairs. Lecturers will include Air Vice Marshal D. C. Bennett, CB, CBE, DSO; Herbert Agar, Esq.; R. C. K. Ensor, Esq.; E. Crankshaw, Esq. Inclusive Fee Three Guineas. Application for enrolment should be made without delay to the Bursar.

INSTITUTE OF PUBLIC ADMINISTRATION. Conference on Public Corporation June 26th-June 30th, Ashridge, Berkhamsted, Herts. Mr. Herbert Emmerich (Chicago); Dr. W. A. Robson (L.S.E.); Sir Arthur Street (N.C.B.); Sir Henry Self (Ministry of Civil Aviation). Fee for the course is £3 15s. Application without delay to Director, I.P.A., 18, Ashley Place, S.W.1.

THE COUNCIL OF INDUSTRIAL DESIGN invites applications for the post of Director which has just fallen vacant. Salary up to £2,500, according to experience and qualifications, with a contributory Superannuation Scheme. Qualifications required are a knowledge of some branches of industry, administrative capacity, experience in posts of wide responsibility and a general understanding of the problems of industrial design. A form of application may be obtained from the Establishment Officer, The Council of Industrial Design, Tilbury House, Petty France, London, S.W.1.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, Strand, London, W.C.2. U.S. Representative: R. S. Farley, 111 Broadway, New York, 6.—Saturday, June 14, 1947.

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(1946 Accounts)

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Applications are invited from men and women for five posts of Assistant Area Organiser in the Scottish Savings Committee. The vacancies are in Aberdeen, Ayr and Glasgow.

Salary: £300 x 20-£625 (men) and £300 x 15-£500 (women).

There are prospects of promotion.

Candidates must be British subjects, at least 21 and under 40 years of age on April 1, 1947.

In general, candidates should have had full-time education up to the age of 17 or have obtained the Senior Leaving Certificate or its equivalent. Experience of organising and of public speaking an advantage.

Forms of application with further particulars may be obtained from The Secretary, Scottish Savings Committee, York Buildings, Queen Street, Edinburgh 2.

No application can be considered unless submitted on the prescribed form not later than July 31, 1947, for candidates in the United Kingdom or August 31, 1947, for candidates overseas.

Service candidates may apply without regard to the date of their release.

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CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability) DIVIDEND NOTICE—PREFERRED STOCK. At a meeting of the Board of Directors held to-day a dividend of Two per cent on the Preference Stock in respect of the year 1947 was declared payable on August 1, 1947, to stockholders of record at 3 p.m. on July 1, 1947. By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, June 9, 1947.

AVELING-BARFORD, LIMITED

At a Meeting of the Board of Directors held on Thursday, June 5th, the following resolution was passed:—

It was Resolved that a Dividend be paid on July 1, 1947, on the £250,000 5½ per cent Cumulative Preference Stock at the rate of 5½ per cent per annum for the six months from January 1, 1947, to June 30, 1947, and that the Preference Stock Transfer Books of the Company be closed from June 17 to June 30, 1947, inclusive.

By Order of the Board

Grantham, June 5, 1947

H. C. RYAN, Secretary

PARIS BY AIR FOR GRAND PRIX, Sunday, June 29th. Luxurious lunch, races, dinner, evening's entertainment, 21-25 guineas incl.—Anna Claire, 107a, Grosvenor Road, S.W.1. Vic. 5901.

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One Shilling

June 21, 1947

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VOL CLII NO: 5417

THE ECONOMIST, Brettenham House, 15, Lancaster Place, Strand, London, W.C.2. Telephone: Temple Bar 3316

ANNUAL POSTAL SUBSCRIPTION £3

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Registered as a Newspaper. Entered as Second Class Mail Matter at the New York Post Office.

The Initiative in Europe

WITH characteristic directness, Mr Bevin has been to Paris to take up with the French Government the question of Europe's response to Mr Marshall's offer. For the moment the response is being couched in strictly practical, immediate terms. This is inevitable, for the time is so short that it barely suffices even for assembling the necessary data for stating Europe's combined needs. There is, nevertheless, some danger in an approach that gets down too exclusively to brass tacks. It was argued in last week's issue of *The Economist* that only some gigantic conception of forward-looking statemanship is likely to ignite the necessary enthusiasm for the project in American opinion; and the reports of that opinion that have been coming across the Atlantic in the past seven days serve only to underline the judgment. There is a tendency in Europe—in spite of all past experience—to overrate the power of an American President or Secretary of State to "manage" Congress. It would be foolish, in concentrating on the technical details of a plan of European reconstruction, to forget the political aspect of the whole project. A combined list of requirements is not likely by itself to create much inspiration in America; it can so easily be represented as no more than a change from competitive begging to organised mendicancy. The statesmen of Europe would be wise not to be too practical; imaginative idealism may, in this instance, prove to be the most practical quality of all, since it may be needed to procure the dollars on which the practical calculations depend.

Nevertheless, it is manifest that the first task must be to draw up the statement of needs, and it is with this that the Governments are concerning themselves. The Quai d'Orsay has unofficially proposed the establishment of *ad hoc* committees to compile, chapter by chapter, the needs of the various European countries, and it is probably on these lines that the first conversations will develop. This process should not take long. For almost each of the main scarce commodities, there already exists a mass of information and statistics. Before the Unrra missions ceased work, they produced a series of admirable reports on the needs and deficiencies of most of the Eastern European countries. The United Nations Sub-Committee on the Devastated Areas (from whose report the Economic Commission for Europe was finally born) has accumulated a great deal of evidence and the Economic Commission itself has in its possession, as a legacy from the European Coal, Transport and Emergency Committees, detailed information compiled both on a national and a functional basis. It should not require many weeks to build on the basis of all these details a general statement of Europe's needs and to fix for the various items—food, coal, fertilisers, machinery—a scale of priorities.

But such a list would be far removed from the concept of European self-help which Mr Marshall clearly has in mind. The next task should, therefore, be to balance this first assessment with another list—the list of contributions which the European nations themselves could make to restore their economy. This idea of a common stock pool, which was one of the basic ideas underlying Lend-lease, was actually proposed

last autumn as one of the methods of carrying on a modified Unrra programme for another year. At that time the nations of Eastern Europe were prepared to contribute their quotas. Now a new start has to be made, but there is no reason why it should not follow the same lines. The outline of European self help would begin to look a little less shadowy if, for instance, Great Britain offered to put into the pool enough wool and rubber to cover the deficiencies. The French could contribute phosphates from North Africa. If the Russian harvest is good, there might be wheat as well as timber from the East. The Poles and the Czechs might renew the offer of some food and timber that they made last autumn, and a small quantity of Polish coal is already allocated by the European Coal Committee. Self-help need not, however, be confined simply to the contribution of commodities already available. This section of the "budget" should include an assessment of Europe's present and potential productivity, and an estimate of what outside assistance would be necessary to raise productivity in the shortest space of time. A section of this sort would necessarily be concerned with such questions as the provision of fertilisers and the best use to be made of mining and agricultural machinery.

The last phase in the elaboration of the European balance sheet would lie in setting Europe's needs against its contributions and drawing up, not a demand note for dollars, but a list of concrete needs—so much wheat, so much coal, so much machinery. Such an approach would have two advantages. In the first place, it would go back to the one really successful experiment in international pooling—Lend lease or, more accurately, Mutual Aid. In the second place, it would put squarely in the picture the interest of American cotton growers, machine manufacturers and farmers in securing what would, in fact, be a gigantic order sheet for their particular products. It is much easier for the economic isolationists in America to persuade the American producer that foreign aid is a drain on American resources, if it is presented to him as a general financial transaction and not as an order for the products he himself is interested to sell.

*

If the negotiations opened by Mr Bevin in Paris develop in the direction of a new plan of Mutual Aid for peace, the implementation of the plan will bring the negotiators immediately up against two difficulties. The first is the question of the Governmental machinery through which the plan can be elaborated. The second is the attitude of Russia. On July 5th, the European Economic Commission of the United Nations will meet at Geneva and it can be argued that, since its task is precisely to forward the reconstruction of Europe, its committees and its secretariat should be used as the instrument of the new policy. This may indeed prove to be practicable later on, but at the moment the secretariat barely exists and certainly has not yet a momentum behind it comparable to the energy with which the European nations will need to go to work to get their balance sheet drawn up before their last dollar reserves are exhausted. In fact, a large part of the fact-finding work ought to be well advanced by early July and for the moment the French proposals, not for diplomatic committees, but rather for *ad hoc* working parties of experts is undoubtedly correct. These bodies should be able, before the Economic Commission meets, to prepare the outline both of a scheme of reconstruction and of a plan for its implementation. If the Commission approves the steps already taken, there is no reason why the *ad hoc* committees should not continue their work as a sort of temporary secretariat to the Commission. Nothing would so quickly bring it to life and give it authority as to begin its career with an enormous and concrete job of work undertaken by the finest experts the European Governments can place at its disposal. But the vital thing in the next weeks is to get the experts to work.

The great political advantage of the Commission is that it includes the Russians and has the warm support of the Poles and the Czechs. But it is absolutely necessary to be certain that this advantage does not quickly turn into an obstacle to any sort of progress in elaborating the plan. Nobody who has worked in the United Nations in the last two years will under-estimate the Russians' capacity for delay and stone-walling, if obstruction is Moscow's desire—as it so often seems to be. Will the Russians in fact adopt any other attitude, once the Marshall plan comes before the Economic Commission? So far, the Anglo-French invitation to the Soviets to join in has received no reply. The only public comment in Russia has been blasts on the radio and in *Pravda* denouncing the Marshall approach as the Truman Doctrine under light disguise. But obloquy in *Pravda* is no certain sign that the Russians have finally made up their mind. They may be prepared to co-operate. They may play for time. They may decide to boycott the whole proceeding.

Speculation on their response is useless. The Russians will make up their own minds. What is important is that the nations which have already decided to co-operate with Mr Marshall should determine clearly and firmly how they intend to react to Russia's decision. If the Russians decide to boycott the plan, the co-operating nations must continue their preparations. Their need for dollars and for wider measures of reconstruction is too urgent to admit postponement. In this case, they will be obliged, regretfully no doubt, to by-pass the Economic Commission with its Russian membership and use their *ad hoc* committees to complete the plan. If, on the other hand, the Russians decide to co-operate, then their gesture should be welcomed and an immediate effort made to form some idea of what they have in mind, what their needs are, and in what field they are prepared to make specific contributions.

*

Either a blunt no or a sincere yes from the Russians will, in fact, permit the work to go forward. The risk is that the Russian answer will be "Yes, but—" and that the time spent in finding out whether the "yes" or the "but" is the operative word will ruin the whole plan. That might well be the Russian intention, for they could argue that they would block the Marshall plan more effectively by apparently supporting it and then using their "support" to delay it, obstruct it and sabotage it in every way from within. How can the Governments which wish to work out a quick and concrete response to the American offer test Russia's real willingness to work with them to the same end? The chance of genuine Russian co-operation is not one that ought to be missed. But the risk of Russian sabotage is not one that ought to be run. Clearly it will be necessary to apply objective tests to the Russians' intentions, designed to find out, not merely what they are willing to do, but also whether they are prepared to do it quickly enough. The first test could be the drawing up of a time-table, from which no subsequent departure could be permitted. The tempo both of European economics and of American politics require the matter to be decided this autumn. By Christmas, Europe's dollars will be running very low and Europe's needs will be very urgent. Moreover, since 1948 is a Presidential year, the best—perhaps the only—chance of securing Congressional approval would be at a special session to be summoned in October or November, before the regular session next January, whose proceedings will, first of all, be engrossed by the normal legislative business of the New Year and will later be overshadowed by the election campaign. In short, the plan must be ready at the latest by early September. With that deadline established, a time-table can be drawn up—late June to early July, establishment of needs; late July to early August, assessment of contributions and of possible aids to productivity; late August, elaboration of the final balance sheet. Any nation

falling badly behind this time-table, or attempting to delay others in elaborating their policies, must automatically be excluded from the scheme—which will either exist in concrete form by September or have no chance of securing Congressional support. Another obvious test is the test of contributions. The good faith of the participants in the plan can be measured by their genuine effort to contribute something to the common pool and the offer of these contributions, too, must fit rigidly into the time-table.

Every effort should be made, naturally, to prevent these tests from looking like attempts on the part of the Western

Juvenile Employment

THE recent statement by Mr Tomlinson that there will be about a million more children in state schools in the next five years is a matter of congratulation both to those parents who are responsible for the half-million additional births since 1943 and to Parliament for the additional education for the further 450,000 children who will be affected by the raising of the school leaving age. But congratulations of this kind will not solve the present juvenile employment problems arising from the fall in the birthrate ten to twenty years ago, and the withdrawal from the labour market of large numbers of boys and girls between the ages of fourteen and twenty.

It is extremely doubtful if many employers of juvenile labour have yet fully realised the consequences of this fall, and of the various calls on the potential labour force of boys and girls between the ages of fourteen and twenty which follow from the 1944 Education Act and the decision to continue military service. There is a general impression that office boys, messenger girls and young apprentices are few and far between, but little appreciation that these are long-term difficulties and involve a revolution in thought towards the employment of the young. The present general shortage of labour of all kinds masks the more lasting shortage of juvenile labour. An article in the issue of May 3rd discussed the present trends in the birthrate; it is the purpose of this article to consider what effects upon juvenile employment can be expected to arise from these various changes.

The table overleaf gives the salient features of the present and future position and compares these with the situation which obtained in 1938, when the numbers entering employment reflected the higher birth-rates of the years 1920-1924, and there were no compulsory barriers to their employment after the age of fourteen. Immediately before the war there were 3.5 million young people between fourteen and twenty, of whom only some half-million were at secondary schools, technical colleges, universities and other institutions giving full-time education, thus leaving a balance potentially available for work of almost

Nations to put Russia on the spot or to hustle the Soviets away from the Conference table. The friendliness of the intention to collaborate should not be in doubt. Yet it is equally clear that if some nations exclude themselves—by delay or by obstruction—the other nations cannot afford to hesitate or hang back. The enemies of Europe today—starvation, continental ruin and universal economic collapse—are too grim to be flirted with in some species of "phony war." Mr Marshall's offer may be the last chance of securing the tools of reconstruction. The European nations must show, with all they possess, their readiness to finish the job.

five million. By 1948 the very severe fall in the birth-rate in the early nineteen-thirties will have reduced the total number of children between fourteen and eighteen by over a million; to this natural fall in numbers must be added the young men on military service and the boys and girls between 14 and 15 who will be staying on at school owing to the raising of the school leaving age. The effect of all these changes will be to reduce the number of children available for employment from just under 5,000,000 to just over 3,000,000—a very severe drop for a single decade. No wonder employers are feeling the pinch.

There will be a further reduction in the number of young people in the labour market in the next decade, 1948 to 1958; but this will be due to the effects of legislation, not of a further fall in births. Indeed, owing to the rise in the birth-rate between 1940 and 1944 there will actually be more children in 1958 between 14 and 20 than there will be next year—slightly more. But by that time the school leaving age will presumably have been raised to 16 and part-time education will have become compulsory one day a week for all those between sixteen and eighteen. The balance available for employment will, therefore, have fallen to just over 2,000,000 as compared with 5,000,000 in 1938.

*

What will be the consequences of this radical alteration in the flow of recruits to industry and all the other forms of juvenile employment? This question can be looked at from a number of different points of view:—

- (1) The effect on the boys and girls themselves.
- (2) The effect on the employers.
- (3) The effect on the nation as a whole.

The effects of more and, it is to be hoped, better education on the young should be all to the good. For the highly complex demands of a modern state nine years of compulsory education is far too short. By the age of 14 the average child has only learned the rudimentary tools of education; far more than this is necessary both for acquiring the technical skills demanded in

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an industrial community and also for enjoying the fruits of leisure which those technical achievements should bring. By the age of fourteen it is only the rarer spirits who have learned to love knowledge for its own sake, or at least for its non-utilitarian advantages. Every year of education from then on should yield solid advantages for the community, and advantages both tangible and intangible for the individual.

But the gains are not all straightforward and simple; for those who have learned more also expect more. The adolescent and his family will not be content with blind alley occupations. Conscious of a greater mastery of skills the young boy and girl will expect to do work which is less routine. The year of military service will also have its effects, for it will serve to broaden a boy's horizon, and bring him in contact with others with different backgrounds and experience. These two new strands in the adolescent's development will make him expect more from his work and will leave him an unhappier individual, if the chances of the labour market cause him to be unsuitably employed or not employed at all.

THE SUPPLY OF JUVENILE LABOUR, GREAT BRITAIN (In Millions)			
1938			
Total numbers in age-group 14-20		5.50	
Nos. at universities, secondary, etc., schools, 14+	0.57		
	—	0.57	
Balance available for employment		4.93	
1948			
Total numbers in age-group 14-20		4.44	
Nos. at universities, secondary, etc., schools, 15+	0.45		
Boys on military service (twelve months)*	0.30		
Nos. at school (all types), 14-15	0.61		
	—	1.36	
Balance available for employment		3.08	
1958			
Total numbers in age-group 14-20		4.50	
Nos. at universities, secondary, etc., schools, 16+	0.40		
Boys on military service	0.30		
Nos. at school (all types), 14-16	1.40		
Nos. at continuation schools, 16-18	0.24†		
	—	2.34	
		2.16	

* Taken as one year, although the National Service Act will not be operative until the next year.

† Full-time equivalent.

For the employer there are complementary adjustments. To begin with he must face the fact that the shortage of cheap juvenile labour will be permanent, and increasingly acute. He cannot within any estimable period expect to have a plentiful supply of errand-boys or young girls endlessly sticking on labels; if the opportunities he offers for advancement are poor, he is likely to find his young labour force vanishing; if his rates of pay are low he will be outbid elsewhere. In fact the shortage of young people may result in a quite artificially high value being put upon their services, a tendency which would be quite as unhealthy for the employee as for the employer, for the war has shown the disadvantages of putting into the hands of the young a wage-pocket that is disproportionately large in comparison with the earnings of those who are both more experienced and have heavier responsibilities. Already employers are attempting to outbid each other in attracting young workers by offering special facilities for further education, free training in working hours, and other inducements. These persuasions can easily be carried too far.

Indeed, for the employer there is a very difficult reorientation to be carried out. It has hitherto been traditional to give the youngest workers the duller jobs; within limits, and as a preliminary stage of training, there is nothing inherently wrong in this, provided the enthusiasm of youth is not completely wasted by it. In the past the cheapness of juvenile labour has been

exploited without much concern for the consequences; but if in future the employer is driven, through scarcity, to use his juveniles only on relatively interesting work, or at least on work which is planned to give his young employees a sense of progress, he is still left with the problem of finding workers who are willing to stick to routine work. However efficient labour-saving methods can be made, there must inevitably remain large blocks of work which can only be done by hand and with a small but necessary degree of human intelligence. Whence is the employer to derive this labour force?

There is also another problem for the employer of boy labour. The arrangements for conscription make continuity of service impossible. Deferment may obviate a break in apprenticeship, but it will only mean a break later when the young man has become really useful. And for those many occupations where there is no formal apprenticeship or training, the employer may not be willing, in spite of shortages, to take on boys at 16 with the certainty of having to release them, with conditions of re-employment, at 18. Recent discussions which have been going on between the Ministry of Labour and large business concerns reveal a considerable change in recruitment policy; whereas before the war recruitment for certain classes of work demanding a higher educational standard was generally at 16 after school Certificate, the obligations of reinstatement are causing these employers to consider recruiting young men after their military service, when there are no reinstatement obligations.

This question leads on to the third question—the effect of the shortage of young workers on the nation as a whole. There can be no doubt that improvements in the education of the young worker will in time also improve the quality of all, and industry and society may be expected to benefit from them. But the changes in the labour force at the stage of entry demand consequential adjustments later on. Not all the menial and trivial jobs can be abolished; somebody must do the fetching and carrying, the holding and the watching, and if it is not the young will it have to be their elders? The habits of part-time work developed during the war will be valuable here, for part-time workers, whose lives are also filled with other interests, are the readier to spend half their time on routine work in preference to scrubbing their own floors, or supplementing their old-age pensions with odd jobs. Women will almost certainly remain a useful source of part-time workers. What is more doubtful is how much work can still be drawn out of the retired pensioner, particularly since the present arrangements about old-age pensions have discouraged many of the incentives to work. Yet for an ageing nation it is extremely important that the period of employment at the upper end should be prolonged.

The normal inclination of many elderly men and women will be to cling to their life-long occupations, if they wish to work at all. But often this will not be socially desirable from the point of view of those below them on the ladder, or for the vitality of the organisations in which they work. Yet, is it feasible to "downgrade" an employee when he reaches, say the age of 65? A complete break is probably easier, but it will cause a waste of manpower, if the worker cannot then be cajoled to take on some work of a different kind, and such an adjustment will not, in any case, be easy, and can plausibly be argued to be a waste of acquired skills. It is impossible to provide a cut and dried answer to this problem, but with improvements in health and living standards the elderly person is still so hale and hearty that it seems ridiculous for him to withdraw from the labour market when juvenile labour is short, and the nation as a whole is crying out for more workers. A great deal more thought has still to be given by workers and employers to the distribution of work between the different age-groups.

Britain and Eire

THE debate in the House of Commons at the end of last week on conditions in Northern Ireland was quite like old times. For generations, British politics revolved round Ireland and British families were divided by the passions that Ireland aroused. But for nearly twenty-five years Ireland has reappeared at Westminster only at rare intervals, and with each reappearance the echo has seemed to be fainter. To those with memories, it is refreshing to find that the Irish problem is still alive and kicking. But, for all the heat that was engendered last week, it is fairly clear that the political issue has drifted, not so much into a dangerous deadlock as into a stalemate which, in Great Britain at least, there is no desire to disturb. The internal tactics and methods of the Ulster Unionists are frankly disliked. But the lessons of the war are very fresh in mind, and London will never give the slightest encouragement to any project for the unification of Ireland so long as Eire maintains its intention to remain neutral in a future war; and Dublin for its part will not desist from a jealous guardianship of neutrality so long as Ireland is not whole. Both parties prefer the continuance of the present position to the taking of any initiative to change it—and so the present position will—accidents apart—continue and the Irish political problem will be not so much solved as kept in cold storage.

However, there still is an Irish problem in active if unrecognised existence; only it is not political but economic.* It concerns the extent to which a much greater integration of the economies of Eire and Britain would be desirable and feasible. Whatever it may do politically, Eire cannot separate itself economically from Britain; but it can take steps to lessen its economic dependence and this is what, ably abetted in equal part by British policy, it has been doing ever since its declaration of independence. Eire has sought to increase its self-sufficiency in two ways. A variety of light industries and finishing trades have been fostered which are dependent, however, on imports of coal, coke, steel and also semi-finished materials that must largely be obtained from Britain. There are not the resources for extensive industrialisation and even today only 15 per cent of workers are engaged in industry as against 48 per cent in agriculture. It is certain, however, that there will be no turning back on a policy which symbolises the severance of the British connection and transforms Eire into something more than an agricultural dependency. At the same time, Eire has changed the shape of its agriculture, growing a much higher proportion of its requirements of cereals and sugar-beet and exporting a falling volume of livestock products to the British market. This has been in part a policy of necessity as well as choice. The "economic war" between the two countries in the thirties restricted access to the British market and Hitler's war has necessitated a further heavy expansion of the tillage area. The acreage under corn crops was last year twice its 1926 level, and the wheat acreage has risen over this period from 31,000 to 643,000.

Eire's neutrality in the war, which reduced its claim to receive essential requirements from the British pool, has seemed to prove the wisdom of the drive for greater self-sufficiency. But the policy, so far as agriculture is concerned, has been difficult and costly. The necessary expansion of crop production has been obtained only by compulsion, which has now been dropped in Britain but is to become a permanent feature in Eire. The maintenance of a high wheat acreage restricts the growing of feeding-stuffs for cattle; in the first world war, for instance, almost 400,000 acres more of oats and some 500,000 acres less of wheat were grown than in the last war. The net effect is to reduce the output and increase the cost of the livestock products which Eire is ideally suited by nature to produce.

Mr de Valera's Government has no intention of abandoning its policy of growing a proportion of its wheat and sugar-beet requirements, though the amounts may be reduced from the present levels when imported wheat and sugar are again available. But there are signs both in Dublin and in London of willingness to explore the possibility of increased supplies of Irish produce for the British market. The advantages to Ireland of increased exports are obvious. The export trade is still basic to Irish agricultural prosperity, and by extension to the prosperity of the whole country. Mr de Valera himself is perhaps by nature too politically detached, and too preoccupied with the social rather than the economic welfare of the countryside, to take an active lead in such matters. But some of the other Ministers know where the economic needs of Eire point. Moreover, they face an election in two years time, and a new deal with Britain, unencumbered with political conditions, is too good a prescription for enhanced prosperity not to be seriously considered.

What the Irish would, at the moment, most like to get in return is increased supplies of the coal, steel, fertilisers and other basic products that they so badly need. Conceivably something might be done immediately along the lines of a bargain of food for raw materials. But not very much could be done, for the raw materials are scarce in Britain and the only immediate increase that would be possible in Irish food exports would be a small one. But if the bargain is to be one looking to the future rather than to the present, there will presumably be no difficulty in buying most raw materials on the free market. Even so, a long-term assurance that coal would be available would be valuable to Ireland and not impossible to give, since the total Irish requirement is only about 1½ per cent of present British production. But in the long run, it will once again be markets that will be important to the food producer and not sources of supply of raw materials and manufactures. As a long-term bargain, the proposition is that Eire should once more, in its agricultural policy, consult the needs of the British market, while Britain, in its agricultural planning, should be able to count on a large and steady supply of livestock products that could be paid for in sterling. It is a proposition that ought to be attractive to both parties.

But there would be difficulties. In Ireland there is the traditional objection to doing anything that savours of giving favours to the British or becoming dependent on them. In Britain there would be the question whether the new orthodoxy of international trade would permit a long-term bargain on mutually agreeable terms. And on both sides there would be the difficulty of price. The prices that would have to be offered for Irish livestock products in any long-term bargain designed to stimulate the supply of them, while certainly lower than those guaranteed to British farmers would inevitably be higher than those prevailing on the world market or paid to Dominion or foreign farmers. The discrepancy would become all the greater when the present inflated world level of food prices breaks in a year or two—at the very time, in fact, that increased supplies of Irish produce could be brought on the market. There is a partial answer to this objection in the fact that Irish meat, eggs and poultry—although not butter or bacon—are fresh produce of a different quality from other British imports, and it is meat, eggs, and poultry that Eire should mainly supply. But this objection at least serves as a reminder that prices in any long-term contract with Eire cannot in safety be put too high.

But perhaps the major difficulty in striking any such bargain

would be to make sure that any large, assured and rising supply of Irish produce could be made available. The output of Irish agriculture has been extraordinarily stable over a long period of years; its character has been somewhat changed by the policies of the Government, but not its total yield. The proportion exported has dropped heavily from 50 per cent in 1926-27 to 36 per cent in the year just before the war and to 20 per cent in 1945. There has been a corresponding increase in food consumption inside Eire, which has greatly raised the standard of nutrition both on and off the farms. If there is to be a large and growing export to Britain of the livestock products that Britain wants, at prices that it can afford to pay, at least one of three things must happen. Either there must be a reversal of the tillage policy and increased imports of grain and sugar, which would be politically distasteful and technically difficult for some time to come. Or else there must be a reduction in feeding standards in Ireland. Or else there must be a great expansion in the total output of Irish agriculture.

The third course is obviously the best and most effective. But a large expansion may be difficult, despite the country's great advantages of soil and climate for livestock farming. In a country of smallholdings run by family labour, in which a policy of land subdivision has been forcibly pursued for social ends irrespective of its economic consequences, it is by no means certain that even price incentives will uniformly call forth

a higher output; whilst any measures to use compulsion to increase production—even such mild ones as the introduction of county agricultural committees on the British model—can be ruled out in a country where farmers are in a majority and ignorant individualism is still the political creed. However, there is very large scope for improving farm techniques, especially in the proper cultivation of grassland, by Government persuasion and example. In addition, the reorganisation of agricultural marketing could do much simultaneously to raise the farmer's price and to reduce the export price.

There are thus the makings of a long-term bargain that would be of advantage to both parties. On the Irish side, it involves a decision to pursue a Twenty-Year Plan of raising the output of Irish agriculture. On the British side, it involves a decision to extend to the Irish farmer some part of the benefits of guaranteed prices and assured markets that have been given to the British farmer. It would be a pity if the exploration of the possibilities were to be obstructed, as has happened so often before in Anglo-Irish relations, by suspicion of motives and by the obstinacy of national pride. Coldly regarded, it might be held that the initiative lay with the Irish to prove that they have something to offer. But no British advantage would be lost if it were made clear in advance that the prospect of assured supplies of sterling food is one that would engage the warmest interest of the British Government.

The War in Manchuria

THE struggle now going on in Manchuria is a civil war and something more. It is a local contest for control between the Chinese Central Government and the Communists, but it is also a new phase in an international struggle for ascendancy in Manchuria which has been going on, with variations of intensity, ever since 1895. It involves, indirectly, the restrictions on Chinese sovereignty in Manchuria imposed by the notorious secret treaty of the Big Three at Yalta. It is because of this treaty and the position Russia holds by means of it in Manchuria that the civil war, which can be regarded as China's internal affair south of the Great Wall, becomes to the north of it a duel between Chinese nationalism and Russia; with the Communists playing a rôle more familiar in recent European experience than in their Yenan days in China.

There appears to be in the West little understanding of the impression produced on patriotic Chinese by the publication a year ago of the Yalta secret treaty dealing, among other things, with Manchuria. The treaty was, of course, never intended to be published in this generation or century. By a strange paradox it was just because such unusual measures were taken to keep it secret that it had to be published. President Roosevelt felt unable to communicate it to the State Department—nominally in charge of American foreign policy—and the State Department, in its innocence, later on put out a statement about the Kurile Islands incompatible with the actual terms of the Yalta treaty; Moscow publicly protested, revealing that there had been a secret agreement about the Far East, of which the world had been told nothing, and the British and American Governments, in their embarrassment, decided that the best course was to publish the treaty in full and have done with it. To Western observers it seemed that the publication did not really reveal anything new because in the meantime, since the Yalta Conference, China had concluded a public treaty with Russia, granting in substance the concessions the Big Three had agreed that Russia should have from China. But, from a Chinese point of view, the disclosure of the Yalta agreement entirely altered the significance of the public Sino-Russian treaty. The latter had been presented in China as a freely negotiated pact, which was believed to ensure both the

authority of the Chinese Government in Manchuria and the reversion to China of the massive industrial equipment installed there by the Japanese. Moreover, for the rights granted to Russia—in effect, control of the trunk railways, the port of Dairen and the naval base of Port Arthur—diplomatic formulae were found which rendered the cessions less injurious to Chinese pride and largely concealed the extent of the surrender.

But the text of the Yalta agreement, when it was known, showed that there had been no question of free negotiation, that the terms had been agreed among the Big Three without China's knowledge or consent, and that the Chinese Generalissimo had been subsequently ordered to pretend to negotiate of his own volition an agreement embodying the terms. Further, the text of the Yalta treaty not only included a statement about the juridical position of the old Manchurian leases which was flatly untrue; it also referred to the compulsion to be applied to China in language of a brutal directness exceptional in diplomatic documents and deeply humiliating for any nation calling itself independent. Finally, by the time the Yalta treaty was published, it was evident that the Chinese Government had been tricked out of its share of the bargain ostensibly made in the Sino-Russian treaty, for the Russians had not facilitated, but had systematically obstructed, the extension of the Government's authority into Manchuria and had carried off to Russia as "war booty" the coveted Japanese industrial assets.

The public reaction in China to the disclosures was comparatively slight at the time, because the Government, for reasons of expediency, tried to damp down overt denunciation of a pact in which not only Russia but also the United States was involved. The Communists not merely refrained from denouncing it, but suppressed all mention of it by censorship in the territories under their control. To superficial observation, therefore, it might appear that Chinese political opinion was not seriously upset. But it would be a great mistake to suppose that the incident has been overlooked or forgotten. It has sunk deeply into the consciousness and memory of that portion of the Chinese people which is aware of international

political issues and forms "public opinion" in China. It has not failed to produce a deep distrust of all the major Western nations and a cynical contempt for their professed standards of behaviour, just at the time when it seemed that a happy, fresh start might be made in relations between the West and China. For all China's modern history, the thoughts and emotions of its revolutionary epoch, have turned on the struggle for national independence and sovereignty, for "abolition of the unequal treaties" and "rights recovery." Not everything, it is true, has happened to China as represented in the Chinese nationalist version; the foreigners in China have had their side of the case, which Chinese writers often ignore. But China has certainly been the victim over a long period of a series of encroachments and aggressions by various nations, culminating in the Japanese invasions from 1931 onwards. If the Chinese were to feel after the end of the Pacific war that their sovereignty had been fully restored, that the "imperialist" chapter of history was closed and that they could co-operate with confidence and on equal terms with other nations in the post-war world, it was essential that no fresh demands infringing China's sovereignty should be forced upon the Chinese in their time of weakness by their more powerful allies. It was essential that there should be no repetition of the "Twenty-one Demands" of 1915. But, in the event, there has been a new encroachment on China's sovereignty—for legal titles to what has been "restored" to Russia had, in any case, long since lapsed—and though it has been for the benefit of one nation alone, all the greatest Powers of the West combined to impose their dictate. This will be remembered in China for a very long time.

Immediately it means that the war being waged in Manchuria has a significance which is not allowed to emerge in the public pronouncements of either of the contending parties. The Chinese Government does not denounce the Yalta agreement or repudiate its own treaty of two years ago, but in view of its own tradition of policy it can hardly, if it controls Manchuria, take up an attitude different to that of or any part of it, take up an attitude different to that of Chinese nationalism after the last war. The Chinese then claimed that treaty rights based on the Twenty-one Demands "lacked fundamental validity" because they had been extorted under duress, and they tried in various ways to frustrate the operation of these rights without directly challenging them. The experience of the "railway empires" in Manchuria, whether Russian or Japanese, has indeed been that the system does not work unless the Chinese authorities in the country are either passively acquiescent or positively "friendly"; if there is a nationalist Chinese regime, which only accepts the situation under *force majeure* and is secretly striving to get rid of these foreign controls, then there is bound to be local conflict and friction leading probably sooner or later to violence. Whatever foreign nation holds effective control of the Manchurian trunk railways with Port Arthur and Dairen is an "over-mighty subject" for China, and it is therefore dangerous to allow an independent central Chinese Government to have authority in Manchuria, lest it should try to turn the tables. The Japanese

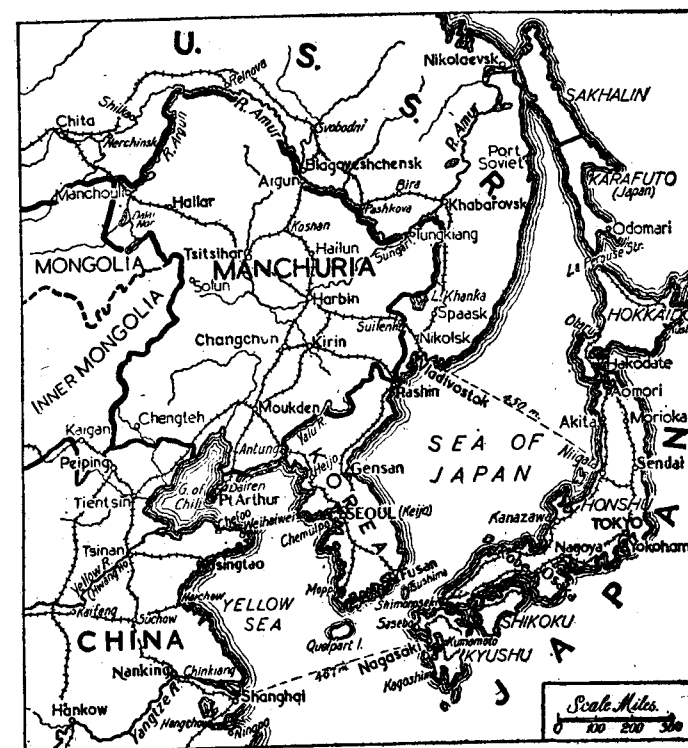
formerly supported the separate regime of Chang Tso-lin in Manchuria, as long as he was subservient to their interests and then murdered him when he turned against them; when his son also indulged in Chinese patriotism, they set up "Manchukuo" and sustained it with a Japanese military occupation.

A regional Communist regime in Manchuria, independent, in fact, of the Chinese Central Government, would give Russia just the "friendly," dependent Chinese administration needed to safeguard the newly-acquired Russian rights from Chinese nationalist interference or competition and to prevent an economic development of Manchuria financed with American capital. The great advantage which the Russians enjoy in comparison with the former Japanese militarists is that they have real and substantial Chinese helpers, who are their friends on principle and not merely opportunists like Chang Tso-lin, or puppets with no strength of their own like the "Manchukuo" rulers. The Communists represent a powerful, popular movement, which has long had a political organisation, army and civil administration of its own within Chinese territory, independent of any direct support from abroad; they have also given proof

of their patriotism in the past by their warfare against the Japanese. Russia can leave them to do the fighting needed to keep the Nanking forces out of Manchuria—or having failed to keep them out, to drive them out. Russian aid to the Communists has been indirect, but none the less effective; the Communists would not be established in Manchuria at all if Russia had honestly carried out the terms of the 1945 treaty, but the Russians then barred the entry of Government troops through Dairen on a frivolous pretext, while allowing Communist forces to enter Manchuria by land from North China and (gathering local reinforcements) to equip themselves from the arms dumps of the Japanese Kwantung Army which had surrendered to Russia. The Communists

have had a year and a half to organise their rule in the north of Manchuria and are now on the offensive against the Government forces, which in the end broke in by land from Hopei and advanced northward as far as Changchun.

Every war has many unexpected turnings, and the issue of this one is still doubtful. If the Nanking forces hold their own, Russian support of the Communists may take a more active form than hitherto. If, however, Manchuria as a whole were to be separated from the rest of China under Communist control, a new situation would arise in the Far East. The Chinese Communists would be much more closely identified than they have ever been before with the State interests of the Soviet Union and this must make a considerable difference to the character of their movement. On the other hand, the Kuomintang, or whatever party coalition succeeds it in Nanking, would have a perfect irredentist cause and programme for intensifying Chinese nationalism as a political force. The hope of a peacefully developing united China would have receded once again into dreamland and the unlaidd ghost of "Manchukuo" would still walk the earth.



NOTES OF THE WEEK

The Dam Bursts in France

The policy of blocking wages has been virtually abandoned in France. In the last weeks, the exasperated workers—effectively led by the *Confédération Générale du Travail*—have broken down the Government's resistance to increased wages by a series of crippling strikes. Substantial concessions have now been made to the bakers, the railwaymen and the gas and electricity employees, all of whom were involved in the wave of strikes. The metallurgical workers have also secured increased rates and the Government has now agreed to the negotiation of bonus agreements in all industries in which increased production has been registered during the last year. In effect, it will be impossible to limit the negotiations in this way. As one industrialist put it: "Everybody is asking for production bonuses, even the undertakers." In spite of the obscure language which has been used in announcing the Government's concessions, the truth is that a general advance in wages will now take place.

Some politicians—including, in the first stress of the strikes, M. Ramadier—have been inclined to blame the Communists for the agitations and stoppages of recent weeks; it is true that the Communists dominate the CGT, but the real reason for the strikes goes down to the roots of economic misery and undernourishment in France. The months before the harvest are always critical when supplies of food are running low. Last summer, when the Communists were in the government and the Truman Doctrine had not been dreamt of, a similar strike wave shook France and both wages and prices leapt away from the old controls. It is even possible that the workers' demands, far from representing Communist policy, are beyond the control of the CGT. There is evidence that some groups of workers will not be content with the present increases, and in recent months, an extreme left wing Union, the *Confédération Nationale du Travail* (CNT) has appealed to the strong anarcho-syndicalist undercurrent in France's working-class tradition, denouncing the Communists as bourgeois and betrayers of the working class. The leaders in this union press for a restoration to the workers of their 1939 purchasing power, and if discontent remains at its present depths, then their uncompromising (and irresponsible) attitude may weaken the leadership at present exercised by the Communists.

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Threat to the Franc?

M. Daniel Mayer, broadcasting the Government's decision to permit the negotiation of bonuses throughout industry, said that the rise in wages would not be permitted to affect the price level. Nobody in France believes that this is possible and, in fact, the country is now witnessing the first serious breakdown of the Blum policy of price reduction. A rise in prices is believed by everyone, from the Governor of the Bank of France to the economic advisers of the CGT, to be inevitable and with another rise in prices the inflationary spiral will take one more spin for the worse.

The pressure on the franc is aggravated by the fact that during the course of the month over one hundred thousand million francs worth of Treasury bonds will fall due with little hope of their being extended. The Government's own expenditure is under examination to see at what point economies could be introduced, but the nationalised industries are all running at a deficit (the railways show a deficit of thirty thousand million francs—an increase of twenty thousand million on last year—and now the railway workers' bonus will add another ten thousand million to that sum) and both the State enterprises and the Treasury have been penalised by the 10 per cent cut in prices. Since millions of hoarded notes are still at large playing their part in speculation and the black market, it is not surprising that there should be talk of devaluing the franc, although officially such a possibility is strenuously denied.

Against such a background of uninterrupted economic dislocation the Marshall offer has caught French imagination as the one way out of a desperate situation. When M. Vincent Auriol, the French President, gave the proposal all the weight of his official approbation, he was speaking for great masses of ordinary French people who, after two gruelling years, are beginning to feel the exhaustion of pulling themselves up by their own bootlaces. The Communists have already started to campaign against "dollar diplomacy," but, like their colleagues in Italy, they may find themselves compelled to capitulate to a public opinion which, when concrete economic aid is at stake, runs sharply against them.

New Motor Taxation

The Chancellor of the Exchequer announced to the House of Commons on Tuesday a radical change in the basis of taxation of private motor vehicles. In future, instead of the present tax graduated in accordance with the size of the engine, there is to be a single flat-rate licence duty of £10 per annum. But the new tax is to apply only to new cars—to those registered for the first time on or after January 1, 1947. The object of the time limit is presumably to avoid the necessity for a countervailing increase in the petrol duty, since if the flat rate of £10 were applied at once to all existing cars there would be a serious loss of revenue. At present, hardly any cars pay less than £10 a year in licence duty and some 72 per cent pay more. The petrol duty is already high, and any further increase would either bear very heavily on commercial users or would make necessary a system of rebates which would be both complicated and open to abuse. The Chancellor's compromise is a sensible one, since it postpones the serious loss of revenue until a time when Mr Dalton or his successors may be "happy to lose revenue." There will, however, be some immediate loss of revenue, and to offset this the purchase tax on all cars costing (exclusive of purchase tax) over £1,000 is to be raised to 66½ per cent. This is acceptable at present, since these expensive cars are better exported; but for the long run the rate is too high even for anything classed as a luxury.

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The purpose of the charge is avowedly to assist the export trade. For many years the system of taxation by horse-power has diverted the attention of British manufacturers and motorists to the ultra-small car—and to an excessive number of models of it. The manufacturer has had a protected market for his speciality—a market far more effectively protected by the system of taxation than by the customs duty—but the other side of the medal has been that he has been unable to compete abroad, except in a few special markets. The car large and powerful enough to compete all over the world has, indeed, been made in England, but in numbers too small for its price to be competitive. Now the way is open to concentration on a much smaller range of models. If the domestic demand—which is always likely to be the largest that the British industry has to meet—can be diverted to a size of car that can also be sold abroad, real mass production will be possible. One of the large companies, Standard, intends to produce only one size of engine, of 16 horse-power, which can be fitted both in cars and in tractors. Once they get used to it, British motorists will certainly prefer a car of this size, if they can get it cheaply. But in the meantime their tastes (and their garages) have been shaped for the smaller car, and if they are to be weaned away from it they will need a powerful price argument. In short, if the industry now has the courage—spontaneous or induced—to bridge the gap between the requirements of the home and export markets in one jump, and to concentrate very heavily on cars of about 16 h.p., the product, being cheap, ought to be acceptable both at home and abroad. But if they wait for the new system of taxation slowly to dissolve the present fashion in the home market and create a new one, then the transition will be very gradual and the present opportunity will be missed. There is the risk of a vicious circle appearing: unless there is standardisation, the big car will not be cheap; unless it is cheap, it will not be acceptable at home; unless it is acceptable, demand will not be concentrated on it; and unless demand is concentrated on it, there will be no standardisation. Only the Government can break the vicious circle by insisting on rapid standardisation.

But unfortunately the history of motor taxation does not give much ground for belief that the Government will ever press the national interest on the industry. Some of the manufacturers, to judge by the statements they have been making in the last few days, have evidently persuaded themselves that a flat-rate tax is what they wanted all along. But of course it is not so. Outside critics, this journal among them, have been advocating for many years a system of taxation that did not discriminate by the size of the car. But until recently almost all the manufacturers have notoriously been against it. Even now, the Government would not move until there had been a change of mind in the industry. If the Government would waste a little less energy on changing the ownership of industry and be a bit more forthright in asserting the national interest in the policies pursued by industry, they would better deserve the name of Socialists.

New Phase in Colonial Development

It is now clear that the groundnut scheme for East Africa was only the first step in a new phase of economic development in the colonies. An inter-departmental committee is surveying the opportunities for large-scale primary production in the colonial empire as a whole. A mission has left for West Africa to enquire into the possibilities of growing new crops by mechanised methods, and there is talk of another mission going to Sarawak and North Borneo to examine the possibilities of growing rice and manila hemp. Clearly, if these and other surveys are promising, huge capital sums will be needed, and more public corporations, on the lines of the one already envisaged for East Africa, will presumably be set up.

All this points to a bolder and more imaginative outlook on colonial development from the Colonial Office. The new economic policy is not, as might have been concluded from Mr Dalton's remarks in the House of Commons last week, a mere improvisation to provide this country with imports of food and materials which at present have to be bought largely from hard currency areas—though the dollar shortage has certainly given an impetus. The development foreshadowed is long-term development, the fruits of which may not appear until the dollar crisis is over. But each scheme will be started on the assumption that there is a readily available market for the commodity to be produced, and the experts who prepare the schemes will be allowed to assume some priority in the supply of capital equipment. This sort of strategy is designed to achieve its most encouraging results at a time of world shortages, for the schemes can shake down in a period of high prices.

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There are, however, grounds for objection to the new policy, though they may turn out to have no real foundation. It is possible, for instance, to criticise it because it is centrally controlled. The initiative comes from the Ministry of Food or the Colonial Office or the Board of Trade; the experts are mobilised in this country and their briefs drawn up here; they are re-directed to another colonial region when their work is done. There is nothing new in this, for the Colonial Development and Welfare Act provides several millions to be used for central development of this sort. But care should be taken not to ride roughshod over local prejudices and wishes. The promise that the groundnut corporation for East Africa will eventually be handed over to the control of the local populations should be copied elsewhere. A second criticism may be that the new policy implies a reversal of attempts to diversify colonial economies and a return to the one-crop specialisation and dependence on exports that proved so disastrous in a time of world slump. It is important to realise, however, that the chief fault with colonial economics was not that they specialised but that their specialisation was inefficient; it was not that they lacked secondary industry but that they lacked capital. It is this application of capital on a large scale, whether to agriculture or industry is immaterial, that makes the new policy so important.

A third objection may be that these schemes are all very well now when there is a chance of large profits, but what will happen when world prices fall? Are the public corporations to be accompanied by price-fixing agencies on the lines of the proposed West African cocoa board? There may be a conflict of interest between the British taxpayer as guarantor of the loans floated by the corporations, who will want high prices to be maintained, and the British taxpayer as consumer of the commodities concerned, who will want low prices for food and materials. This very important point should be cleared up as soon as possible.

* * *

Dominion of Ceylon?

The announcement by the Secretary of State for the Colonies this week on the future status of Ceylon marks as big an advance in colonial constitutional affairs as the new development schemes foreshadow in the economic. Only last year Ceylon was granted a new constitution which took it a long way towards responsible government. There are reserved powers in matters of defence, legislation affecting communal interests, and external affairs—which includes foreign trade relations. But in other respects Ceylon has complete self-government exercised by a Cabinet responsible to a Parliament elected on the basis of universal suffrage.

As soon, however, as the first elections to be held under the new constitution have returned a new Parliament and a new

Government is in office, negotiations between it and the Imperial Government will begin, and if these are concluded satisfactorily immediate steps will be taken to confer upon Ceylon fully responsible status within the British Commonwealth of Nations.

It is worth noting that Mr Creech Jones did not say "full Dominion status," but in reply to a supplementary question he said that Ceylon would enjoy

that full degree of self-government within the Commonwealth which the term Dominion status is understood to imply.

Even this statement is not an unequivocal assurance of Dominion status, but the Ceylonese are unlikely to be content with less, for the promise of full independence to Burma had made them dissatisfied with the present constitution before they had had time to assess it. Nevertheless the British Government is taking a risk in the promise of fully responsible government, for although the communal differences are not so acute in Ceylon as they are in India, members of the State Council are elected on a communal rather than a political basis. The Sinhalese, the largest community, will have to show great responsibility when they have formed their first Government and begin negotiations with the Imperial Government and will have to remember that they are negotiating on behalf of other communities as well. If they do, and if Dominion status for Ceylon is now only a matter of months ahead and not years, it is worth contemplating with what speed this will have been brought about. It is only twenty-seven years since the Ceylonese Legislative Council was given an unofficial majority. It is only sixteen years since the grant of universal adult suffrage. There are now unofficial majorities in the Legislative Councils of a number of colonies including the Gold Coast and Nigeria, and the franchise is being extended—Jamaica, for one, has universal suffrage—in others. Perhaps, after all, another generation may see the complete merging of Empire into Commonwealth.

* * *

Hyderabad and Travancore

Since the acceptance by Congress and by the Moslem League of the plan for partition of British India, India's other main problem, that of the States, has emerged into the forefront of politics with the declarations of independence by Hyderabad and Travancore. There has always been the possibility that one or more of the Princes—or rather of their Prime Ministers, for most of the States are now governed by Ministers—would try to take the path of full sovereignty on the dissolution of the British Raj. Since 1939 the British Government has abandoned the attempt to persuade the Princes to agree in advance to enter an Indian Union and has taken the view that, as the rights and obligations of the Princes depend on treaties with the Crown, British "paramountcy" cannot legally be transferred to an Indian successor authority, so that all the Indian States are supposed to be left as independent units with the passing of the British Raj and can negotiate any form of union they please, or none at all, with the successor power or powers in British India. This is obviously a situation fraught with danger, for whatever the rights of the States in the eyes of lawyers, their capacity for maintaining themselves must vary with their size and strength. The majority are clearly too weak to stand alone and must submit to some form of incorporation in either Hindustan or Pakistan; there are about half a dozen, on the other hand, which might conceivably maintain their independence if there were no strong central power in India. The rulers of Hyderabad and Travancore have evidently made up their minds that, with the projected partition of British India, this condition is sufficiently fulfilled.

Hyderabad is about the size of England and Scotland together, with a population of some 17 millions; Travancore is about as large as Wales with 6 million people. Hyderabad has its own currency and a regular army; it is, however, completely surrounded by the territory of Hindustan provinces and has no access to the sea. Further, the majority of the population is Hindu, while the dynasty is Moslem and only two centuries old. But this fact impels the dominant Moslem minority to claim independence, for their position would be at stake if the State were absorbed in Hindustan; they may seek an alliance with Pakistan. In Travancore there is no Hindu-Moslem issue, as both dynasty and people are Hindu (with a large Christian minority), but the State has an isolated and very defensible position between the Western Ghats and the sea and a strong ancient tradition of local independence.

The Congress Party has given warning that any recognition of either of these States by a foreign nation will be regarded as an "unfriendly act." Their international status is at present dubious; Britain in renouncing paramountcy may consider them to have

legitimately resumed a former independence, but as yet they do not exist in relation to other governments. A Congress-ruled Hindustan may be expected to try to impose its sovereignty on recalcitrant States, by force if necessary; Mr Nehru has already threatened the seceders. But what would be Britain's position if Hindustan as a British Dominion should make war on Hyderabad?

* * *

Arab Opposition Hardens

The decision of the Palestine Arabs to boycott the United Nations enquiry is, in spite of the good advice to the contrary known to have been pressed on them by British officials, probably the right one from their point of view. For them the arguments in favour of co-operation were purely tactical, while those against were both tactical and strategic. The two main points in favour of co-operation were, first, the moral value to the Arab position in the world of a frank and helpful attitude and, secondly, the danger of allowing their case to go by default. The latter, however, was only apparent since it may be taken as certain that adequate documentation of the Arab case will in fact reach the United Nations Committee. As for the former, the Arabs may well argue (particularly after reading Mr Crossman's book) that correct behaviour did not help them much with the Anglo-American Committee.

Moreover, the present Palestine Arab leaders are not very good at putting their case in public. Some of them made a deplorable showing at the Anglo-American enquiry. By staying away from the present one, they are probably doing as much good as harm. But the main reason why the boycott is not a mere piece of childish petulance is of longer range. Fundamentally, the Arab case is that Zionism and the Mandate are a violation of elementary human rights, so that any proceeding which assumes their validity is itself invalid. So long as it rests here, on the right of a people to its own country, the Arab case is by Western standards unassailable. When it begins talking about economic absorptive capacity, administrative discrimination, all the matters of daily politics which arise from the working out of the Mandate, it dissipates itself. With the Zionists the case is different. When they want to appeal to first principles, they must look beyond Palestine to the Jews of the Dispersion and to their elementary human rights. In Palestine itself, on the other hand, they concentrate on practical issues, conscious that their fundamental case does not lie there. This is the special meaning of the Arab assertion that by bringing in the general Jewish problem, the United Nations have prejudged the Palestine issue.

But there is another and more ominous side to the Higher Committee's boycott. It shows that the Arabs are reaching the point of feeling that everyone is against them, of being confronted by a wall of injustice which no arguments can breach. It is a dangerous frame of mind which one day may break out in violence. The evil of the colonial system is that violence is so often the only way in which a subject people can draw attention to itself. And it makes little difference whether the remote, incalculable power whose mind it so difficult to change lives in Whitehall or Lake Success. Hitherto the mere fact that Jewish terrorism was keeping the spotlight trained on Palestine has provided some reason for Arab quiescence. But they have been taking good note of the effects of terrorism, and an increasing number of young Arabs now talk romantically of "taking to the hills," even if they do not actually join an illegal military formation. The vocabulary of "resistance" is catching. Moreover, even sane and educated Arabs have been affected by the reports brought back from Lake Success of the overwhelmingly "Jewish" atmosphere in which the United Nations proceedings on Palestine have been conducted—a natural consequence of the large proportion of Jews in the population of New York. The resulting mood of exasperation means that any United Nations recommendation may be condemned before it is read.

* * *

De Gasperi's First Victory

The parliamentary chances of Signor de Gasperi's Government look rather better than when he announced its formation a fortnight ago. At first there was some doubt whether this Ministry of Christian Democrats and non-political experts could secure a majority in the Assembly. In the last week, however, the combined opposition of the Communists and the Socialist supporters of Signor Nenni have received three rebuffs, and each time the voting in favour of Signor de Gasperi increased. The

last victory—by which, with a majority of 124, the Government secured the extension of the Assembly's life until January, 1948—has more than parliamentary significance. Both the Communists and the Socialists of the Nenni wing have been anxious to secure elections in the course of the next months. Signor Nenni probably reckons that the leader of the anti-Communist, Socialist Right, Signor Saragat, is likely to become a more formidable rival if he has time to organise his party and to build up a political machine throughout Italy. The Communists, elated by their striking electoral successes in Sicily in April, feel that they may have reached the peak of their popularity and that, in the next months, Signor de Gasperi's ability to secure dollar credits for Italy will make its impression on a hungry and under-employed population. The conviction that dollars are necessary is so widespread that the Communists have even had to abandon, however temporarily, their attacks on "dollar imperialism," and if, before the elections, sufficient credits have been received to secure the ration and increase employment, the Christian Democrats may have a strong electoral success when, finally, the Assembly is dissolved and the new elections are held.

Parliamentary success and better electoral chances do not, however, automatically secure the Government a smoother passage. The financial situation remains extremely delicate with a possible budgetary deficit of 312 million lire at the end of the year. To cover even minimum imports of food and raw materials, 200 million dollars must be found before the end of 1947. And these figures depend upon a level of output in Italy which a few disastrous strikes might quickly reduce. As in France, there is enough real misery and sufficient disparity between wages and prices for genuine discontent to abound. The hope of American help and President Truman's promise of diplomatic support are the only rifts in an otherwise sombre sky—so sombre indeed that President de Nicola has only with difficulty been persuaded to remain in an office he at no time wanted and now finds too onerous and discouraging to be borne.

* * *

Storm in the Tory Cup

The opening of the official Conservative Party Exhibition, called "Trust the People," in London last week seems to have been the occasion for an overt clash between the differing exponents of Conservative policy. Perhaps it is not inappropriate that the exhibition should be housed only a door or so away from the International Tea Centre; the setting for the storm is thus made more authentic. The Party's pamphlet on industrial policy was not well received by some sections of the Party and its supporters, notably by Lord Beaverbrook, but the exhibition, conceived in terms directly parallel with the pamphlet, has apparently provoked these sections into active protest. As a result, Mr Harold Macmillan was moved to launch a counter-attack on the more right-wing members of his Party in a speech made last Saturday. He protested that the policy outlined in the pamphlet was only an extension of fundamental Conservative principles into the conditions of to-day, and he concluded with a sharp rebuke to those for whom time, when not standing still, moves only backwards.

It is impossible not to link this dispute with the absence, and the reasons for that absence, of Mr Churchill from the political scene. To some Conservatives, Mr Churchill is not an ideal Party leader in Opposition. To others, good leader or bad, he is a man who from the nature of things cannot lead the Party for many years more. Mr Churchill's political mantle, in its industrial segments, has always possessed some of the magic qualities of the skin of the chameleon. The question is, therefore, not only on whom the mantle will descend, but also what tint the mantle will assume when worn by a successor. Certainly a full range of colour is available, from the deep and angry purple of Sir Waldron Smithers to the delicate and charming lilac pink favoured by Mr Harold Macmillan. The true struggle within the Conservative Party is between those who believe that what the Labour Government does must be wrong and those who believe that what the Labour Government does they could do better.

All this argument nowhere approaches anything like a real split in Conservative ranks. In fact, some cynical Socialists have been heard to say that the dispute resembles a conjuror's patter—its primary purpose is to divert attention from what is going on elsewhere. In any case, Conservatives of all shades have a great many unities that are not affected by one industrial policy or another. At best these differences are far more differences in emphasis than they are differences in kind. Out of all the disputants, Lord Beaverbrook is about the only one whom it is possible even to imagine voting for any other party at a General Election; and were that

to happen, any vote cast by Lord Beaverbrook would bring no comfort to Socialists or Liberals. The major matter for comment is not that the Conservatives are bickering over an industrial policy; it is that they should have an industrial policy over which to bicker.

* * *

A New Yardstick

The 1914 cost of living index officially passed out of existence on June 17, 1947, which is the base date chosen by the Minister of Labour for the new interim index of retail prices. How obsolete the old index had become is fully shown in the list of items, excluded from it, which will enter into the new index, and by the different weights attached to different items, on the basis of 1937/8 expenditure. Instead of the previous meagre fourteen food items, 47 items are listed in the new index. Most important of all, the handful of "other items" listed in the original index has been enlarged beyond recognition. It now takes account of people's expenditure on entertainments such as the cinema and football, drinks and tobacco, and on household necessities such as floor polishes and furniture, radio sets and vacuum cleaners. Food which was weighted at 60 per cent in the old index is now reduced to 35, and the "other items," which were only allowed 4 per cent, have been weighted at 16 per cent, with an additional 24 per cent allowed for items not included at all in the old index.

While it is clear that the new index will represent a much more accurate picture of working-class expenditure than did the old, it is difficult to understand exactly what the purpose of the temporary index is, unless it heralds the decline of the food subsidies. Some 2,500,000 workers, including workers in mining, building and civil engineering, electrical contracting, pottery, boot and shoe manufacture, and a number of industries covered by wages councils, have cost of living sliding scales, based on the official index, incorporated in their wage agreements. A revision of these agreements will now be necessary, and has already begun in the case of some of the wages councils industries. It is unlikely, however, that there will be any direct reference to the new index in these revised agreements. It is true that rises in the index after June 17th will undoubtedly be used as an argument in favour of higher wages when wage claims are put forward; but if, as is to be presumed, the Government really intends to reduce the food subsidies, the consequent rise in food prices will not raise the new index, in which food is given a comparatively small weighting, to the extent that it would have done to the old.

On a long term view, however, the value of having only a single cost of living index is questionable. What is really needed is a measure of the cost of subsistence which the Ministry of National Insurance and the Assistance Board can use in assessing the value of social security payments. People on the subsistence level do not buy vacuum cleaners, and, in their budgets, food and rent are weighted very high. Any attempt to assess their needs by reference to the cost of the diversified standard of living of the better off, who can switch their expenditure from one item to another in accordance with relative changes in prices, would give an entirely false picture.

* * *

Public Board Salaries

If any uncertainty yet lingered about the Government's policy in giving information about salaries and conditions of service in the new public boards, Mr Morrison's statement last week must have finally disposed of it. The appropriate Minister will provide this information for the top appointments—the board members themselves—but will take no responsibility for the appointment and remuneration of any of the other staff. These, he claimed, are functions of management, and

the Government believe that socialised boards should have the same freedom and privacy in this respect as does any other commercial undertaking.

This is certainly the right decision, and it is to be hoped that the new boards will conform to the most enlightened practice in publishing information about themselves in their annual accounts on their own initiative.

They have, however, still some very tough internal battles before they can straighten out their staff policy, and the battle is bound to be fought with the civil service traditions on the one side and those of business on the other. Which will prevail? On the civil service side there is all the apparatus of regular

scales of pay, promotion by formal machinery, seniority, and an assured upward ladder. Business is traditionally against this procedure, although inquiries made during the war revealed that many large business concerns were even more hampered by seniority rules than the civil service. But higher up in the managerial and executive grades one man can be receiving a thousand a year more than another, at the unfettered wish of the directors. Their decision is absolute, and no one can calculate with certainty that a fixed scale can give him £500 a year more after 10 years with a minimum of exertion in between.

This conflict of view must now be facing the members of the Coal Board, and will in due course face all public boards. Fortunately, by taking over existing colliery staffs, all sorts of divergences were inherited at the start. Will these be ironed out or will it be possible to tempt a mining engineer, who has received a good offer in South America, to come to the Coal Board? Will a Divisional Board be able to reward an able young man when Mr Snooks in the neighbouring Division is twice his age and has nothing positively against him? Some will maintain that a public board like a Government department must be scrupulously fair. The nation will only get its coal if a more daring game of snakes and ladders is played in the field of staff promotion and pay.

* * *

Care of the Aged

A committee of the British Medical Association has now published its proposals for the care and treatment of the elderly and infirm. To a certain extent they overlap the recommendations made earlier this year by a committee of the Nuffield Foundation. But, as befitted a medical committee, the BMA was particularly concerned with the care of the elderly sick, and its report consequently goes into more detail over medical and nursing arrangements. Here again, however, there is much in its recommendations that is familiar, though it is none the less welcome for the additional support. The disabilities of old people needing hospital treatment should be carefully assessed in the geriatric department of a general hospital. It is estimated that if this is done, about 40 per cent could be sufficiently reabled either to return home or to live in a hostel or home where communal care could be provided. About 40 per cent would probably be suffering from a fatal illness, and the remaining 20 per cent would be irremediable cases and need permanent nursing care in a long-term annexe of the general hospital—which would, however, continue to supervise them and re-assess them when necessary.

Provided—an important proviso—that sufficient co-ordination between the various authorities responsible for housing, hostels, hospitals and general medical services is forthcoming to permit free traffic between the various forms of accommodation and attention, the scheme seems to be a sensible and logical way to provide for the sick in the brave old world that is approaching—though it is arguable that too much prominence is given to the hospital and thereby to old people in sickness instead of in health. But it is clearly a long-term scheme, dependent on many factors, such as an adequate supply of hostels and homes, that will not be forthcoming for some time. It is to be hoped that in the meantime the BMA will use its influence to do something about the care of old people in the present, when they often die, entirely neglected, because the hospitals refuse to take them in. Local authority hospitals are under a statutory obligation to admit such cases on the order of a relieving officer, but they are now disregarding this obligation because of a shortage, not of beds, but of staff. Yet the public assistance institutions, whose care of the elderly sick tends to be condemned outright, do at least fulfil their statutory obligation of taking them in, feeding them and giving them some care and attention, however inadequate by the BMA's standards. If the institutions can make the necessary emergency arrangements—and they are equally short of staff—cannot the hospitals? It is high time that coroners revived their former practice of sifting to the bottom cases of old people found dead and placing the blame where it should properly fall.

* * *

Austria in the Toils

At the beginning of June, the American Government promised to ship between 40,000 and 50,000 tons of grain a month to Vienna to maintain the nation until the harvest. Now the outbreak of a maritime strike in the United States has led the Austrian trade unions to address a passionate appeal to the American dockers

to allow the foodships for Austria to be despatched. So precarious is the balance in the Austrian economy, that the failure of the ships to arrive would certainly precipitate yet another serious food crisis.

That only a few ships should stand between Vienna and starvation is an index of the little progress made in stabilising the Austrian economy, even though two years have passed since "liberation." The truth is that no way out of Austria's economic maze has yet been found, and it has taken weeks for the deputies of the Foreign Ministers even to agree upon a procedure for working out a factual report on the question of sorting out the real German assets from among 200 Austrian factories taken over by the Russians. An agreed report is not even in sight.

Behind the issue of the assets lies the broader and more vital issue of a sane economic future for Austria. A reasonable settlement might perhaps orientate the Austrian economy eastwards where there are ready markets for Austrian industrial goods. But what would be left of Austrian independence if the key factories in Austrian industry were Russian subsidiaries? Yet, on the other hand, what does the Western world offer beyond an alternation of competition and doles?

The effects of all this endless delay upon Austria's economy has led recently to Austrian efforts to break the diplomatic deadlock. That Herr Fischer should attempt to secure Communist representation in the Cabinet as the price of Russian moderation in the issue of assets is understandable. What is much more difficult to fathom is Dr Figl's willingness to enter into secret negotiations with the Communists behind the back of his Socialist colleagues in the Cabinet. The reason may be that the right-wing People's Party are finding Socialist pressure inconvenient in its demands for immediate nationalisation, land reform and control of the black market. Dr Figl may imagine that he could deal with the Socialists more easily if they could be played off against the Communists. But the chief reason for Dr Figl's discussions is almost certainly growing desperation at the deadlock and desire to coax the Russians into a more flexible frame of mind.

* * *

Socialists at Zurich

Few movements in Europe feel the pressure of the division between East and West in so concentrated a form as do the European Socialists, who met in conference at Zürich last week. The tension between the "bourgeois" parties and the Communists draws the Socialists into different combinations of government or opposition in every country in Europe. In the East, they are, except in Finland, the junior partners in coalitions dominated by Communists. In the West, they tend to co-operate with the Christian Centre and Right—in Holland, in France, in Germany, in Austria. Only in Italy, where they are out of the Government altogether, and in Norway, Sweden and Great Britain, where they form the Government, do they escape, if only temporarily, from the balancing act they are called on to perform everywhere else.

The tension between Right and Left has also in some cases succeeded in splitting the Socialists. Throughout Eastern Europe, the anti-Communist wing of the older parties has vanished. In the Russian zone the whole party has been swallowed up. The Spanish emigré movement is divided. Both Signor Saragat and Signor Nenni were present at Zürich, personifying the division in Italian Socialism. Nor is it likely that the tension will diminish. For some months past, Russian propaganda has been concentrating its criticism on the "Right Wing Socialists" who "split working class unity" and "play into the hands of the bourgeois." And events in Hungary have brought new pressure to bear on the Hungarian Socialists who have hitherto avoided Communist domination, yet retained inner unity.

Under these circumstances, it must be admitted that European Socialism is showing considerably more vigour and independence than might have been predicted a year ago. It is true that no decision was taken at Zürich to form a new Socialist International. The old International was dissolved at last year's Conference at Bournemouth and its re-establishment left an open question. This year, an International Committee was set up to consider the question and it will be on the agenda of the December Conference to be held in Belgium. But the various parties showed a measure of vitality and genuine independence in the chief debate of the Conference—the question of admitting the German Social Democrats as full Conference members. In spite of his bitter fight against the Socialist Unity Party and the Russian authorities in Germany, Dr. Schuhmacher, the German Socialist leader, had every opportunity to state his case and, in the event, Great Britain, France, the Netherlands, Luxemburg, Sweden, Finland, Norway, Denmark and Austria voted for the German Socialists' admission.

True, the pattern of division reappeared in the opposing vote of Poland, Rumania, Czechoslovakia and Hungary (with Palestine giving an understandably racial vote in the same sense). But if Belgium, Greece, Italy, Switzerland and South Africa had not abstained, the necessary two-thirds majority could have been obtained. No one denies the precariousness of the European Socialists' constant tight rope walk. But perhaps their powers of equilibrium should also not be underestimated.

* * *

Progress at Prague

The World Federation of Trade Unions has had prolonged teething troubles, but now, after the two and a-half years since the London conference, it appears that the organisation is reaching adult status. The fundamental difficulties arising from the different conceptions of the functions of trade unions between, for example, the British and Western European and the Russian, Polish and Eastern European movements, can obviously not be easily overcome, but at the Prague conference last week, the differences seem to have been definitely in the background and the conference, which some had thought would break down altogether, resulted in a remarkable measure of agreement. The only major differences arose on small points of procedure, and clashes, if there were any, took place, and compromises were arrived at, behind the scenes. The Russians and the delegations from countries under Russian influence seem to have been much more accommodating than their opposite numbers in the political sphere have been at international conferences. This was shown in the important decision to admit the German unions and to set up a bureau in Berlin to guide the German movement along the right path—a decision in marked contrast to the attitude adopted at the International Socialist Conference at Zürich.

Whether or no this harmony will be maintained in the future, there was broad agreement on a number of issues at Prague. The WFTU is determined to exercise a more direct influence on world economic affairs, and is still not satisfied with its position *vis à vis* the Economic and Social Council. It claims the right to speak, as well as to put items on the agenda at the Council's meetings. Secondly, the Prague conference agreed on a six point charter, embodying certain fundamental principles of social and economic progress, which it will submit to the United Nations. Thirdly, it agreed that the Franco régime must be removed, although the question of a trade boycott was, surprisingly enough, not pressed. There was also agreement that the Greek trade unions must be allowed to operate freely and democratically.

The British delegation to the WFTU, which has inherited the "feet firmly on the ground" attitude which Lord Citrine, its first President, strove to inculcate in the WFTU, urged the need to build on solid foundations of common industrial interests, and reduce the more political aspects. It emphasised the need for speedily establishing the Trade Departments, to take over, within the Federation, the functions of the old International Trade Secretariats. The conference, under the British lead, agreed on regulations governing the terms for the inclusion of these bodies, which will then have to be negotiated with each Secretariat. It had seemed almost impossible to arrive at any satisfactory basis, and previous negotiations had dragged on interminably, causing much impatience and irritation all round. It is to be hoped that any remaining snags in these negotiations will be overcome as smoothly as were the other disputed points at Prague.

Shorter Notes

A short debate on day nurseries last week should dispose of the idea that they are a solution to the question of how to get women back into industry on a large scale. In 1944, when local authorities were given a 100 per cent grant for the nurseries they established, the number in England and Wales was only 1,550 with places for 71,000 children. If it is assumed that there was only one child per mother, only 71,000 women were thus enabled to go into industry by the provision of nurseries. At the present time there are about 900 nurseries with places for 44,000 children and 370 nursery schools for 19,000 children.

It is unfortunate that the inevitable delays in school building continue to deprive so many schoolchildren of school meals and to compel the authorities, in the interests of equity, to make all those, who cannot prove need, pay for them until free meals can be provided for all. At present 2½ million children do not receive school meals, 1,920,000 have dinners on payment and 340,000 receive them free.

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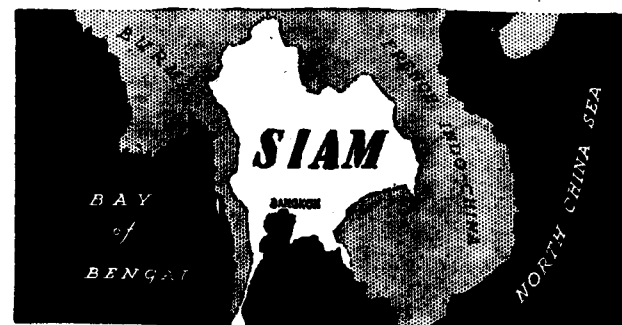
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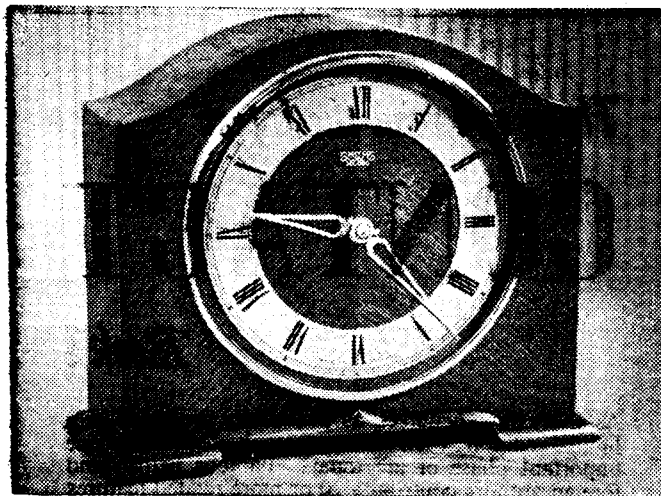
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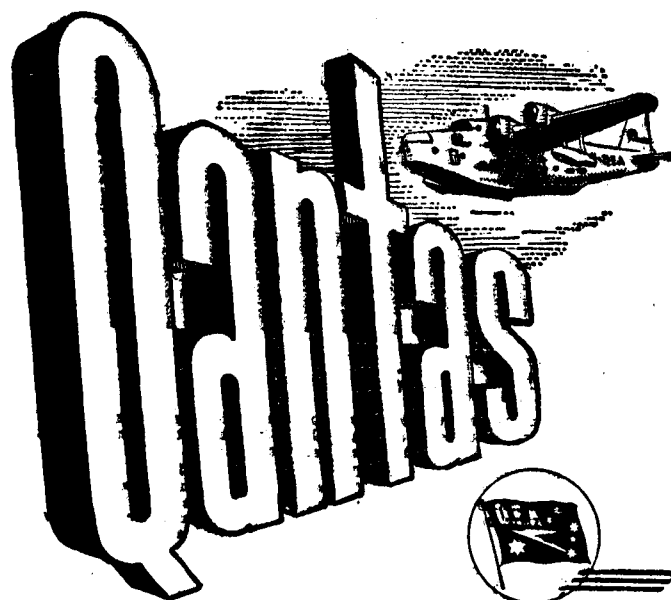
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Letters to the Editor

Agriculture and Politics

SIR,—Mr Marquand, the Paymaster-General, has, during the last few days, told us that if our production drive fails "food rations might well be cut in half." Is this the moment to discourage the British farmer from putting forth the extra effort and investing the extra capital necessary for increasing his production? Coming as it does from such an important source, your article of June 14th can only have this effect.

The Agriculture Bill certainly promises "guaranteed prices" and "assured markets." Unfortunately, the guaranteed price system is today operating as much against the farmer as in his favour: it is, in fact, frequently a limit rather than a "guarantee." Thus he has to sell his eggs for less than their value on a free market and his wheat for about sixty per cent of what Canada is obtaining on the world market—for less also than wheat from the USA and the Argentine is costing us. We are paying to our own farmers £45 per ton and to India £53 per ton for linseed.

It is true that the bill promises not only "guaranteed prices" but "assured markets." I wonder, however, what *The Economist* would say about a company that claimed in its prospectus that it had "assured markets" when this assurance related only to "such parts of" their product "as in the national interest it is desirable to produce in the United Kingdom." Your "sweeping guarantees" are, in fact, merely an undertaking to tell farmers approximately what they will obtain for a product before they produce it—a position which most industries are able to take for granted.

What about the "very little" that the farmer is given in return? You say that "the worst that the farmer need fear is trial by his peers." Yet since 1939 between 3,000 and 4,000 farmers have been turned off their farms by their peers, and for every eviction a great number have been either helped or compelled to revolutionise their whole system of production in response to continually-changing national needs. To the control of tenant farmers has now been added the control of freeholders, large or small, and both can, henceforth, be evicted from land—and homes.

It is agreed that owning or occupying agricultural land is a trust; and this Bill does little more than give legislative expression to this conception. But if it is seriously suggested that it means "very little" to give to a Minister and to Executive Committees and Appeal Tribunals appointed solely by that Minister the right—unchallengeable in any court of law—to evict from land and home—then, Sir, I must contend that you have not sufficiently entered into the feelings of those who come within the sweep of such powers.

When food is short and dollars are still shorter, price is not the final consideration. But is it really quite fair to ask such a question as "If the price guaranteed to the British farmer is higher than the price at which food can be imported, how is the gap to be filled?" without mentioning that to-day the cost of overseas foodstuffs frequently exceeds the price paid for home production; and also that of the "price support measures" —over £180 million out of running into several millions annually—over £180 million out of just over £400 million—are for overseas products? In other words, the food subsidies are paid not so much to help the British farmer as to enable the consumer to buy all food, whether it be produced at home or abroad, at less than its true cost.

There is some doubt about the long-term adequacy of available supplies, especially of meat, animal fats and vegetable oils. These are not our concern at the moment. There is, however, no doubt about our dollar position; no doubt, that is, unless the United States is prepared to put us on the dole and we are prepared to be put there. The fantasy of being able to achieve 175 per cent of pre-war exports is believed in now by few. No one in his senses would for a moment deny the export drive. Every ton of export trade that we can win is vital to our standard of living.

Must we not now fight on all fronts, striving both for exports and for greater production of our own food? We have been told by a recent White Paper embodying the views of the Ministers of Food and Agriculture in 1944, lately confirmed by a conference representing seventeen leading agricultural bodies, that a minimum of £140-£150 million increased production is possible from our soil. Where else can we obtain a comparable quantity of food or saving of dollars? What will be our position if we fail to obtain it? Is it not dangerous for a paper of the

outstanding influence of *The Economist* to confirm the farmer in his ingrained fear that he will be let down the moment it is possible or safe to do so?—Yours truly,
DE LA WARR

House of Lords

[It is agreed that, for many foods, the world price is at present higher than the price paid to the British farmer. But if Lord De La Warr really believes that this state of affairs will continue, he is singularly innocent. We will venture the prophecy that, when the world settles down, the gap between the costs of the British farmer and the prices at which food will be on offer from overseas producers will, on the average, be larger, not smaller, than in the years before the war. Who is the better friend of the farmers, he who encourages them to take advantage of a moment when the policy of "guaranteed markets" seems to be relatively costless to obtain a promise that will prove to be impossibly burdensome; or he who, while supporting the principle of assured markets, urges that it be pursued in moderation and with a real effort to increase efficiency and get costs down? Whose advice, if followed, is the more likely to lead to the farmers being "let down"? We will ask Lord De La Warr for his answer in ten years' time.—EDITOR.]

Bonus Issues

SIR,—I would like to support your original view, and that of Mr Monroe and Mr Neuberg, on the subject of bonus share issues and evasion of surtax, as against Mr Eccles and Mr Pitman. Those who say that bonus share issues do enable surtax to be evaded argue that the sale of the extra shares enables the stockholder to "take" a capital profit, which is naturally not liable to surtax, as the income would have been if it was paid to him in dividends. To this it is replied (and I think this was the argument in your comment on Mr Eccles's letter in your issue of May 10th) that if a larger nominal dividend were paid instead of a bonus issue being made, the shares would rise in value, and it would be just as open to the stockholder to take his capital profit as if the bonus issue had been made. This is undoubtedly correct, on the face of it, in logic and arithmetic.

But surely it rests on the following two false assumptions:—

(1) That the firm concerned was in a position to raise its nominal dividend, say, from 5 per cent to 10 per cent, instead of issuing bonus shares, which would have enabled it to pay the same amount in dividends though still at the nominal rate of 5 per cent. If, however, the firm believes it to be psychologically impossible to raise its nominal dividend because it has reached the limit which public opinion (and in particular customers and wage-earners) is likely to stand without repercussions, then it cannot act in this way. In this case the issue of the bonus share is the easiest way of presenting the capital profit to the stockholders. You may say that the public is very innocent if it can be deluded in this fashion; but I suggest that the histories of such companies as BET indicate that this is the fact, whatever we may think of it.

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(2) The rise in share values depends not merely on the rise in dividends, but on the probability of that rise being maintained in future years. If a bonus share issue is made, the Stock Exchange and the public accept this as far stronger evidence that the directors anticipate continuing high profits and dividends than if there is simply a single increase in dividends. In the same way, though in theory, the placing of the money to reserve should raise share values, in fact, it does not do so to the same extent, because it does not argue so strong a probability that the high profits will continue. In the case of BET before the war, it became a virtual certainty that a new bonus share issue would be made every year, and that the nominal dividend would remain the same. This very strong expectation of continuing capital profits raised the value of the shares more quickly than the less certain prospect of higher dividends would have done.

I suggest that it was for these reasons of psychology and probability that bonus share issues were, in fact, regarded in the City before the war (as I think you will agree) as methods of evading surtax. I think this is a case where psychology is as important as logic, and that it is accordingly much too sweeping as say that bonus issues do not, in fact, save surtax.—Yours, etc.,
House of Commons

DOUGLAS JAY

SIR,—In your comment on my letter of June 19th you say that the cash equivalent of a distribution of 5 per cent dividend plus 5 per cent bonus in shares is 5½ per cent. What you are doing, as is clear from your reference to a "wait-of a year," is to confuse the increase in income by virtue of the bonus share issued with the capital value of the said bonus share.

I agree with Mr. I. J. Pitman that "the bonus issue itself is never anything more than a fossilisation into the capital structure of profit balances until their distribution." But that is another matter and quite distinct from the one I set out to prove, viz., that in certain circumstances the issue of bonus shares does mean relief from surtax liability.—Yours faithfully,

F. NEUBERGH

9 Bishopsgate, London, E.C.2

[Before anyone can be said to be evading surtax, he must be shown to be receiving income (or sums which are "capital" only in the eyes of the law and not in those of the recipient), but not paying the full tax liability upon it. On this definition, which is surely the only reasonable one, Mr Jay's first example is not an evasion of tax at all. In the conditions that he postulates (which are surely very rare), a bonus issue is a means by which the shareholders can be given more income than they would otherwise receive—but they pay full tax on all they receive. And if the capital value of their holdings rises, that is the natural result of increased dividend payments. There is no evasion.]

Mr Jay may be right in his second example in thinking that the prospect of a repeated share bonus enhances the value of the shares. But so would a similar belief that the rate of dividend would be raised every year, without a bonus. What puts the shares up is the prospect of a rising income from them, and it is that which enables the shareholder to cash a part of his capital profit every year. The fact that the method chosen is that of a bonus issue makes no difference in principle, and it is therefore unjust to make it the object of a discriminating tax.

We do not understand Mr Neubergh's point. The market value of shares is (or should be) a function of the actual and prospective income they will provide. Take two companies each of which has, over a period of years, distributed exactly the same amount of money in dividends to its shareholders. Company A has done it by progressive increases in its rate of dividend, Company B by paying a steady dividend on a capital progressively increased by bonus issues. Over the period the shareholders of both companies have received the same income and paid the same tax, and at the end of the period their capital holdings (if no shares have been sold) will have risen in the same proportion, unless the market is crazy. Where is the evasion? It is true that a shareholder in Company B has been given an easy opportunity of taking part of his capital profit year by year by selling his bonus shares; but if he has done so, he finishes up with less capital than a shareholder in Company A.

[Attention is drawn to a Note on page 997.—EDITOR.]

Export Targets

SIR,—In discussing the pros and cons of our export targets, it seems a common fallacy for both optimists and pessimists to take as their yard-sticks the 1947 economic set-up, based upon the

territorial situation as it appeared in 1939 less the products of Germany and Japan.

Now surely if we discuss the world's economic set-up in 1947, we must measure it against the geographical background of the same year. This should give us a very much brighter picture of our prospects of both maintaining and increasing our export target. Whether or not the old world of before the war is played out can be left to the theorists to discuss. A new economic world is fast developing before our eyes. The enormous cultural and economic development of the African Continent, the Middle East, China and India is a fact that cannot be denied. There are great rewards waiting for those nations who realise this first. It is true that these new territories will not in the near future purchase boilers, railway engines, or possibly even motor-cars, but their consumption of bicycles, sewing machines and textiles will, in the not too distant future, be reckoned in terms of hundreds of millions sterling. This development must surely come about if the hopes and plans of the Colonial Development Council, etc., are to be fraught with any success at all, and yet references to these new markets, that may be termed world development areas, are conspicuous by their absence in most politico-economic surveys. It is in these markets, and perhaps in these markets alone, that the future of British trade will lie.—Yours faithfully,

B. W. GUSSMAN

Lansdowne Club, Berkeley Square, London, W.1

Bottleneck in Containers

SIR,—Your article on the above subject in your issue of June 14th comes at an opportune moment. The container industry, which has so far struggled with reasonable success against enormous difficulties, is facing a gap between supply and demand more serious than ever before. During the war years containers were given an operational priority—supplies of raw materials were allocated for them on a scale which permitted all the more urgent demands to be met. As a result, more than 10,000,000,000 food cans alone were produced during the war years. Since the end of the war it has watched with concern competing priorities gaining ground, and materials which it could fairly claim for itself either being made available for exports or allocated to industries whose claims were perhaps more obvious though not more truly urgent and vital.

At the same time, if industry for home and export requirements is to expand, it must have more supplies of the means of distributing its products from factory to consumer. Many of the

From The Economist of 1847

June 19, 1847

SEVERAL circumstances combine, at this particular moment, to give more than usual interest to the commerce of Russia. In the first place, there have been given, during the last two or three years, some most unequivocal symptoms, on the part of the Russian Government, that its convictions are tending . . . towards a system of Free Trade. The superior sagacity of the present Emperor, who travels much, and who never travels without observing everything, is too great not to have convinced him how much the interests of that great raw-material and food-producing country would be consulted by adopting the principles of Free Trade. For a country like Russia, which possesses natural inherent means of wealth, easy of development, to neglect and waste such obvious resources for the purpose of stimulating and encouraging manufactures, which they can procure so much cheaper and better in exchange for their own products easily raised, is indeed a most fatal error. The resources which Russia possesses for the production of grain, flax, hemp, wool, tallow, timber . . . are such as could not be extended to their utmost limit for centuries to come, under the most favourable circumstances, but which could not fail to prove a source of great and increasing wealth.

Considering the proximity of Russia to this country . . . there is probably no other country in the world that possesses so much the power of profiting by the introduction of Free Trade in this country, provided they are willing to enable the people generally to consume them at a moderate rate. This feeling is rapidly gaining ground among men of influence in Russia, and we are sanguine of seeing, before long, some important steps taken in that direction. The experience which the present year will afford of the advantages of an extensive demand in this country for their produce, is likely to produce the best effects.

war-time restrictions and prohibitions on packaging are necessarily still in force. Many articles cannot be packed at all for the home market. The smaller sizes are frequently prohibited—it is not allowed, for instance, to make a tin to contain less than 5 gallons of lubricating oil, ½ lb. of coffee, 7 lbs. of custard powder or 7 lbs. of confectionery. As a result of printing restrictions, many packages now on sale are dowdy and unattractive.

It is true that the immediate crisis in food canning is less severe than it might have been had milk supplies been more plentiful. But even so, at the present time of peak demand, canners are being denied probably a third of their weekly requirements of being denied probably a third of their weekly requirements of cans, with the consequent ultimate loss to the public of large quantities of processed foods. Whilst we face inadequate supplies of goods and rationing persists, the need to preserve food and thereby to remove the time factor from crops as they are harvested is inevitable. To the extent to which the opportunity is lost so must stocks for future use be limited.

The container industry suffers from the diverse nature of its activities. Individual aspects, like the shortage of milk bottles, have received attention in the House of Commons from time to time. But the full scope and requirements of civilian industry have never thus been reviewed as a whole, in the light of the place which it fills in the national economy.

To save labour in the factories and the shops; to shorten queues and lighten labour in the home; to bring variety into the national diet; to display and advertise British goods at home and overseas, these are just a few of the grounds upon which the container industry stakes its claim for national priority. The effect of denying these claims is to withhold from more than a hundred manufacturing industries one of the most essential requirements for transporting their goods to the public, both at home and overseas.—Yours faithfully,

JOHN RYAN, Vice-Chairman

The Metal Box Co., Portland Place, W.1

Books and Publications

A Study in Irresponsibility

"American Foreign Policy in the Making, 1932-40." By Charles A. Beard. Yale University Press. London, Cumberlege. 336 pages. \$4.00.

THIS review of the American road to war by the dean of American historians raises some very interesting questions of historical methods. It is sub-titled "A Study in Responsibilities," and it is, in effect, an inquest into the question of who was responsible for taking America into Hitler's war. The peg is Senator Pepper's statement in 1945 that the peace of the world had been lost in the Senate Chamber in 1919. Mr Beard is successful in demolishing the too-simple charge that it was merely a "little group of wilful men" in the Senate who were to blame for repudiating the League and in documenting the consequences of President Wilson's rigidity. But when he proceeds to argue that the inadequacies of American foreign policy from 1932-40 were not due to a failure of popular understanding, but to the failure of leadership by the Administration, the limitations of his own understanding are very clearly revealed.

In great detail, Mr Beard surveys the public utterances of Mr Roosevelt from 1932-1940. He has little difficulty in showing that from the days of his pre-nomination deal with Hearst and Garner, Mr Roosevelt in his first term repudiated internationalism for a purely national approach to the problems of reform and recovery. Even after the President had come to appreciate the need for collective action to forestall a European war—at the time of the 1937 speech advocating the "quarantine of aggressors"—he still failed to put the issues squarely before the American people. The book is almost entirely made up of quotations linked together: President Roosevelt's own words are called as witnesses against him. This is a Republican tract. Congress has not yet got round to the investigation of war guilt that the Republicans so plainly hankered after when they won both houses. Mr Beard has pointed the way. His book is a perfect example of how partial, and therefore misleading, what purports to be scientific history can become.

The real problem behind Mr Beard's accusation of double dealing is that of leadership in a democracy. It affected not only Mr Roosevelt, but also Mr Wilkie, as the campaign of 1940 plainly showed. Both men favoured all aid to the Allies short of war; both were compelled, by the strength of the peace bloc

Irish Politics

SIR,—May I be allowed a brief comment on your note under the above heading on June 14th. After a temperate review of the position you state that "the Unionists in Ulster are prepared to resort to political jerry-mandering, to an unfair arrangement of Parliamentary Constituencies and so forth." In view of the proverbial shortness of the public memory, may I point out firstly that the original parliamentary constituencies of Ulster were fixed by the British Commons and for elections to the Imperial House remain the same today. Presumably, therefore, there is no question of jerry-mandering here. (I do not propose to refer to local bodies on account of the rateable factor and because the parliamentary are the vital elections.) Secondly, the same constituencies were fixed by the British Commons for elections to the Ulster House under a system of Proportional Representation. The first general election in Northern Ireland in 1921 resulted in the return of 40 Unionists and 12 Nationalists and Republicans. The Ulster Government abolished Proportional Representation (a system which the Labour Party also does not favour) and carved out single member constituencies. The last General Election in Northern Ireland resulted in the return of 33 Unionists, 2 Independent Unionists, 1 Independent, 4 Labour members (one of them a powerful advocate of the Union with Britain) and 12 Nationalists and Republicans. In other words, under widely differing systems, the number of Nationalists and Republicans returned from constituencies fixed by the British Commons was precisely the same as the number returned from constituencies fixed by the Northern Ireland Commons. In a comparison of the results of the first and last General Elections in Northern Ireland, is it just not a little difficult to substantiate a charge of jerry-mandering?—Yours faithfully,

194 Seacliffe Road, Bangor, Co. Down

ALBERT E. BURNS

in their parties, to speak very much less than they knew or believed. The problem was at its most acute in the United States from 1936-41, but who can deny that it recurs daily in every democracy?

In detail, the book is useful; in total effect it is purely negative. Mr Beard believes President Roosevelt consciously took the United States into the war and that in doing so he practised a deception upon the people. Would Mr Beard have preferred Mr Roosevelt to have shown greater candour, and so secured firm action earlier? It is clear that he would not, and that he remains the unregenerate philosopher of isolation. It is the privilege of the professor that he can ignore what the alternatives would have been; irresponsibility is not the prerogative of politicians.

A Bicentenary

"Princeton, 1746-1896." By Thomas Jefferson Werstenbaker. Princeton University Press. 21s.

PRINCETON UNIVERSITY celebrates its bicentenary this week. To any reader who understands the gentle art of skipping, this history of the university compiled by Mr Werstenbaker makes extremely interesting reading; not for its detailed accounts of quarrels and personalities, but because the College of New Jersey (as Princeton University was known during the 150 years here under review) shows in microcosm the dour fierceness of the struggle between Calvinism on the one hand and the growth of more liberal ideas on the other. The battle was long and bitter, for the founders were passionately Presbyterian, if those two words can be made to fit, but in the end the cause of enlightenment and growth triumphed, and the College was saved, but only just saved, by the forcefulness or tact of one or two of its presidents, particularly of two men, imported from Scotland, Witherspoon and McCosh, with minds more open to new ideas in education. It is the story of this Homeric struggle which will interest readers on this side of the Atlantic.

Since the founders believed that they knew all that could be known about God and the Bible, they worked with passionate sincerity. They trekked for months and years, on horseback or on foot, to gather in small sums of money to enlarge the log cabin which housed them, and to pay minute salaries to their devoted and learned professors. The students were all in training for the

Ministry, and lived in great poverty and under rules which today look fantastic in their severity. No student might step outside his own room without special permission. He was not allowed "to jump, holler or make any boisterous noise," or drink or speak to young women. The curriculum was confined to Hebrew, Greek and Latin, and there were no games or other relaxation.

Needless to say, this austerity brought about an inevitable reaction. Human nature asserted its rights. There was incendiarism, rioting and so much horseplay directed against the faculty as to bring the College into serious disrepute. Enrolment of new students fell menacingly and with it the financial resources of the College. At last the few members of the faculty (there was only one) who realised that the world had progressed in educational and scientific ideas since 1746 began to make their voices heard. The Presbyterians learned with consternation that their President McCosh (1868) had accepted the theory of evolution. From this date onwards things began to move more quickly. Best of all the alumni of the College, many of them distinguished as generals, governors, senators, etc., came forward and not only endowed the College, but increasingly took a hand in dictating its development. Several new faculties were opened, and finally the College in 1896 obtained its Charter as a university, and regained its honourable position as one of the most important centres of learning in America. About the last 50 years the author has not allowed himself to write in this volume, but it is to be hoped that he will continue his racy and illuminating story down to the present day.

Co-operative Research

"Co-operative Research in Industry." By D. W. HILL. Hutchinson, 1947. 147 pages. 10s. 6d.

In these days of enlightenment, general essays on the importance of research have a way of being taken as read; and Dr. Hill's book comes uncomfortably near to sharing their fate. Its value lies in two directions. It compresses into a readable form a great deal of history—not always accessible—of the way in which the present

organisation of technical and scientific research has been built up, both here and overseas; and it lays a welcome emphasis on voluntary co-operation as a form of industrial organisation. Research, which stinks less of the profit motive than most industrial operations, is a suitable field in which to demonstrate the value of freedom and organic growth; and Dr. Hill makes the most of his opportunities. What he unfortunately does not do is to offer more than a few broad comments on the current problems of money, scientific manpower, and the incorporation of research into the administrative routine of industry. And yet it is here, in the details of practical application, that the weight of present discussion should lie, at least on the scientific side; for most of British industry is passing beyond the stage at which it needs to be persuaded that scientific research is in general a good thing. A tantalising glimpse of American inquiries into the administration of research would have been particularly worth while expanding.

It is also unfortunate that, as so often in books of this kind, research has been taken as primarily technical and scientific. Investigations of the sociology of industry, of costing and accounting questions, of the economic background of particular trades, of the national income, of the impact of industrial development on the population problem or the social life of communities—these and many similar issues are all highly relevant to industrial development. Though the outlines of a framework similar to that on the scientific side are beginning to emerge, the organisation of research in these fields is still at the embryo stage reached in science around the end of the first World War. And, just because of this early stage of development, it is vital to promote as much clear thinking as possible about the shape in which the new framework should develop, and how best to fit it in with the parallel work in science and technology.

But it would perhaps be unfair to blame Dr. Hill for saying so little on this particular point. His handbook is primarily a description of what exists; and it is only too regrettably true that what exists in the field of industrial research is heavily over-weighted on the scientists' side. Though there may not be too much science, there is certainly far too little economics; and of the truth of this Dr. Hill has provided yet another useful demonstration.

AMERICAN SURVEY

A New Bi-Partisan Policy?

(From Our U.S. Editorial Staff)

WITH Senator Vandenberg's request for a new bi-partisan council to advise Congress and the President alike on the job of helping in Europe's reconstruction, one of the serious gaps in the functioning of the Truman policy appears to be under repair, and the process of creating a foreign policy in economic matters enters on a new phase. Both are clearly related. The functioning of the policy without Congressional action was impossible, and the likelihood of Congressional action has grown more and more remote since Under-Secretary Acheson resigned and collaboration between the Executive offices and Capitol Hill slackened. At the same time, the domestic economic situation has given the opponents of the policy their best ammunition. Those who wanted to cut appropriations all along the line saw no reason why estimates for European aid should not come under the axe. Those who complained at rising prices muttered that too many supplies were going to Europe. Those who foresaw a depression talked defensively of belt-tightening and door-closing without explaining what they meant or how they expected to accomplish it. The result of this confusion could hardly be the legislation which the Administration desired.

Mr Vandenberg's request for a "total balance-sheet" should do much to clear away the fog, whether it be intentional or accidental. His statement is clear and comprehensive. He believes that intelligent American self-interest (a phrase appealing both to the practical and the idealistic in this nation) demands sure information and the best available advice on "(1) the over-all latitude within which America may safely and wisely plan these foreign operations; (2) the basis upon which they should be undertaken; and (3) the over-all necessities, in Asia as well as Europe, which are calculated to be involved."

As if to refute the complaints that bi-partisan enthusiasm for continuing support of an American foreign policy is waning, this demand on the part of Mr Vandenberg for an inventory forms a visible link in a chain of speeches to which the highest political personalities in the nation are contributing. That it should come at this moment from the leading Republican member of the Senate Foreign Affairs Committee should reassure those who fear that American councils are too easily divided to make their part in European matters dependable or decisive.

The process of developing a foreign policy in economic affairs that shall have force, wisdom, and a trace of consistency is proving far more difficult than the process of developing a political foreign policy having comparable excellences. The project is newer, the guiding philosophy hardly ready for swaddling clothes, the consultative precedents still in the formative stage. The external problems with which such a policy must deal in 1947 are of a size and complexity that might stagger a nation far more experienced in manipulating world affairs than is the United States. The internal oppositions aroused by such an undertaking are not masked behind political exigencies, but come naked from economic interests that resent any hint of change in ways which have proved profitable to them. Thus the wool interests, traditionally entrenched behind their tangled fleeces, choose this delicate moment to extort from Congress action in their favour which might jeopardise the American position in world councils, and with it their own future.

Nevertheless, in spite of difficulties, confusions, oppositions at home and abroad, the process is continuing. If, as Mr

Somerset Maugham once said of life, it proceeds rather as a man who, called on to give a violin recital in public, must learn the instrument while playing, the important thing is that it does go on. The creaks and squeaks, the false starts and wrong turnings are clear in this democracy for all the world to hear and see. In spite of inexperience and ineptitudes at home and abroad, there is evident on the part of the policy and of the policy-makers an increased sense of direction, an enlarged appreciation of the relationships involved and of the scope which operations must cover, an improvement in the functioning of the mechanisms concerned.

That such an undertaking should be carried on in the regime of President Truman, a man from inland Missouri not by temperament or experience noted either as an innovator or a world statesman, is one of the factors to which history will call attention. The regime of his predecessor, as bold in innovation as he was brilliant, was notorious for the costly divisions that arose within his official family. Critics complained that Mr Roosevelt's example encouraged the exhibition of individual talent at any cost, and that despite his fondness for referring to himself as the one who called the signals and carried the ball, teamwork with him became more of an abstraction than a practised ideal. To President Truman, who knows himself not to be brilliant, teamwork is the way to get things done. He devotes his own not inconsiderable talents as a friendly person to winning the co-operation of his neighbours, and in his recent trip to Canada he apparently repeated the success of his visit to Mexico. Meanwhile he leaves to the high officers of his Administration the exploration and development of controversial details.

The speech which Mr Truman made before the Canadian Parliament was remarkable not only for the importance of its content, but also for its freedom from diplomatic vagueness. As summarised for the Canadians, the Truman Doctrine sounds as important economically as it is politically. Its purpose is "to restore the world to health, to re-establish conditions in which the common people of the earth can work out their salvation by their own efforts." It recognises frankly the implied challenge to "the internal strength, the economic stability, the moral stamina of the United States," that challenge which Senator Vandenberg spelled out in his statement two days later. It sets forth what appeared as "I believe" clauses in his famous speech before Congress, and became "We intend" clauses when he faced the Canadians. The one which has the clearest economic significance is "We intend to expend our energies and to invest our substance in promoting world recovery by assisting those who are able and willing to make their maximum contribution to the same cause."

To this Mr Marshall contributed at Harvard, "Our policy is directed, not against any country or doctrine, but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world. . . . Such assistance must not be on a piecemeal basis as various crises develop." He then went on to the suggestions for European conference and planning which have aroused such wide interest on the eastern side of the Atlantic.

Another speech made in Los Angeles two weeks ago by Mr Cohen, Counsellor to the State Department, went into underlying costs. He admitted that previous American programmes looking toward economic reconstruction had "underestimated the ravages done to the European economy, the time

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which would be taken to restore its effective functioning, the substantial rise in the costs of American exports, and other factors." He set forth as first objectives, programmes that will "rebuild a self-supporting European economy," and he named the staggering sum of five billion dollars a year over a course of years as the cost of an effective economic foreign policy.

To this Mr Thorp, Assistant Secretary of State, in a speech at New York, added the warning that unless some way could be found of granting Europe credit or further loans, there would be "increased restrictions against American goods by foreign countries in an effort to husband their resources in hard currencies and to make sure that only essential imports are permitted." And then he went on to rub home the lesson that still goes so hard against the American grain, "It seems clear that the level of our foreign trade in the immediate future will be largely determined by the volume of American aid and assistance," and "absence of improvement in other countries will be a persistent drag upon our own economic system."

Ever since Mr. Truman first asked Congress for \$350 million for Greece and Turkey, Administration and public alike have

been engaged in exploring the ramifications of that request. Much of that exploration has been directed from an assumed centre toward a goal which was cloudy in the beginning, but is now clearing. Now, when the true magnitude of the undertaking is revealed the focus of interest shifts to an examination of the hitherto assumed centre—the American store of resources and functioning economic system from which aid must go out. What has been muttered in the wings is now a matter of headline conversation.

The reason for the shift at this time may be attributed to the nearness of Congressional adjournment and the need for speedy action, but this is not the whole story. What Congress does or does not do now is of immediate importance, but that figure of five billion dollars a year as a continuing programme which has been loaded on to the consciences of Congressmen—and by extension on to the consciences of all citizens—calls for major internal readjustments, as well as for a re-designing of the World Bank, the Fund, and other agencies of resource distribution. With that on its desk as a starter, the bi-partisan advisory council at the highest level for which Senator Vandenberg pleads cannot begin its work too soon.

The Shipping Outlook

(From Our US Editorial Staff)

THROUGH arbitration, negotiation and direct strike action during the past twelve months, the largest maritime union for unlicensed personnel in the United States has won three basic wage increases and two major changes in overtime payments. Another stoppage—termed a lock-out by the National Maritime Union (CIO)—has affected East Coast and Gulf ports since June 15th, when the old contract expired. Over the same period, in contrast, most of the European maritime industries have made only single adjustments of a minor nature, some have made no changes at all, and a few have even reduced the level of gross wage payments.

The competitive wage problem is not simply a matter of the trend of basic wages. Since 1938 the US basic monthly wage rate for able seamen has risen from \$72.50 to the present rate of \$182.85. The comparable United Kingdom increase has been from £9 12s. 6d. to the present level of £24 for practically all able seamen—that is, by a not dissimilar proportion. Where the competitive position of the American maritime industry has suffered real damage is in the category of abnormal supplemental payments, which have been largely a wartime and post-war development. On recent voyages the gross wage payments of American able seamen have averaged approximately \$270 per month, or about 150 per cent of the basic wage. Since supplemental payments to European able seamen are comparatively small, their gross wage payments average little more than \$100 per month, or less than 40 per cent of the American figure. Those who look to the operating subsidy paid by the US Government to offset such sweeping differences in wage costs do not understand the limitations on subsidy payments in the Shipping Act of 1936. Probably no more than 15 per cent of all US flag tonnage will be covered by operating subsidy contracts.

The long-term policy of the American unions has been one of forcing maritime working conditions into the mould of shore industries. Already seamen are paid overtime for standing their regular sea watches on Sunday. They are paid overtime for all shore work on Saturday as well as on Sunday. They

are paid special cargo bonuses, which in some cases cover coal, coke and other commonplace cargo items. They receive risk bonuses for entering European and other waters in which foreign vessels trade with no special premiums. A sailor whose vessel is detained three weeks in the security of the Port of London would receive a risk bonus payment of \$52.50. Least understandable of all are the so-called penalty overtime payments which must be paid at any time of day for work which has not been carefully defined as the seaman's responsibility in his labour contracts. The flexible nature of maritime labour, which is a tradition of the sea and is accepted by European seamen as a matter of course, is disappearing on American ships.

Because of boom conditions in ocean shipping, the disparity between American and foreign labour costs is not an immediate problem to the shipowner operating in foreign trade. To the coastal trader, whose tonnage was once 60 per cent of the total, the rapid inflation of American gross wage payments constitutes a heavy penalty today, and, as a partial consequence, privately owned tonnage operating as common carriers in the American coastwise and inter-coastal trades is less than 10 per cent of the pre-war level. For most cargo movements between points close to the coasts, water transportation remains the cheapest medium. But the narrowing spread between water and rail costs, combined with the flexible rate policies of the railroads, has enabled the railroads to cut deeply into the volume of traffic normally reserved for the water carriers. In this sense American seamen have already priced themselves out of part of the market, just as the coal miners are over-pricing their product in relation to oil.

With the foregoing thoughts running through their minds, the shipowners have entered a new period of negotiations with the unions. Six major unions have contracts which terminated on June 15th. Four more have September 30th as a termination date, and many other less important groups will follow the lead of the larger unions. The major demands of the unions for unlicensed seamen include basic wage increases in the neighbourhood of 20 per cent, health and welfare funds, longer vacations, a 40-hour week at sea and an increase in manning scales. On the grounds that the inflated cost structure already jeopardises the future of the maritime industry, the shipowners are taking a strong stand.

The US Navy and other administrative departments responsible for national policy take a serious view of the weak position of the passenger fleet. The two "Queens," which in the wartime summer months carried as many as 15,000 American troops on single Atlantic voyages, made a lasting impression on

American military authorities. Yet today the United States has only one first-class passenger ship of more than 20,000 gross tons with a capacity of more than 1,000 passengers. What is more, there is very little prospect that any large passenger vessels will be built without a major change in Government policy. Not a single new passenger ship is on the building ways in American yards. Furthermore, with costs at their present levels, the shipowners are taking a cautious view of their long-term prospects. Ships under consideration would range in cost up to \$75 million apiece for the super-liners, a level which is more than double pre-war costs and is more than four times the original cost of the smaller ss. *America*.

Three months ago the President appointed a Merchant Marine Advisory Committee consisting of four leading industrialists and a high-ranking naval officer to solve the passenger vessel problem. The Maritime Commission has presented an ambitious programme which is not likely to be accepted either by the Advisory Committee or by Congress without extensive reductions. The plan calls for almost 70 passenger vessels to be built at a gross cost of approximately \$600 million over the next six years. The Commission hopes that the ships will be built for purchase by the private operators, who would provide most of the capital. Failing that, they would be built on Government account for operation by the shipping companies as charterers or agents.

While foreign construction costs are considerably more than 50 per cent of US costs, the shipowners here insist on a construction subsidy of at least 50 per cent. They argue that the world construction cost ratios are meaningless, since few passenger ships are being built anywhere at the inflated costs of to-day. Only a part of the British wartime passenger vessel losses will be replaced and, as for Axis and other losses, replacements will be small indeed.

Even the optimists doubt that a new construction programme can be inaugurated until the next session of Congress and that many passenger keels will be laid for another twelve months. At best, the recovery of the American flag in the passenger ship field will not be apparent before 1949.

Not so long ago proponents of a large fleet under the US flag talked of post-war cargo and passenger tonnage which might be almost double the size of the pre-war fleet. The shipowners have been slow to accept such optimism and, because of the disquieting problems outlined, are now thinking in terms of a normal fleet of only 11 million deadweight tons.

American Notes

Week of Decision

In vetoing a Bill to reduce taxes by \$4 billion, Mr Truman has made history. Only one tax veto is on record, and that was not a Bill to cut taxes. That was the occasion in 1944 when Mr Roosevelt's veto prompted Senator Barkley to resign in indignation, and both houses of Congress to override the President with vigour and dispatch. The ringing phrase in Mr Roosevelt's message was that the Bill in question provided relief "not for the needy, but the greedy."

This is part of Mr Truman's indictment, and organised labour's chief criticism of the present Bill. But the President found other considerations even more compelling. He argued that tax relief now would increase inflationary pressures, thus hastening the day of reckoning; that Congress has not yet finally agreed, and may never agree, on the cuts in expenditure which provide the only excuse for such a reduction in taxes (a keen and deserved thrust); that the Budget surplus, now estimated by the Treasury at \$1,250 million for the fiscal year, should in good times be applied to reduction of the national debt rather than to reduction of taxes; and that the as yet undetermined costs of foreign rehabilitation and reconstruction do not justify a return to lower tax rates. To these sound arguments Mr Truman added that he himself was in favour of "the right kind of tax reduction at the right time"—a sentiment which the Republicans will sourly translate as meaning election year.

To the surprise of most observers, and the disappointment of the Republican leaders, the two-thirds majority necessary to override the President has not been forthcoming even in the House, where it was expected. The vote was 268-137, two votes short. In 1944 a Democratic Congress so keenly resented Mr Roosevelt's

veto that more members voted to override than had originally voted for the Bill. Mr Truman's action has postponed tax relief for at least another year, when it will be combined with omnibus reforms of the tax structure.

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This was a courageous veto. Tax reduction, even when inequitable, is seldom unpopular. The veto assumes another risk. Publicists like Mr Walter Lippmann are now warning their readers of the deflationary effects of Treasury operations, which in fact, if not on paper, are withdrawing about \$1 billion a month from purchasing power. Mr Truman no doubt hopes that this may be counter-balanced by the Marshall plan for sustaining foreign purchases, which are exceeding imports at the rate of about \$1 billion a month. Should this not materialise in time, the double draught may well be chilling to hopes of continued prosperity.

Last week's bitter exchange between Mr Truman and Senator Taft has been underlined by deliberate blocking of tax reduction, the prime aim of the Republican Congress elected last November. At the end of this week Mr Truman must make his decision on the Labour Bill, which is even more Mr. Taft's baby. The Secretary of Labour has submitted a reasoned indictment of the Bill pointing out that it may not even prevent a coal strike, for it specifically permits men to walk out of "unsafe" premises, and Mr Lewis has shown before how convenient a device this provides. In New York gigantic rallies are being held, with Mr Wallace's blessing, against the "slave labour" Bill. There are unofficial protest walk-outs in the coal mines. At the same time, the maritime strike, with its threat to relief shipments to Europe, underlines the need for stronger Federal powers. Later in the month Mr Truman must come to a decision on the Wool Bill. The House has approved the provision for an import fee, with all it implies for the Geneva Conference, and the concurrence of the Senate is virtually certain. More than the basic issues of the 1948 campaign are being determined in this week of decision. Foreign policy cannot escape the consequences of the sharpening of domestic controversy. Nor will it be lost upon Senator Taft, whose field in the past has primarily been domestic legislation, what part foreign considerations have played in frustrating his domestic programme.

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The Taft Thesis

Senator Vandenberg has clearly gone as far as was politically possible in endorsing the Marshall plan. It was very carefully qualified approval; really, the decision is postponed until a report is received from the bi-partisan commission he recommends. As in the case of the compromise on the Reciprocal Trade Treaties, Senator Vandenberg has constructed an escape clause which would save the principle involved by taking account of the practical opposition in Congress. How much of the effectiveness of the original policy is dissipated by this process is another matter. But it would have been impossible for Mr Vandenberg to rubber-stamp the proposals of the Administration, without greatly diminishing his influence on his own party, on which the Secretary of State must rely so heavily in the months ahead.

The opposition of which Mr Vandenberg takes account is what might be called the Taft thesis: that high prices at home are the direct result of relief overseas. This view was powerfully supported last week by Mr Herbert Hoover, whose current rôle in foreign affairs is not unlike that of Senator Vandenberg. In a letter to Mr Styles Bridges, chairman of the Senate Appropriations Committee, Mr Hoover expressed the fear that during the past two years America has been over-exporting, with inflationary results. He is equally alarmed lest the effort to increase imports creates unemployment and declining productivity in the United States.

Mr Hoover's letter, Senator Taft's sharp exchange with the President, and Mr Vandenberg's caution all reflect a growing realisation of the unwelcome fact that in the world as it is today, there can be no bi-partisan foreign policy hermetically sealed off from partisan domestic policy. Mr Hoover put his finger on the crux of the matter when he insisted that to continue foreign aid the United States must produce more or consume less at home. What he would like to see is a voluntary reduction in consumption of food in the United States to enable larger exports to the starving. In effect, this is a confession that American aid—even on the scale contemplated—could be accomplished with a minimum of inconvenience to the American consumer if an effective system of controls was politically possible. But this is a conclusion to which no one will expect either Mr Hoover or Senator Taft to come.

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Consumer Credits

Controversy on the merits and demerits of the regulation of consumer credit has been revived by April figures showing that debts owed by consumers reached a new peak of \$10.2 billion, by comparison with an end-1929 figure of \$7.6 billion, and with a pre-war record of just above \$10 billion reached in the autumn of 1941. In a letter to Mr Eccles, chairman of the Federal Reserve Board, the President has urged that Congress should make these controls permanent. They exist now only by virtue of an Executive Order under the Trading with the Enemy Act.

The Federal Reserve Board is now pressing Congress to authorise a permanent system of regulation for consumer loans and instalment financing of all types. The present controls date from September, 1941, and by 1944 outstanding consumer credits had fallen below \$5 billion, although the decline followed from the very sharp curtailment in the output of durable goods, rather than from the controls then imposed on the proportion of initial payments, and on maturity terms for instalment loans. At the end of the war, President Truman went on record in favour of the continuation of controls—a plea that was strongly supported by Mr Marriner Eccles, Chairman of the Reserve Board.

Controls have been resisted steadily, however, by banks and by industry. In late 1946, the regulations were eased and the list of durable goods to which controls apply was reduced by two-thirds, the main items now being automobiles, heavy household appliances, radios and furniture. Though dollar volume is at new peak levels, it is, of course, far below the earlier relationship with national income. If the 1929 proportions were to be restored, outstanding debt at this period might easily amount to between \$18 and \$20 billion. The failure to attain such a peak is again due more to the actual shortage of durable goods than to the stringency of present regulations.

Present reports suggest that the Reserve Board's plea for continuing controls has met with the solid opposition of the American Bankers' Association on the basis that evidence does not support the view that consumer credits "initiate turns in the economy—up or down." This is no doubt true as far as it goes, but there is abundant evidence to suggest that fluctuations in consumer credits can sharply accentuate swings in the business cycle. A further considerable rise in the total of these outstanding credits can be expected if business activity is maintained through the summer.

Wallace in Washington

Fresh from his triumphs in the West, Mr Wallace has invaded Washington to beard Mr Truman on his very doorstep. The Anti-American Activities Committee of the House has been galvanised into new activity. An attempt by the American Anti-Communist Association to ban Mr Wallace from speaking at the Watergate, a Government-owned auditorium, failed, but the committee promised to send observers. At the meeting, which was conspicuously boycotted by prominent Democrats, who to a man found they had urgent prior engagements, Mr Wallace repeated his now familiar accusations that the Truman Doctrine was provocative, negative, and would either lead to war or force Europe into the Communist camp. Unlike two prominent Republicans, Mr Vandenberg and Mr Stassen, who have found occasion to comment favourably on Mr Marshall's plan for European recovery, Mr Wallace ignored it. This is the stranger as the Marshall programme is no very distant cousin to the foreign theories with which Mr Wallace has been identified for many years.

It is hard to avoid the conclusion that Mr Wallace, having found a congenial theme in the wickedness of the foreign policy of the Administration, is loth to let even the facts deprive him of it. This unwillingness to sacrifice an issue, no matter how out of date, gives colour to the rumour, published on the West Coast, that Mr Wallace has been persuaded, by the crowds he has attracted across the country, to make the attempt to launch a third party in 1948, despite the fact that it would probably seal a Republican victory. "Avant moi, le déluge" is the thought. Mr Wallace evidently feels himself a latter-day Bryan. Wherever he has gone in the West he has reported "a new spirit

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awakening, and the people preparing to resume their forward march toward a progressive America." Unfriendly voices find the chief element in this new restlessness a reluctance to face the difficult facts of contemporary life. But if Mr Wallace is right—and he has been right on big issues before—it is a pity that the eloquence which appears to have intoxicated the speaker as well as his audiences is not devoted to construction, rather than to mere denunciation. Attacks on America as "the centre of world reaction" and on universal military training as "the opening wedge of military big business dictatorship" are woefully out of focus and hardly add up to a programme. Mr Wallace is in danger, one fears, of succumbing to what H. G. Wells called the "perpetual peeve" of liberal journalism.

Re-opening the Melting-Pot?

Strangely enough, it is Representative Stratton, an old America-Firstster and ally of Colonel McCormick, who is sponsoring a Bill to open America's doors to 400,000 displaced persons now in German, Italian and Austrian camps. Such a step by the United States would go far toward settling the refugee problem (though not at once), both in itself and through the forceful example it would set the rest of the world. It would be an even more welcome token of American goodwill than approval of the International Refugee Organisation.

Those who have been concerned to rescue the last of Hitler's victims have been tantalised by the fact that even the small quotas of immigrants allowed under American law have not been filled for many years. From 1940 to 1946 the immigration authorities might legally have permitted the entry of 1,076,733; in fact, only 161,971 quota immigrants came in. This was partly because the way lay across the war zones, but also due to the fact that the immigration authorities have consciously refused visas on the grounds that any sign of generosity would immediately result in a lowering of the quotas by Congress. Nothing in America is more jealously guarded than American citizenship.

Under present law, unfilled quotas may not be extended in time, nor may they be transferred to other countries. The bias of the Immigration Act is toward immigrants from North-Western Europe, but the excessive quotas for Great Britain, Ireland and Germany may not be transferred to the countries from which most of the DPs come: Poland, the Baltic States, Russia and Yugoslavia. The Stratton Bill, on which hearings are now proceeding in a Committee of the House of Representatives, would admit 100,000 DPs annually for the next four years. It is warmly supported not only by the State Department and the President, but by Senator Taft, the great labour organisations, national minority groups and all the Churches. In these last two groups lies the secret, doubtless, of Mr Stratton's conversion. Only 20 per cent of the would-be immigrants are Jews; the vast majority are Catholic. The only active opposition comes from the fear of the American Legion that veterans' job opportunities may be jeopardised. Congressmen from the South and West, however, reflect the suspicion of foreigners common in their constituencies, and this prejudice, fortified by the exigencies of a crowded Congressional time-table, may well prove too formidable for a Bill which by next year may be tragically unnecessary.

Shorter Notes

The vote in the Senate on the revised Labour Bill was 54-17, six votes more than the two-thirds majority required to over-ride a Presidential veto.

Sugar supplies have proved sufficiently abundant to allow the Administration to abandon sugar rationing for domestic consumers, although rationing for industrial users continues and price control remains. This is a victory for Congress, which was most reluctant to extend rationing at all last March. The Administration may hope that this sweetening will reconcile Congress to the continuation of the few remaining controls which are essential to the foreign relief programme.

The State of Georgia has succeeded in persuading the Ku Klux Klan—anti-negro, anti-Jew, and anti-Catholic legacy of the Civil War—to disband. Faced by court proceedings initiated by the State, the Klan's "Grand Dragon" has decided that prudence is the better part of valour. The extent to which the Klan will be driven underground by this frontal assault will be watched with interest and some apprehension in America.

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THE WORLD OVERSEAS

Italian Socialists: A Divided House

(By Our Correspondent Recently in Rome)

IN the first decade and a half of this century, under the leadership of Turati, the Italian Socialists were probably a more important political force than either the Socialists in France or the British Labour Party, but although they still produce gusts of vitality, they have shown signs of disintegration ever since. One group broke away and followed the interventionist, Mussolini, in 1915, another became Communist under Gramsci's leadership in 1921, others split off under Carlo Rosselli, and the last defection was that of Saragat in 1947. Incidentally, in 1919 a formidable competitor appeared in the shape of Sturzo's Popular Catholic Party with its revolutionary agrarian plans.

During the long Fascist period the smaller Communist party was more successful in preserving a skeleton organisation, and during the resistance to the Germans the Communist performance was superlative. In 1944 Gramsci's friend, Togliatti, returned from Russia and was able to assert his remarkable personality in a short time. Those who, in December, 1945, witnessed the first Communist Congress after the final liberation of Italy, felt that such a combination of organisation with enthusiasm spelt the epitaph of the Italian Socialist Party. In the elections to the Constituent Assembly in June, 1946, however, the Socialists rallied and won more votes than the Communists, only to split at their congress in January, 1947.

A Socialist Programme

To-day the official *Partito Socialista Italiano* (PSI) retains the leadership of Nenni, and it remains a predominantly working-class party because Nenni emphasises his proletarian solidarity with the Communists. But if Nenni's followers are mostly working-people, they belong to the older generation and their young people are probably with Togliatti. And if the Saragat breakaway is to be irrevocable, the fathers may follow the sons; it is not inspiring to belong to a political rump. With Nenni remain the more practically competent Socialists like Ivan Matteo Lombardo, recently head of a financial mission to the United States, and Rodolfo Morandi. It is the latter who, both in practice and by formulation, has given most substance to the present-day Socialist programme in Italy. It was in a sincere and intelligent speech in Milan on March 16th, when he was Minister of Industry, that he provided the most recent definition of Socialist policy. On this occasion he indicated that the liberation of Italy had given the Left political predominance with incomplete economic control, the major part of the latter remaining in the hands of the *entrepreneurs*. The general circumstances of the country made it necessary to accept this state of affairs as data for immediate action. The post-Fascist State was weak, yet the necessity for the rationing of raw materials and the subsidising of much economic activity gave it considerable control, and the Socialist Ministers should postpone all grandiose schemes and use the State machine—such as it was—to reshape Italian industry for the time being only by planning; it must be made internationalist instead of autarkic in outlook.

Since 1933 the Italian State has owned a considerable part of Italian industry through the *Istituto per la Ricostruzione Industriale*, but this covers mainly concerns associated with autarky and war industries. The directors of the IRI are mostly opponents of Socialism and recommend that the State shall sell out its interest in a series of industries with poor prospects as they stand. But Morandi and his followers are eager to make the fullest use of this instrument of the IRI which the new State has found in its hands and to plan a conversion of its industries. This provides one aspect of the effort to increase production and employment: another is to be the extension of a network of works or managerial committees (*consigli di gestione*) in the factories. Morandi, when in office, had a staff of left wing tendencies to help him draft these ideas into a Bill for industrial reform and a Bill for the national recognition of the *consigli di gestione*. For the moment he

abandoned more ambitious plans for workers' control of managerial policy and accepted what enough industrialists were willing to accept—meetings between directors and workers simply to discuss the technical aspects of increasing production.

Ostensibly Saragat broke away from Nenni's leadership as a protest against Communist penetration of the Italian working-class movement. It is certain that many people followed him in the best possible faith because they believed that he could create a movement more like the British Labour Party with a definitely Western orientation. They hoped that he would be able to rally to his PSLI (*Partito Socialista dei Lavoratori Italiani*) a large proportion of the middle class. The moderate progressives of the Party of Action, who had found it hard to survive the liberation, and other groups such as the Republican Party (which seemed a little pointless once the Republic had been set up) showed a friendly disposition, but they did not join Saragat. On the other hand, though he took with him about 50 out of 115 Socialist deputies, a number of trade union elections in the next few months indicated that he had no real support from the working-class. Along with the *Critica Sociale* group, who are the heirs of Turati and Milanese evolutionary Socialism, the PSLI embraces the uncompromising revolutionaries grouped around young Matteotti who condemn the Communists as deplorable reactionaries. These Left-wing Socialists (or as Moscow calls them, "Trotskyites") link up with the dissident Partisans and their inspirer, Conrado Bonfantini, who, after formal hesitations, have now been accepted as *Saragatiani*. Though the Anarchist Party still occasionally bursts into posters of its own, some of its people will probably find a home with Saragat. At all events, it is difficult to see how Saragat's heterogeneous following can inspire middle-class confidence, while it has been seen that it is unlikely, in spite of its name, to deflect the Italian workers from other allegiances. Indeed the working-people blame Saragat for the new right-wing Cabinet.

It would be foolish to deny that there is a great deal of passionate anti-Communism in Italy (on the Left as much as on the Right), but almost equally blind to doubt that Saragat's action has so far only strengthened the Italian Communist Party. More than ever those who wince at the continuation of grossly unjust social conditions tend to feel that only the Communists with their unity and leadership are capable of getting something done. The *Confederazione Generale Italiana di Lavoro* (CGIL) or Italian TUC has a good record since the liberation but its first post-Fascist Congress at Florence recently confirmed the strength of Communist influence within it. The Catholic Christian-Democrat Party has a big left wing and the ACLI or Catholic Workers' organisation is much more powerful than the similar body in France, especially among black-coated workers. But on the whole it seems that Vatican policy has been undermining its own leftists and diminishing Christian-Democrat influence in the CGIL.

Peasants and Labourers

The student of Italy can scarcely be reminded too often that the peasants still are and long will be a much larger social mass than the industrial workers or any other group. And here again there is a sharp distinction between Italy and France because Italy's political revolutions have lacked a social side and there has never been an Italian 1789 to give the land to the peasants and thus make them into a conservative force. Of course there are comfortable peasant proprietors in Italy but they are rare. The big categories are landless labourers, *metayers* and the proprietors of dwarf-holdings, all of whom are liable to be employed on other people's big estates and to suffer from land hunger. Forty and more years ago the Socialists had followers especially among the peasants of Emilia, but it was Sturzo's new Catholic party which gained most support as the result of the land-to-the-

peasants promises made by the Italian Government as by many other governments during the 1915-1918 war. Sturzo himself was a great force in his native Sicily, but the peasants of the Veneto and also of Lombardy supported him enthusiastically. One of the most remarkable developments in Italy in the last two years is, however, the conversion of many peasants to Communism. Of course Christian-Democrat influence in the villages remains very strong, but the April elections in Sicily showed the increase of Communist allegiance even in the primitive South.

Some of the Socialists who are given to self-examination blame their party colleagues for using Socialist and Marxist phrases, especially at Party Congresses, which they no longer mean, and it has been seen that men like Morandi hold that for the moment they should abandon wholesale theory and concentrate on unambitious practical and perhaps preparatory reform. It cannot be said that the Communists gain their recruits by being more revolutionary or even more Socialist. They have closely followed Morandi's industrial line while their promises of land to the peasants are often, like any other piece of deliberate demagoguery, without detailed content. In fact, Communism seems to be weakening Socialism in Italy not as a detailed political programme but rather as a way of life. When simple people in Italy join the Communist party, they seem to feel that they are doing it chiefly out of a feeling of social loyalty. They fling themselves devotedly into party work and explain with mystic faith that it is a matter of the solidarity of the people. The Socialists, divided among themselves, cannot offer such hypnotic unity. Nor do their divisions recommend them to men of practical sense. Thus it is difficult to prophesy a hopeful future unless and until the Saragat-Nenni division is bridged.

Big Business at Montreux

[FROM OUR SPECIAL CORRESPONDENT]

THE International Chamber of Commerce held its eleventh Congress, the first to be convened since the war, at the Montreux Palace Hotel last week. This meeting of some 500 delegates, representing 30 countries, achieved all that functions of this kind normally achieve; a valuable exchange of views between the great of the business world, the passing of copious and, for the most part, safe and fairly obvious resolutions, and last, but not least, a creation of good will, the imparting of mutual enlightenment.

It would be idle to pretend that much constructive and original thinking is done on occasions such as these. That is the role of the experts who prepare the documents and memoranda on which the debates at these conferences are based. The debates themselves bring into focus the points of differences that divide the approach of various national delegations to the problems placed before them. This in turn helps in the formulation of views which the International Chamber of Commerce is then able to bring to bear both on the Governments of countries from which it draws its membership and on the Economic and Social Council of United Nations on which the ICC has been granted the highest consultative status.

This status it shares with such organisations as the World Federation of Trade Unions and the International Co-operative Alliance, but it is probably safe to say that of all the consultative organisations attached to Ecosoc and to its commissions and specialised agencies, none speaks with a greater unanimity of voice than this representative body of international business and finance.

The Parallel with ITO

What lent the deliberations of the Montreux Congress special point and interest was the coincidence of another meeting a little further down the Lake of Geneva, at which the most crucial problems that confront the ICC, namely the shaping of a new code of international commercial behaviour, was being discussed by representatives of 18 governments. This problem held pride of place in the debates at Montreux, and the debates on commercial policy reflected very much the same points of difference as have emerged in the protracted inter-governmental discussions on the Charter of the proposed International Trade Organisation. The meeting at Montreux had before it the detailed commentary on the Charter prepared under the guidance of Dr Michael Heilperin, the ICC economic adviser on ITO. In general the speakers gave their approval to the ITO proposal, but as might be expected, there were some qualifications to that approval on the part of certain delegations, including the British.

Speaking for the United Kingdom, Captain Peter Lindsay pleaded the virtues of hastening slowly and added that while the British delegation wished as much as any to free international trade from restrictions that reduced its volume, it would be a long time before many countries could fully re-establish their balances of trade, and that pending such re-establishment some resort to defensive measures, which might well seem restrictive and even discriminatory, would be inevitable. The resolution on the Charter for World Trade expresses general approval of the efforts to establish by international agreement the basic principles of a sound international trade policy for the world, but it adds the following wise warning:

Too great an emphasis can easily be placed on the value of machinery as such. It is not enough to establish a new international organisation. What will count will be the spirit that member governments bring to the organisation and the common acceptance by all participants of clearly defined objectives. If there is good will and a real drive towards a common goal the desired results will be achieved even with imperfect machinery. If they are absent not even the most efficient machinery will prevent confusion and disintegration.

A Cardinal Resolution

The master, or key, resolution of the Congress was that dealing with economic expansion and stability. Though it says nothing that is particularly original, its statement of the general approach of the ICC to the basic problem of economic stability, deserves quotation in full:—

1. Economic stability and security must not be confused with immobility. If they are, there is a danger of petrifying the economic structure at a low level of well-being and of sacrificing the essential human liberties. In a dynamic expanding economy, there must always be ups and downs. The objective must be to moderate, not eliminate, the growing pains of the economy, in other words to prevent dangerously wide fluctuations without stifling change and growth.

2. Economic stability ought not to be divorced from expansion. Policies aiming at stability should be policies of expansion and not of restriction, and by expansion is meant the over-all growth of productivity, trade, investment and living standards throughout the whole world.

3. Government action alone cannot create stability and preserve freedom and growth. Like expansion, stability depends, both nationally and internationally, on the harmonious working together of a multiplicity of forces: governments, labour, agriculture, industry, trade and finance.

4. No nation can bring about stability within its own borders by purely national action, except by drastically reducing the actual or potential standard of living of its people and by sacrificing their freedom.

5. No nation can insulate itself from depression by restrictive trade policies, unless it is willing to accept for its own people a state of protracted stagnation.

6. The problem of reconciling the needs of healthy expansion with the needs of stability and social security is of great international concern. It can be dealt with only by internationally concerted co-operation, based on wholehearted recognition of the fact that the welfare of one country depends on the welfare of all.

7. Economic stability coupled with expansion calls for a multi-lateral system of world trade in which goods, capital and men can move and services be exchanged with the greatest possible freedom from country to country. Two-way trade is needed to enable the creditor countries to receive and debtor countries to pay; but bi-lateral balancing of trade and accounts is as great an enemy of world-wide economic stability as isolationism. Both spell stagnation, low standards of living and economic strife.

8. In the last resort, stability in an expanding world economy can be achieved only if the individual—whether he be worker, farmer, shop-owner, industrialist, merchant, carrier, banker, insurer, entrepreneur or investor—is given ample scope and incentive to take a responsible part in the sum-total of the economic process. What he needs is not regimentation, but guidance including an ample flow of reliable information.

Of similar general character are the resolutions on monetary policy (where we meet that old friend, the appeal to all governments to stabilise their budgets) and on the problem of maximum employment in a free society. Many of the resolutions dealt with more technical subjects, on which the International Chamber of Commerce should speak with even greater authority, and more expert technical knowledge, that it does on broader issues. Among these more specialised resolutions are those dealing with double taxation, uniform rules for international loan contracts, the status of foreign establishments, international commercial arbitration, trade terms, international sales contracts and international communications. On all these points the ICC can give valuable advice grounded on real experience and in making its views known it is performing a useful service.

Mountbatten's India

[FROM OUR BOMBAY CORRESPONDENT]

PROBABLY never before in political history has a whole country been able to listen to such a strange collection of speeches on its future as were broadcast in quick succession by the Indian stations on the evening of June 3rd, when details of the latest British plan for India were published.

Within a brief hour, the Viceroy spoke, followed by an announcer with the plan itself, Pandit Nehru for Congress, Mr Jinnah for the Muslim League and Sardar Baldev Singh for the Sikhs. As valedictories for the India that has gone, their speeches were not impressive. As welcoming words for the new order, they were worse. Only three good things could be said for the whole performance. The new plan brought procedure for handing over power nearer to the facts of the Indian situation as they are today. The Indian independence campaign reached the dignity of Dominion Status. And Mr Jinnah agreed to call off the Muslim League civil disobedience campaign in the North-west Frontier Province.

Otherwise no one was satisfied. Lord Mountbatten still thought a unified India best; Pandit Nehru had "no joy in his heart" in commending the scheme to his followers. Mr Jinnah wished to know whether it was a settlement or a compromise. But it was difficult for Jinnah to hide his triumph. Having got most of what he wanted, he could end his speech with "Pakistan Zindabad" (Victory to Pakistan). Sardar Baldev Singh did not mince matters. The Sikhs did not like the settlement, but it was the best in the circumstances.

India has seen so many supposedly epoch-making plans turn into waste paper almost overnight, that no very enthusiastic reception could be expected for the latest of the series. The air of lugubriousness attending its launching did not appear to improve its prospects, but it is perhaps just because no one expects too much of it that the Mountbatten plan has most hope of success. In many respects it simply recognises the state of affairs already existing in India. The promise of legislation for Dominion Status does little more than regularise the system in vogue since the Interim Government took office last autumn.

But the crux of the Indian situation is still the Hindu-Muslim dispute, with Congress and the Muslim League as the protagonists. Here the somewhat nebulous terms of the Cabinet Declaration of May, 1946, are replaced by what appears to be more straightforward procedure. Last year Indians were told that they must first gather in a Constituent Assembly in which the provinces would be grouped. Provincial group constitutions would be made and finally an Indian Union would be erected with the Princes' states as part of the edifice. There was an escape clause to the effect that a province could opt out of its group after the group constitution had been made, if it did not like the constitution.

Bitter controversy immediately arose over the interpretation of this clause and the method of voting laid down in the declaration. Congress was obviously anxious to prevent any province from leaving the fold. The Muslim League was wary of entanglements and finally refused to have anything to do with the scheme. It has taken four months of Mr Jinnah's masterly inactivity to reduce the existing Constituent Assembly's activities to a farce.

Having had some experience of the octopus-like proclivities of Congress claims, the Muslim League has refused to agree to anything that did not seem likely to place a limit on what Congress could do. The most obvious way out was to claim a separate country where non-Muslim politicians could be told they were not wanted. That explains Pakistan's popularity among many Muslims who otherwise deplore the division of India. The Mountbatten plan gives this protection to the Muslims because it allows provinces and even parts of provinces to decide which group they wish to join—Hindustan or Pakistan—before any constitution making starts (the reverse of the 1946 procedure). The separation idea is carried to its logical conclusion with plans for the temporary splitting of the Bengal and Punjab administrations into twins.

Just as important is the speed at which Lord Mountbatten proposes to act. While it is expected that Dominion Status will reach the Statute Book in Westminster by the end of July, the end of June has been set as the deadline for the completion of preliminaries in India. Past efforts to settle India's problems have broken down owing to the extreme slowness with which any plan was likely to be carried into effect. This gave an air of unreality to the whole business and far too much time for interested parties to think up alternatives. Opponents of Con-

gress often claim that that body could have made a great deal more progress if it had accepted offers and then agitated for more. Instead, say the critics, Congress too often rejected everything and then raised its demands. There is a good deal of justice in that criticism, but the Congress attitude was undoubtedly influenced by the fact that previous British offers were practically always matters of principle and not of action. When Dominion Status was previously offered—and rejected—no timetable accompanied the offer. There was perhaps some justification when Indian parties have refused to mortgage the future.

A Qualified Approval

However, it would be foolish to suppose that the present plan will come into effect without any controversy. The leaders have given only qualified approval. Mr Jinnah, in almost his last public statement before the present round of negotiations began, still claimed the Pakistan provinces, without the partition of the Punjab and Bengal and with a corridor between the eastern and western sections of the Muslim state. And the Mountbatten plan has been received with very mixed feelings by Congress and by the Hindu community. While the Viceroy was in London Mr Gandhi once more became vocal on the subject of a unified India. His cue was followed by the Hindu press as soon as the Mountbatten proposals became known and Nehru has been denounced as a traitor. This sudden revival of the undivided India thesis has been supported by that extremist Hindu body, the Hindu Mahasabha in planning to organise a "Black Day" in protest.

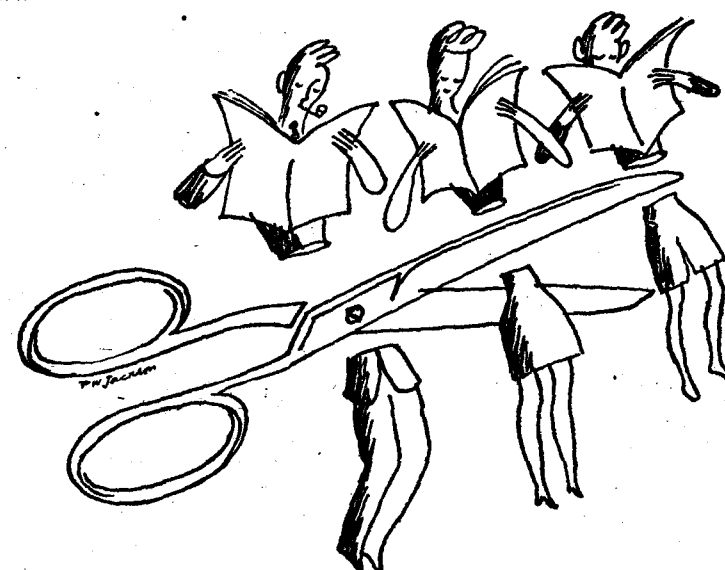
Lord Mountbatten claims that his scheme is a synthesis of Indian leaders' views and he took care to secure their approval before publishing it. There is thus no question of the leading figures in Indian politics either accepting or rejecting the plan in the usual sense of those words. The real problem is whether they can bring their henchmen under control. In fact the real danger to a peaceful Indian settlement does not come from the top men or from the general public (who want peace almost at any price), but from the intervening layer of lesser leaders whose horizons are narrow, but whose passions are high.

Mr Gandhi has thrown his weight on the side of the plan by pointing out that it is the only basis on which an agreement can be reached. He also asked the country "not to rebel against Congress." This extraordinary statement has drawn more fire from the critics of the plan who want to know what has happened to Mr Gandhi's democracy! They also ask why Congress has accepted this plan when plans such as the Cripps offer and last year's Union scheme (both of which would have unified India) were rejected. These questions mean little in the present state of the country; but they are quoted as an indication of the lack of realism and the determination to recriminate which exist in many circles.

Similarly, a certain amount of mischievous propaganda emanates from Hindu quarters to increase Muslim dissatisfaction with the proposed partition. The general aim is to show that in every way Pakistan will be the "little brother" of Hindustan. In a country where "face" means so much this line of talk may become troublesome. It is thus by no means impossible that the Working Committees of the Congress and the Muslim League may still further qualify approval of the plan, at any rate in an attempt to get just a little more advantage over the other party. On the other hand, the blatant fact that there can be no internal peace without a settlement does not allow much scope for bargaining. Nor does the Mountbatten timetable. The speed at which it will be put into operation is very nearly as important as its contents in saving the situation.

There is of course a lingering hope that partition will be the first step to union. This is probably wishful thinking but there are two factors in its favour. So far nothing has been said about India's armed forces. For the present they are apparently to be common to the two dominions. Secondly, divided India will be Dominions and not sovereign states. These facts reduce considerably the risk of civil war.

Moreover, the rapidly growing suspicion that the British would continue to control India through the States, even after quitting the provinces, promised some difficulties. But the freedom of action granted them has allayed it. And the presence of such a group pursuing its own conflicting aims in the midst of a harassed sub-continent could not augur well for stability. Indians have not forgotten that the selfish intrigues of these principalities were the prime cause of the British being able to conquer the country 200 years ago. They are not anxious to repeat the experiment.

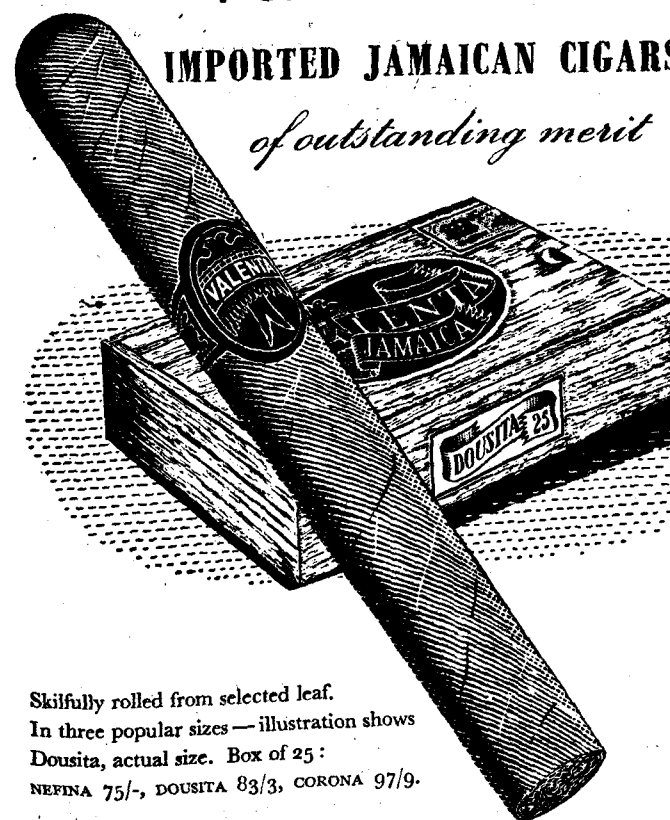


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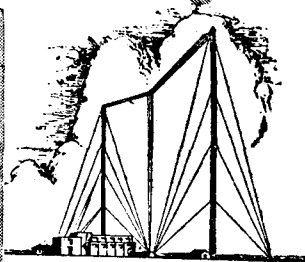
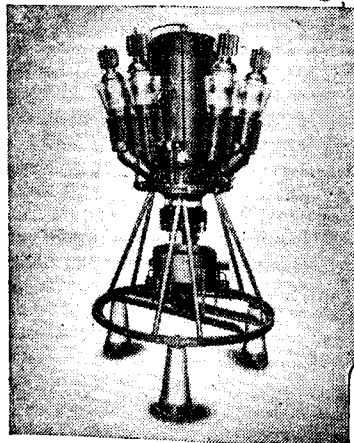
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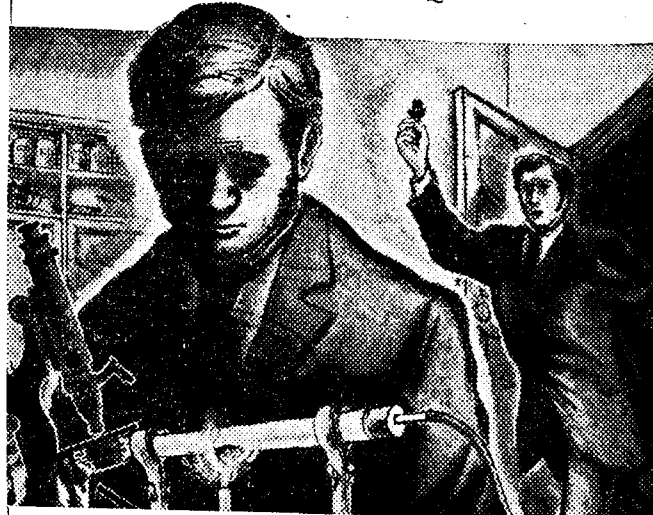


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THE BUSINESS WORLD

Rubber in Review

POST-WAR developments in the rubber world have confirmed the prophets—not excluding those of the state trading organisation which the Government had built up during the war. Last year, as is well known, the anticipated profit to the British public through governmental post-war rubber dealing became a real loss when, in the autumn, 200,000 tons of rubber were sold to the US Government at 1s. a lb.—although the cost to the British Exchequer had been 1s. 2d. a lb. Faced with the possibility of a collapse in the world rubber market, the Government beat a belated retreat, deciding that it would be expedient, after all, to allow the London Rubber Exchange to resume its pre-war activities, as from the beginning of 1947. Since then there have been ups and downs in prices, but on the whole the tone of the market has not been cheerful, and at times there has been real pessimism about the long-term trend. It is only in the last week or so that any optimism has become apparent. There now appear to be two quite distinct groups of opinion. At the extremes are those in the first group who believe that the age of synthetic rubber has already passed and those in the second who hold that it is only a matter of time before natural rubber ceases to be an important commodity in international trade. But controversy between the rival protagonists will not of itself resolve the difference; and a dispassionate survey of the broad influences at work suggests that it is too soon to frame definite conclusions.

During the war it was generally believed that the Far Eastern rubber plantations would be so seriously damaged by the re-

smallholders, whose output in 1946 accounted for 57 per cent of the total. In the Netherlands East Indies, Indo-China and Siam, the position is still obscured by the political uncertainties, but there appear to be appreciable quantities of rubber available. Shipments from Indonesia to Singapore averaged 16,000 tons a month during the last six months of 1946; if it were possible to collect and market all the native output, exports could be considerably larger.

The problem of the Far Eastern production centres princi-

TABLE II.—ESTIMATED WORLD PRODUCTION OF SYNTHETIC RUBBER (Long Tons)

	1936-39 Average	1941	1942	1943	1944	1945	1946
United States.....	500	8,114	22,476	231,767	764,072	820,352	740,026
Canada.....	7,500	69,361	98,135	115,754	101,624	45,717	50,981
Germany.....	60,000	...	...	...	...	...	15,557
Soviet Union.....	...	...	...	...	...	...	...
WORLD TOTAL*.....	68,000	77,475	120,611	350,043	900,525	866,069	806,564
Buna-S types.....	66,000	65,075	96,399	293,603	798,283	756,042	667,123
Neoprene.....	1,500	5,423	8,998	33,648	58,102	45,651	47,766
Butyl.....	...	...	23	1,373	21,657	56,505	85,325
Others.....	500	6,977	15,191	21,419	22,483	7,871	6,350

* Russian output excluded from World Total from 1941 onwards.
Source: London Rubber Secretariat.

TABLE I.—ESTIMATED WORLD PRODUCTION OF NATURAL RUBBER (Long Tons)

Main Producers	1936-39 Average	1941	1942	1943	1944	1945	1946
Malaya:—							
Smallholders.....	140,000	240,000	...	...	...	...	229,932
Estates.....	260,000	360,000	...	...	...	...	173,787
Total.....	400,000	600,000	150,000	50,000	25,000	8,600	403,719
Netherlands E. Indies	354,000	650,000	101,500	105,500	98,500	97,500	175,000
Ceylon.....	58,000	99,500	76,177	70,370	60,000	32,000	20,000
Indo-China.....	52,000	74,898	...	...	...	...	20,000
Siam.....	38,000	45,000	...	...	...	...	7,000
Central America.....	2,700	8,341	12,088	11,685	12,729	...	...
Africa.....	11,600	16,941	29,615	44,956	64,818	53,606	45,000
WORLD TOTAL*.....	975,000	1,600,000	255,788	280,636	280,000	240,000	835,000

* Excluding production in Japanese occupied areas, 1942-45.
Source: London Rubber Secretariat.

treating Japanese invaders that they would need at least seven years to rebuild to the level of their pre-war output. This belief provided, incidentally, further support for the plans to extend productive capacity for synthetic rubber. But events during the past year have belied all previous pessimistic forecasts. Indeed, there has been a complete *volte face*; instead of the expected dearth there is now a general fear of a prospective surplus. The reasons for this sudden change in the supply position are complex. The position in the Far East had been misinterpreted. The material damage done to the estates was far less serious than had been feared; the neglect of the rubber trees had not greatly impaired their productive capacity, and the power of recuperation was greater than had been expected. Despite labour difficulties, which still continue, production has recovered very rapidly.

In Malaya the increased rubber output has come largely from

pally in the estates. Labour costs have risen considerably; the increase in wages has been variously estimated as between 100 and 200 per cent. Moreover, great labour discontent is arising from the meagre rice rations and the prevalence of an active black market, while the political uncertainties are a further source of disturbance. Smallholders in general have a very large potential rubber output, provided they are allowed to plant new trees at will. As their costs of production are extremely low, the price of natural rubber from this source could decline quite appreciably from its present level of around 10d. a lb. without causing hardship. Table I, which shows estimated natural rubber production from 1941 to 1946, reveals a significant increase in output in countries other than the Far East, particularly in Africa.

The development of synthetic rubber in the pre-war period was largely in the hands of Germany and the Soviet Union; both countries were without direct access to the natural product and both sought, for strategic and political reasons, to be self-sufficient. Of an average world output before the war (1936-39) of 68,000 tons, these two countries accounted for 67,500 tons. The Japanese entry into the war and their occupation of the Far Eastern rubber-producing territories cut the Allies off from their main source of supply, and the output of the remaining areas was totally inadequate to cover requirements. But the drive for synthetic production in the United States after 1941 had phenomenal results. In that year the United States had accounted for only 5 per cent of an estimated world output of 77,500 tons, excluding Russia. By 1946 this proportion had risen to 92 per cent and the world total to 806,600 tons—even this total was below the peak production achieved in the previous year. Thus the problem of synthetic rubber production is in practice a problem of American production; but the manner of its solution is of crucial importance for rubber producers of the world. World output of synthetic rubber from 1941 to 1946 is surveyed in Table II.



Whitkirk Church

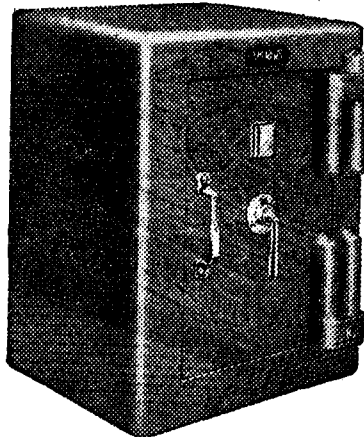
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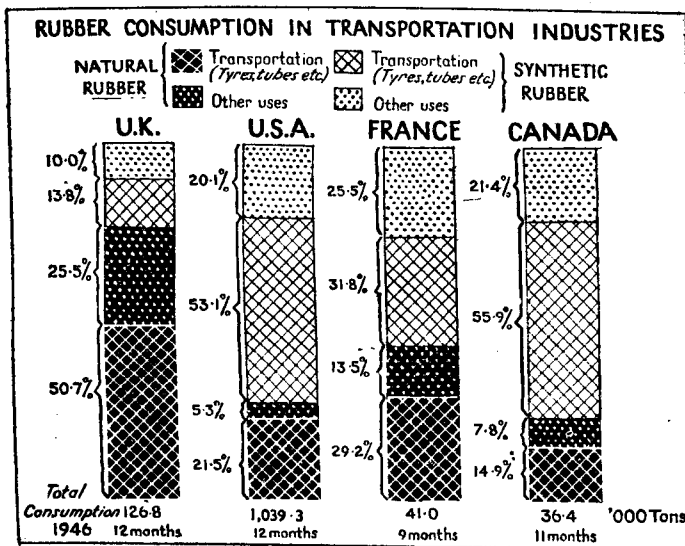
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MILNERS — THE SAFEST SAFE INVESTMENT

Of the many synthetic types produced, Buna-S is still by far the most important; its output represented 83 per cent of the total in 1946. Butyl took second place with 11 per cent, while Neoprene types accounted for only 6 per cent of the total. Buna-S, a general purpose synthetic rubber, is the type most vulnerable to competition from natural rubber. Neoprene is a special purpose synthetic possessing characteristics which in certain respects are qualitatively superior to the natural product, for example in resistance to heat, oil and chemicals; in consequence, the demand for it is peculiar and restricted. Butyl



lies mid-way between these two extremes; within limits, it can be used for either general or special purposes.

America's case for maintaining synthetic production is two-fold. First and foremost is the strategic argument, the military aspects of which need no emphasis; but it is well exemplified in the fact that, even now, most of the US output comes from government-owned plants. Considerable capital has been invested in these plants, and capacity has increased so enormously that those most closely concerned with what was undoubtedly a great wartime achievement are naturally reluctant to give up so large an investment, even though it may be at the moment uneconomic to run. The second consideration is America's sensitiveness to the fact that its industry before the war wholly depended upon foreign supplies for a commodity of which it was the world's largest consumer. Rightly or wrongly, America fears that, if synthetic production ceased, so that the large US demand would again depend upon world supplies of natural rubber, her industry would again be at the mercy of price-raising restriction schemes mainly dominated by foreign producers. Costs of the synthetic product are governed to a large degree by the volume of output. The average cost of petroleum based Buna-S type fell from 30 cents a lb. in 1942 to under 15 cents a lb. in 1945, excluding depreciation or amortisation costs which, it is estimated, would not amount to more than 2 cents a lb. By 1947 it was expected that costs would be reduced

to about 12 cents a lb. or less, equivalent to 7d. The cost of the special purpose types are higher, but there has been a similar downward trend. Butyl, however, is proving to be the cheapest type. It is difficult to ascertain the accuracy of the estimates; but, unless discredited, they obviously provide America with apparent justification—so long as the price of natural rubber is around 10d.-1s. a lb.—for its policy of continuing production, as well as with a powerful lever in the market for the natural product.

But the competition between the natural and synthetic products is not simply a matter of price. The accompanying chart shows the main uses of rubber, on a proportionate basis, in the United States, the United Kingdom, Canada and France. From this it will be seen that between 60 and 75 per cent of rubber consumption is absorbed in the manufacture of tyres and inner tubes of all types. For this predominant purpose, natural rubber has as yet a definite, if not decisive, advantage. Its synthetic counterpart although having adequate elasticity possesses too high a plasticity to have equal durability and strength, at all events in fast-running vehicles. Consumers, too, have a definite bias in favour of the natural material, and, were they given a free choice, their preference would be reflected in sales. Under normal competitive conditions, there would need to be an appreciable price differential between the two materials to counterbalance this bias. Moreover, the processing costs in the manufacture of tyres and inner tubes are higher where the synthetic material has to be used. Thus, although for some, and perhaps many, of the other uses of rubber—accounting in all for about 30 per cent of total consumption—the synthetic types may be preferred even if marketed at higher prices, natural rubber at present has a definite advantage for the main use. In the United States, the war-

TABLE IV.—PROSPECTIVE RUBBER POSITION
('000 Long Tons)

	1946	1947	1948
Supplies Available in Countries of Consumption:—			
Natural.....	850	1,200	1,400
Synthetic.....	940	700	550
Total Supply.....	1,790	1,900	1,950
Rubber Consumption:—			
United States.....	1,018	980	889
United Kingdom.....	130	160	180
Other Countries.....	452	560	606
Total.....	1,600	1,700	1,675
Increase in Stocks.....	190	200	275

time order (R.I.) stipulating the amount of synthetic rubber which must be combined with natural in the manufacture of rubber goods is still in force and apparently is likely to be retained for some time, in spite of the fact that American consumers would prefer certain products made entirely from natural rubber. But the issue cannot yet be regarded as decisively determined; Buna-S and the other types of synthetics are new materials, and past experience has shown that rapid strides in development can take place over a relatively short space of time. With the intensification of work in the field of

TABLE III.—ESTIMATED CONSUMPTION OF RUBBER
(Long Tons)

Main Consumers	1936-39			1944			1945			1946		
	Natural	Synthetic	Total	Natural	Synthetic	Total	Natural	Synthetic	Total	Natural	Synthetic	Total
United States ..	537,000	500	537,500	144,113	566,670	710,783	105,429	693,580	799,009	277,597	761,699	1,039,296
United Kingdom ..	111,000	100	111,100	45,195	41,782	86,977	27,275	63,772	91,047	96,647	30,123	126,770
Canada ..	30,500	...	30,500	9,594	24,722	34,316	5,891	35,944	41,835	9,505	29,616	39,121
France ..	60,000	...	60,000	250	5,426	5,676	3,553	17,419	20,972	28,767	28,705	58,472
Germany ..	84,000	6,000	90,000	3,000	80,000	83,000	...	...	...	1,668	11,852	13,520
WORLD TOTAL* ..	1,050,000	65,000	1,115,000	280,000	740,000	1,020,000	210,000	845,000	1,055,000	540,000	915,000	1,455,000

* Excludes Russian home produced synthetic rubber, and also Japanese consumption after 1942.
Source: London Rubber Secretariat.

crystal chemistry, it may well become possible to overcome the defects in Buna-S and make it equally suitable for transportation purposes. Nor must the development of even newer materials be overlooked. There would, however, still remain the problem of re-directing the consumer's preference; but this would probably not impose any insurmountable difficulty once the progressive advertising experts had got into their stride.

The trend of rubber consumption seems to be quite definitely upwards. Table III compares recent experience with the pre-

TABLE V.—PROSPECTIVE RUBBER STOCKS
('000 Long Tons)

	Dec. 31, 1946	Dec. 31, 1947	Dec. 31, 1948
Consumers' Stocks* :—			
Natural.....	485	720	1,000
Synthetic.....	135	100	95
Total.....	620	820	1,095
Total Stocks† :—			
Natural.....	880	1,115	1,395
Synthetic.....	140	105	100
Total.....	1,020	1,220	1,495

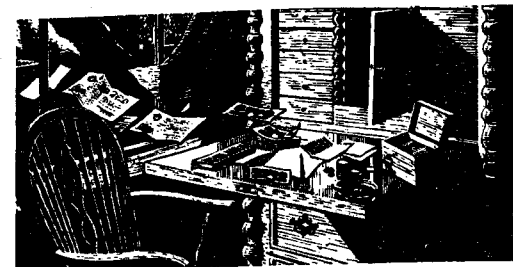
* From Rubber Study Group, and excluding quantities in transit or afloat.

† Includes stocks in both producing and consuming areas and also quantities in transit and afloat.

war period (1936-39). Last year's estimated total consumption was 1,455,000 tons, or 130 per cent of the pre-war level. At the third meeting of the Rubber Study Group held last November, prospective consumption was calculated at 1,700,000 tons in the current year and 1,675,000 tons in 1948, on the assumption that industrial activity was maintained. From the motor industry, of course, the rising demand springs not only from the output of new vehicles, but also from replacement; as tyres and inner tubes again become in freer supply large numbers will be absorbed. On a longer view, the extent of travelling will in-

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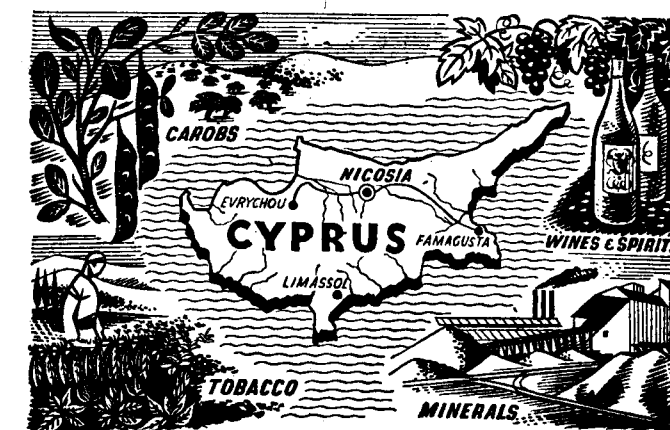
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crease, and the crucial factor from the point of view of rubber demand is car-mileage. In the United Kingdom alone, the mileage per car will jump significantly as soon as it becomes possible to lift petrol rationing—provided that no other restrictions are imposed upon the motorist.

The world rubber market is at the moment burdened with fairly substantial stocks of rubber. At the end of March, 1947, the total stock of both natural and synthetic was estimated at 1,035,000 tons, or about the same as at the end of 1946. Of this total 895,000 tons comprised natural rubber and 140,000 tons synthetic types. The significance of this million-ton stock must be construed in the light of the apparently definite prospects of an increased output. Table IV gives the prospective supply position up to 1948 as agreed by the Rubber Study Group, whilst in Table V the stock position has been projected to the end of that year. From these data it appears evident that the problem of excess production may begin to make itself felt by next year.

But it is certainly premature to attempt to draw conclusions about the consequential effects. The world industry is in process of a large change, and the eventual balance between the three elements—synthetic production, estate production and native production—cannot yet be foreseen. The potential development in output from the smallholders alone could conceivably cover about 70 per cent of world consumption estimated at 1.7 million tons. The demand for rubber is likely to be maintained and wherever consumers are able to exert their preference, it is likely to be in favour of natural rubber, at least for tyres and inner tubes. Whether synthetic production will be maintained at the present level and for how long, and whether American consumers will be forced to take only a stipulated amount of natural material in any rubber product they purchase, depend on political decisions which it would be unwise to forecast at the moment.



The demands of the war years have greatly altered the relative importance of the exports of Cyprus. Whereas copper, carobs and asbestos formerly headed the list, recent trade figures show that exports of wines and spirits, buttons, potatoes and tobacco have greatly increased, while those of copper and asbestos have diminished.

As conditions return to normal throughout the world, fresh demands may well cause other changes in the relative importance of the Island's industries. Modern commercial development calls for careful and continuous study of local market conditions. Full and up-to-date information, backed by an intimate knowledge of the Island, is available to merchants and manufacturers interested in trade with Cyprus.

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Labour and Incentives

THE decision of the Court of Inquiry set up by the Ministry of Labour to investigate railway wages will be awaited with particular interest by the travelling public, but by no means by them alone, for the Court's findings will have repercussions far beyond the railway industry. Although the railwaymen's claim was actually lodged with the companies before the publication of the "Economic Survey," with its homily on wages policy, this claim is the biggest to be considered since the Government laid it down that increases in wages must be accompanied by corresponding increases in production, and that the nation could not afford shorter hours unless they could be shown to increase output per man-year. The railway trade unions' claim, for an all-round increase of £1 a week and a 40-hour week for operative grades and a 35-hour week for clerks, can thus be regarded as a test case for industry generally.

Mr John Benstead, General Secretary of the National Union of Railwaymen, has assured the Court that he was "not unmindful" of the contents of the White Paper and of the need to prevent inflation, but maintained that the wages and conditions of workers in the "depressed industries, of which the railways are one," should be exempted from any general wages stop. This statement reflects a dilemma which confronts not only the Court of Inquiry, but the Government itself. As a result of the miners' resolution at the Margate conference, the Government is pledged to raise wages and improve conditions in the undermanned industries, in order to attract recruits. But if the Government is to implement its pledge it will obviously have to face the difficult issues of deciding which are the depressed and undermanned industries, and by how much their wages need to be raised to achieve the optimum distribution of manpower. The evidence given by Mr Morrison this week on the slow rate of recruitment to these industries—except for coal and clothing—emphasises the need for speedy decisions on policy. Any such decisions would naturally be interpreted as the first positive steps to implement a wages policy, and as such would be bound to raise an immediate storm of protest among the trade unions, which still jealously guard their autonomy in this matter.

There is little doubt that the railway unions have made a *prima facie* case for wage increases; and railway workers may perhaps have reason to feel aggrieved if they are to be prevented from sharing in the general trend towards reduced working hours in industry, simply because their claims are being heard rather late. There is equally no doubt that working conditions and welfare provision leave much to be desired, and there is a real danger that dissatisfaction with pay and conditions will lead to an increasing drift of manpower from the railways.

It is clear, however, that the companies, for their part, have a case for rejecting the men's claims—even if it is to be the State and not they who will bear the immediate burden. The wages and hours claim, if conceded in full, would, according to their estimate, cost nearly £90 million in wages and operating costs, and inevitably the burden would be passed on to the public in the shape of higher fares and transport charges. The companies' own estimate is that an increase over pre-war rates of 65 per cent for passenger fares and 70 per cent for transport charges would be required.

Perhaps even more important than the effect upon transport charges is the possible repercussion upon the attitude of other industrial workers. Suppose it be admitted that the railways are in fact a "depressed industry," and that wage increases and reduced hours are necessary to provide an incentive to recruitment and prevent widespread stoppages on the railways and in

railway workshops. But how, then, will other trade unions react—even to a partial granting of the claim? The raising of wages in one sector of industry, even a depressed one, would almost certainly be regarded as a signal by other sectors, not so depressed, to go ahead with wage claims, and possibly to press their claims even to the point of unofficial strike action.

Some trade union leaders are well alive to the dangers. In his speech at the annual conference of the Amalgamated Engineering Union this week, the president, Mr. Jack Tanner, faced the issue squarely. Referring to the claims for wage increases in the undermanned industries, he said "There is a danger that a square deal for these industries may provoke less justified claims by workers in other industries. . . . It is essential that trade unions maintain a statesmanlike policy of tolerance and restraint."

The differences between wage rates in various industries, undermanned and otherwise, are shown in the following table:

MINIMUM WAGE RATES IN SELECTED INDUSTRIES.*

1. UNDERMANNED AND "DEPRESSED" INDUSTRIES.

Agriculture	
Men, 80s. a week. Women, 60s. a week.	
Coal mining	
Underground workers, 100s. a week. Surface workers, 90s. a week.	
Textiles	
Cotton spinning: Weekly rates varying from 60s. 1d. for winders and reellers to 87s. 9d. for ring jobbers.	
Woolen and worsted spinning: Weekly rates varying from 53s. 9d. for first drawers to 111s. 8d. for overlookers.	
Jute: Weekly rates varying from 46s. 10d. for female single spinners to 91s. 6d. male loom tenters.	
Boot and Shoe Manufacture	
Men, 85s. a week. Women, 62s. a week.	
Pottery	
Weekly rates varying from 75s. for male labourers to 93s. for skilled grades; women's rates varying from 49s. 6d. to 54s. 6d.	
Railways (Industrial areas)	
Rates varying from 85s. for labourers and goods porters to 126s. 6d. for drivers after six years.	
Railway workshops (Industrial areas)	
Rates varying from 85s. for labourers to 103s. 6d. for patternmakers.	

2. OTHER INDUSTRIES.

Heavy chemicals (other than London)	
Men's labourer rate, 1s. 11d. an hour.	
Women's day work rate, 1s. 3½d. an hour.	
Engineering	
District variations in labourer's rate from 84s. per week, Northern Ireland and Portsmouth, to 89s. 3½d. London. Fitters and turners rates from 101s. Bradford and Leeds, to 106s. 11d. London.	
Women's rate 62s. 6d. a week.	
Shipbuilding	
Rates varying from 85s. a week unskilled to 104s. for fully skilled classes.	
Printing and Bookbinding	
Rates varying according to grades of towns and machines operated. Highest rate rotary machine operators on morning newspapers in Grade 1 towns, 129s. weekly.	
Docks	
18s. per day in smaller ports, 19s. per day in larger ports.	

The problem of increasing wage rates, as a means of stimulating recruitment in the undermanned industries, is only one aspect of the question of incentives. No less urgent is the problem of incentives to output; and on this issue, too, Mr Tanner offered sound counsel. He appealed to the engineers to change their attitude to such matters as "time and

* Ministry of Labour: "Time Rates of Wages, August, 1946."

motion study . . . which have nothing of Bedaux about them." The trouble is that these methods have for so long been associated in the minds of the workers with unemployment, or with increased profits for the employers at the expense of the workers, that the rank-and-file find it difficult to accept the idea that such methods can actually benefit the workers by ensuring the maximum return for effort and eliminating rate-cutting, which has been one of the root reasons for the workers' opposition in the past.

At the moment, the battle of incentives has been joined most fiercely in the building industry. The building union leaders are adamant in their refusal to accept any form of payment by results or bonus schemes as an incentive to higher output. Indeed, they seem unwilling to admit even that output per man is unjustifiably low in the building industry at the present time. It is hard to discern the real reasons for their rejection of such schemes. The argument of Mr Richard Coppock, Secretary of the National Federation of Building Trade Unions, is that it is impossible to arrive at any "reliable datum or criteria from which building production can be measured or judged."

Many building operatives, however, are ahead of their leaders on this issue. An "unofficial" deputation of London building stewards assured the Minister of Health that they wanted to see bonus schemes operated on local authority jobs, instead of on private contracts only, as at present, provided that the men on the site, through their unions, had a voice in deciding the terms and methods by which they were applied. They added a number of other conditions, such as an increase of the guaranteed week beyond the present limit of 32 hours, the improvement of welfare and amenities and the development of joint site committees. These are not unreasonable requests, and the fact that the builders themselves are prepared to accept

Business Notes

Malaise in Gilt-edged

The gilt-edged market on Tuesday made a half-hearted attempt at recovery from the weakness of the previous fortnight, but promptly relapsed on the following day. The daily seepage of values has carried some stocks back to within a little of the lowest levels reached during the fuel crisis. It is true that the movement had proceeded very gradually, almost unobtrusively, with only fractional falls on most days. There has been no sign of heavy selling. The market for medium-dated stocks has faced little more than the "natural" stream of selling orders arising from liquidation of deceased estates and similar causes—but it has faced it without the support upon which it normally depends. At both extremes, however, the pressure seems to have been rather greater—in the irredeemables because they are now quite friendless and in the shortest-dated issues because of industrial sales for reconversion finance. These sales have had the greater effect because the discount houses, though by no means stretched to the wider limits of absorption which their additional capital permits, are believed to have taken their fill of very short bonds. But although, in general, the pressures have not been heavy, the movement is nearing the point at which the main source of weakness, the general lack of support, might turn to widespread selling. On the other hand, the narrowness of the market at present does afford scope for tactical official intervention.

Unless the authorities embark upon an ordered campaign of support, it is hard to see the possibility of anything more than a technical recovery. Public attention, fortunately, is less closely focused upon the market than it habitually was last year and in the early spring. Otherwise it might have reacted rather sharply to the frank admissions of the change which has occurred in official policy. The implications have naturally not been lost upon the big institutional investors, which sufficiently explains the lack of support; but they are only gradually filtering through into the public consciousness. If the market can be held at or above its present level, the public may remain quiescent. The authorities, however, seem unlikely to intervene to give support except at moments when it appears that substantial effect can be exerted

incentive schemes, in spite of the leaders' opposition, is encouraging.

If any alternative incentives for increasing individual output could be suggested, the objections of the builders' leaders would carry more weight. As it is, there is no evidence to suggest that the granting of their claim for an increase in wages to 3s. an hour would, by itself, have any direct bearing on output. On the contrary, the increase of 6d. an hour granted in January, 1946, was not accompanied by any higher productivity, although a specific pledge to this effect was given in the agreement. It is perfectly true that the uneven flow of materials and components, and the bottlenecks in timber and cement, contribute to the general slowing-down of the tempo of production and the low morale of the operatives. But these factors by themselves are no argument against introducing a system of incentives for individual output.

The announcement on Wednesday, by the Parliamentary Secretary to the Ministry of Works, that a wartime regulation, prohibiting the payment of incentives to building operatives, is to be revised, should open the way to a serious attempt to tackle the problem. It is to be hoped that the industry will seize this opportunity by acknowledging the need for incentive schemes to raise output per head.

The railway operatives and the builders have been able to consolidate their wartime gains. They are now in a strong bargaining position to press for shorter hours. It would be inimical to the prospects for industrial recovery this summer if these reductions were gained without improved output per head. There have been signs recently that the pressures of inflation are relaxing: but they would certainly acquire a new and dangerous vigour if there were to be a new round of wage increases.

for relatively small outlay. If Mr Dalton's recent emphasis upon the need for reducing the floating debt can be taken at its logical valuation—in other words, if he desires real and not merely nominal reduction achieved by the mere cancellation of internal credits—it can only mean that the departments hope to lighten

Stock and Redemption	Gross Redemption Yields*					
	(1) May 14, 1946	June 18, 1946	(2) Nov. 14, 1946	(3) Mar. 25, 1947	(4) May 9, 1947	June 18, 1947
1½% Exchequer Bds., 1950	11 11 11	11 12 2	11 5 6	11 8 10	11 6 3	11 7 4
3½% Nat. Defence, 54/58..	2 3 1	2 5 5	1 18 8	2 9 4	2 2 4	2 3 11
3½% Savings Bonds, 60/70	2 9 7	2 11 7	2 4 8	2 13 8	2 8 6	2 10 3
2½% Savings Bonds, 64/67	2 11 1	2 10 0	2 3 8	2 11 10	2 6 11	2 8 9
3½% Savings Bonds, 65/75	2 11 1	2 12 10	2 5 11	2 14 7	2 9 10	2 11 9
3½% Treasury Stock, 66..	2 11 5	2 13 5	2 7 5	2 15 9	2 10 10	2 13 4
2½% Consols	2 11 3	2 11 4	2 10 6	2 14 0	2 12 1	2 13 11
2½% Treas. Stk., from 75†	...	...	2 10 0	2 13 6	2 11 6	2 13 9

* To earliest date. † Flat yields.
(1) Day prior to opening top of 2½ per cent. Savings Bonds, 1964/67. (2) Lowest 1946 yields.
(3) Highest 1947 yields (fuel crisis). (4) Lowest yield basis since fuel crisis.

their load of irredeemable and longer-dated stocks before the rail "take-over" operation confronts them. If that is so, the talk of "advancing to further objectives later" can be no more than pious hope.

The accompanying table, which puts the recent trend in perspective, brings out two rather striking facts. The first is the ominous weakness of the undated stocks. The "Dalton" 2½ per cent stock is now fully six points below the price at which it was offered little more than six months ago, and the yield on 2½ per cent Consols is actually higher than it was at this time last year. Secondly, though the medium dated stocks have naturally fared better, the reduction in the yield basis over the year is rarely more than one-eighth per cent—and that in a period in which bank deposits have been expanded by substantially more than £600 million. Indeed, the market as a whole is now actually below the level at which it stood before the crack opened up in

May, 1946, by the ill-judged terms of the tap issue of 2½ per cent Savings Bonds. While the indirect rail route into gilt-edged remains open, there is little hope that that elusive and often misunderstood factor, the weight of money, will have the importance which the market normally attaches to it. Many potential buyers of gilt-edged are still buying rail stocks at a discount instead. On a rather longer view, however, it remains true that institutional investors are hard put to it to find alternative investments.

Coal Priority for Steel

The shortage of steel has now reached an acute stage, surpassed only by that of coal. It is retarding shipbuilding activity, hampering the motor trade, holding up the coal-to-oil conversion programme and, in general, delaying the expansion of capacity in capital goods industries. The urgent need for more steel has now been recognised by the Government in giving the industry priority treatment in coal deliveries.

In his fortnightly press conference on Friday, Mr Morrison announced that the steel industry will receive sufficient fuel this summer to meet all its requirements. This should mean a rate of production of about 12.7 million tons a year during the summer months, rising, according to Mr Morrison, to a rate of over 13 million tons in the last quarter of the year if fuel supplies are adequate by then.

Mr Morrison admitted that the decision involves taking a chance. The risk is, in fact, greater than he seemed to infer. For, though coal stocks have increased from below 6 million tons on May 1st to 8.4 million tons by June 7th (compared with the target of 15 million tons by end-October), it is not possible to say from the global figure how far this represents progress in stock-building by industry as distinct from the public utilities. But the gamble has to be made. Steel supplies are vital. Even after this revision of the coal allocation, industry will not secure increased steel supplies much before the end of the summer. The main immediate contribution will be to sustain production of pig-iron and semi-processed steel, stocks of which have been dangerously depleted by the effort to keep up finished steel production.

Unfortunately, better steel supplies cannot make an effective increased contribution to the export trade in the crucial weeks which lie just ahead. Mr Morrison's disclosure of the May trade figures show just how serious the position is. While exports in May, at £89.7 million, almost regained the level at which they stood before the fuel crisis, they are only just equal to the 1938 volume indicator, and the gap between imports and exports and re-exports for the month was £56.4 million. Imports by value reached a new high level of £153.2 million, but represent only 75 per cent of the 1938 volume; the effect of the rise in prices in America is now becoming more clearly apparent.

Meanwhile, unemployment, between mid-April and mid-May dropped by 100,000 to 332,000—the lowest level for 18 months. That is encouraging, and the recent experience in the Development Areas is particularly so. The proportion of unemployed to the insured population for the whole country is now 2 per cent. In Scotland the proportion fell from 4½ per cent to 4 per cent, in the Northern Region from 5 per cent to 4 per cent, and in Wales from 7½ per cent to 6½ per cent. Yet the labour position generally is still far from satisfactory. Recruitment to the "undermanned" industries, apart from coal and clothing, has been slow, and during the first four months of the year the rate of increase was under 2 per cent compared with over 3½ per cent in the coal industry. This emphasises the need, indicated in an article on page 992, for providing incentives for recruitment to these industries.

Sterling Talks Progress

The latest news from the sterling debts front is of satisfactory progress in the negotiations almost all along the line, but no final objectives have yet been reached or, if so, the fact has not been announced. The signature and publication of an agreement with Norway, which was always known to be a comparatively easy one to negotiate, are said to be imminent. Another imminent agreement is that with the Czechs. Its terms have already been initialled. The discussions with Brazil have ended, and Mr Machado has returned to his country, but it is unlikely that any statement about the terms on which accumulated balances will be funded and released will be made until negotia-

tions with the more important sterling area countries have been safely completed. The discussions with Uruguay are proceeding satisfactorily. There have been more meetings with the Egyptians, and all that can be said about them is that at the rate at which progress is being made, it seems that at least another fortnight may have to elapse before any final conclusions are reached. The Finns are about to begin their discussions. Payments with that country are at present governed by the agreement of August, 1945, by which 12½ per cent of Finland's sterling earnings was earmarked to pay off earlier inter-governmental obligations. The intention is to negotiate a normal payments agreement with Finland and to deal, among other matters, with the question of availability of current sterling. The Danes will be coming over soon, primarily to discuss the question of prices of their agricultural exports to this country, and it is expected that this opportunity will be taken to complete a financial agreement with them. The talks with Sweden and Switzerland have been interrupted for the time being, and the arrangements with them will probably be the last to be concluded with non-sterling area countries.

The position of the Indian sterling debt remains highly intriguing. As a result of the partition issue, in the discussion of which the Finance Minister is taking a prominent part, it now seems unlikely that an Indian delegation will be able to reach this country before August. In consequence, the problem of the July 15th situation will almost certainly have to be resolved by an *ad hoc* and perhaps unilateral decision. Something will have to be done on the British side to circumscribe the freedom with which India will from then onwards be able to draw on accumulated sterling balances. It would be both unreasonable and damaging to block these balances, especially as India is now a net spender of sterling, and would, therefore, have no resources with which to finance her expenditure outside the sterling area, and, furthermore, would have to restrict purchases within that area to the amount of her current income. The position will probably be met by allotting India a ration of freely available sterling out of her accumulated balances, the figure to be fixed without prejudice to subsequently negotiated arrangements.

More Transport Amendments

The Lords this week have made further inroads into the Transport Bill, but even so, the progress of the Bill through the Committee has been rather more rapid than in the first two days' proceedings discussed in these columns last week. Opposition, however, has never really reached the grand scale. One gets the impression that, on the really critical matters, amendments were moved with the intention simply of registering a protest rather than of pressing the issue firmly to a conclusion. On Clause 16, the crucial compensation Clause, an attempt was made, rather ineffectively, to point a contrast with the Argentine rail deal—a stratagem which did, however, trap Lord Nathan into a defence of Stock Exchange valuation of the British railways as "fair" while declaring that the similar valuation of the Argentine rails was no more than a Stock Exchange "guess." Lord Beveridge's valiant attempt to compel the Chancellor to buy back rail compensation stock at par or any time during the first decade of life was of course predestined to failure, and Lord Swinton equally failed to draw the Government in the matter of the redemption date for the stock. These points the Government dismissed with the airy assurance that the matter might "safely be left to the Chancellor . . . to have a sense of propriety and justice in carrying out the provisions set out."

Some notable amendments on matters of principle were, however, carried against the Government. On Clause 39, an amendment to permit A and B licence-holders to operate within a distance of 80 instead of 40 miles, and within 50 instead of 25 miles from their operating centres, was carried. There is certainly a strong case for allowing A and B licence-holders to compete with the Commission's transport outside the 25-mile radius. Indeed, the Government admits that the figures of 25 and 40 are arbitrary. But the idea of competition for the "medium" distance traffic is so contrary to the philosophy which underlies the Bill that these amendments will scarcely survive on the return to the Commons. Once the principle of monopoly has been accepted for long distance traffic, it is naturally impossible to avoid an invidious and arbitrary definition of the distinction between short and long hauls.

An amendment, less vital to the structure of the Bill, was carried against the Government exempting a vehicle, already granted an A licence for carrying certain goods exclusively under

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contract, from treatment as a long-distance haulier. A second amendment included milk among the various classifications of exempt goods. A further Government defeat on Tuesday concerned a point of greater substance than might at first appear. Its effect, in cases in dispute, is to shift to the Commission the onus of proving before the arbitration tribunal that a road haulier's undertaking is of such a character that it falls to be acquired (under the terms of Clause 39). This seems to be a matter of common justice, but, in an industry where the records and accounts of firms vary considerably both in their completeness and the back periods for which they are kept, it may put upon the Commission a difficult—and, in some cases, even an impossible—task. That presumably explains why the Government was uncompromising on the matter; if the amendment survives, it might limit significantly, and will certainly obstruct, the effective power of the Commission to take over the smallest undertakings.

In their first four days' sittings, the Lords have dealt with 54 clauses of the Bill. Important modifications, many of them undoubted improvements, have been made on issues of principle. Some of these will obviously prove unacceptable when the Bill returns to the Commons but the Government still has a chance to think again on issues which, though of real moment, are evidently separable from the basic principles to which it is now almost bound to adhere.

Concessions for Consumers

Mr Dalton has had second thoughts—or rather, third thoughts—on the imposition of purchase tax on domestic cooking and heating appliances. In his first budget, he relieved these articles of purchase tax, but last April he decided to restore the tax at a rate of 66½ per cent. "In present circumstances," said the Chancellor then, "the exemptions can no longer be justified." This was an allusion to the need to limit electricity consumption during and after the fuel crisis. Now he is persuaded that these exemptions can be justified after all. The tax on these items is to be lifted once more, with effect from April 16th. These withdrawals will cost the revenue about £8,000,000 this year and about £12 million in a full year.

This concession to the consumer is, in fact, much more important from a revenue than from a fuel point of view. Electrical appliances for the home market are produced on a quota basis, and a reduction in price which may stimulate demand will not lead to an increase in supplies for home consumption. The concession simply means that those who are able to obtain electrical appliances will have to pay less for them. Production of the electrical gadgets which are large users of electricity, such as electric fires, is already discouraged by a fairly recent reduction in their quota. Other articles, such as cookers, are still largely reserved for priority consumers, and quotas for home production are related to the housing programme rather than to the seven or eight years backlog of consumer demand.

Nevertheless, the public will be able to draw a little comfort from a fall in the price of electrical appliances in a week which has seen the announcement of increased retail margins with consequent increases in clothing prices. And the decision to make the tax concession retroactive is an impressive gesture—which will cost the retailers more in effort than the Chancellor in hard cash.

Taxing in the Dark

Scrutiny of the official report of the debate on the anomalous Bonus Issues Tax in the early hours of June 11th—*Hansard* was not available when last week's issue of *The Economist* went to press—unfortunately confirms that the Government's proposals have survived both the Opposition's attack and the unanimous condemnation by impartial experts outside the House. Mr Dalton may be thankful that the timing of the discussion saved him from the usual publicity, for this night's work has not enhanced his reputation for fiscal justice or honest argument. The tax is, indeed, among the most extraordinary ever propounded by a British Chancellor. It can fairly be argued, as the Opposition did argue, that the "bonus" which the Chancellor pursues is in principle a thing without substance, a will-o'-the-wisp, a mere figment of book-keeping. Alternatively, if in some cases the figment in practice unnaturally acquires some substance, the tax will be levied not upon that substance but upon a larger quantity which bears no necessary relationship to it. Finally, the tax falls upon the wrong person—not the shareholder who alone could

derive any advantage from the bonus, but upon the company whose operations give rise to it. Mr Dalton's only reply to the last charge—of taxing the wrong person—is that administrative convenience so requires. To the second charge—of taxing the wrong element—he says he must get a "reasonable" revenue. And to the primary charge, that the whole plan is economically and financially indefensible, he really makes no reply at all.

It should in fairness be observed that even the best of the Opposition speakers, lucid and forceful though they were generally, were not wholly free from the taint of muddle-headedness which encrusted the arguments in support of the plan. But it was Mr Dalton himself who perpetrated the worst *gaffe* of this extraordinary session. "Surely," he asked,

it would be much better to have a firm in the cotton industry that had spent money on getting good, up-to-date plant, rather than putting a lot of money into reserve and distributing bonuses to shareholders?

The implication here is such stark nonsense that it must be presumed that the Chancellor (at 3.30 a.m.) had a momentary aberration; though when challenged he virtually repeated the false antithesis.

The truth is, of course, as the Opposition repeatedly emphasised, that the capitalisation of reserves by bonus issues is the one sure way of ensuring that they are not distributed to shareholders, and the ability of a company to make such issues therefore tends to promote a genuine ploughing-back of profits into the business. But the converse argument, that inability to make bonus issues will necessarily encourage larger cash distributions (though it may have some validity in practice) is not really consistent with the Opposition's basic case, that a "pure" bonus has no inherent worth. This argument implies that scrip and cash payments are alternative methods of distributing profits to shareholders. But in fact, unless there is a cash distribution, the shareholder can "cash in" on his accumulating interest in the equity only by selling part of that interest, and he can sell part of his holding whether or not he receives a bonus share. The only difference—and it is here that the theoretical will-o'-the-wisp may acquire a little substance—is that the virtual share-splitting which the bonus issue involves may make the shares more marketable and so facilitate the act of parting with capital; equally, the receipt of the scrip may put ideas into shareholders' heads.

Politics versus Finance

Some of Mr Dalton's more enthusiastic supporters tried to prove the "reality" of bonuses by showing that, in particular cases, a company's total equity capital, after deducting the new cash subscribed, was worth more on the market some time after an issue on bonus terms than it was before. But this does not prove anything. If, on a free bonus issue (to take that case because it is the most readily intelligible), the market value of the existing shares does not fall by an amount precisely corresponding to the market value of the new shares, the difference ought to reflect two ingredients only: First, the factor of improved marketability, which is irrelevant in this context because it could equally be achieved by a straight share-splitting, which Mr Dalton has not yet attempted to tax; secondly, the fact that the making of the bonus draws attention to, but does not itself constitute, the improved prospects or expansion of the business. The expansion of the equity is not necessarily reflected smoothly in the market worth of the business as the progress proceeds; it may, and often does, occur in jerks which, if not stimulated by a bonus announcement, will be provoked in other ways; in neither case is the appreciation a proper subject for taxation. Finally, if in practice and in the short run there is any third ingredient in the capital "profit," it can derive only from the ignorance of the investing public—from the still quite widespread belief that a share bonus really is "something for nothing."

If there really is any proper subject for this odd impost, it would fall only upon that hypothetical third ingredient: there would then be a muddle-headed tax on public muddle-headedness—which would be poetic if not fiscal justice. Failing that, it ought at least to be related to the net appreciation of the equity as a whole (after deducting the new money). Instead, it pursues the least defensible objective of all, and falls upon the net worth of the new shares alone, entirely ignoring the consequential and more or less corresponding depreciation which the beneficiaries suffer upon their original holdings. To Mr Dalton this may make political sense, as a means of propitiating ill-informed rank-and-file supporters. But it is fiscal nonsense.

Cable and Wireless Valuation

In the months which have elapsed since stockholders in Cable and Wireless (Holding) first knew that their property was to be taken over they have had no intimation of what the final value of their holdings might be. The annual report for 1946 now holds out some hope that the valuation of their interest in the operating company may be known some time in October. They are also presented with a consolidated balance sheet in a new form which enables them to frame a reasonable approximation of the value of the remaining assets. The account is compiled on the basis that all transferred communications assets have passed to the Government, leaving only investments, liquid assets and the equivalent of the operating company's shares. If these shares are assumed to be valued at par and all claims against the company, including those of outside shareholders, are deducted from gross assets, there are total net assets of £37,609,000—or £38,909,000 odd if quoted investments are taken in at market values at the end of last year. On this higher figure, after deducting the £16,766,591 of 5½ per cent cumulative preference capital, there would be a break-up value of some 320 per cent for the £6,883,103 of ordinary stock.

It would be rash to attempt a forecast of the valuation of the stock of the operating company, but there seem good grounds for supposing that it will be fixed at something over par. If, therefore, there were to be a straightforward liquidation of the Holding company, the preference stockholders would receive par and the ordinary, possibly, something of the order of 350 per cent. If the consent of both classes has to be obtained to a scheme for distributing assets, it is quite certain that the preference holders will demand a very substantial premium before they abandon the right to a moderately well-secured 5½ per cent. Between this position on break-up value and that which would obtain if the company continues in operation as an investment trust, there is a striking contrast. On the suppositions that the operating company stock is valued at 110, that the security allotted in exchange is sold at the notional price of issue, and that the earnings on the whole assets—thus raised to over £40,500,000—are 3 per cent, the return on the ordinary shares would be under 4½ per cent. If a return of 4 per cent could be achieved, the amount earned on the ordinary would still be only some 10 per cent on the nominal value, or less than 3 per cent on the assumed break-up valuation.

On the publication of the figures, the ordinary stock rose by one-ninth to 171, while the preference stand at about 122. Evidently, some compromise solution will have to be sought. The idea of a gigantic investment trust with £40 million of assets is not likely to appeal to either the Government or to other authorities. Probably some return of capital will be considered desirable. But that will not of itself solve the conflict of interest between the two classes of stockholder. It is perhaps worth carrying a step further the analysis of the background against which an agreed liquidation would be possible. On the basis of earning power of 3½ per cent, it would be necessary to give the preference stockholders a premium of some 57 per cent for them to maintain their income. To give this premium would mean reducing the assumed valuation of the Ordinary from 350 to about 212. On the same basis of earning power, the amount available for the ordinary capital, if the group continues to run, would be about 6½ per cent, giving a rate of earnings of only £3 16s. on the present price.

* * *

Japanese Cloth for Lancashire

The Cotton Board has announced that the first 30 million yards of Japanese grey cloth, out of a total 64 million yards to be imported into Lancashire for finishing and re-export, is expected to arrive before the end of this month. The original arrangements, so far as they were known, were discussed in *The Economist* of March 15th. It now appears that the cloth will be paid for in dollars. The price agreed upon is not known, but it is higher than the prescribed price paid for grey cloth manufactured in this country. In addition to the cloth from Japan, quantities of high quality grey cloth are coming from America on private account. After it has been finished, the cloth will be shipped to colonial markets, especially to West and East Africa. The short-term advantages of the scheme to this country are clear enough. At the cost of a draft on its dollar resources, this country obtains a quantity of semi-finished cloth sufficient to open out, at least temporarily, the bottle-neck in spinning and weaving in Lancashire. Its export to the colonies is intended to increase the incentive of producers there to increase their cultivation of essential fats and other commodities. These

commodities will help to feed the British consumer and will earn—or save—foreign exchange, including dollars. As a short-term scheme it has its merits, but the authorities' reluctance to publish the purchase price of the Japanese cloth—or even to draw attention to the fact that it is payable in dollars—suggests that this country has paid a large price for this temporary accommodation.

The fuel crisis in February, which brought a sudden severe fall in spinning output in Lancashire, obviously made the import scheme seem the more desirable. Since then there has been a notable recovery in production and, even more encouraging, an improvement in employment—including that of female spinners. Average weekly yarn production was 12.94 million lb. in April, a level exceeded only twice since the end of the war—in October and November, 1946. Women actually at work in the spinning mills in April numbered 74,200, compared with 71,700 in March, and with the previous post-war peak of 72,300 touched last November. It would be premature to put an unreservedly optimistic interpretation on these output and employment figures, for any further improvement obviously depends upon the regularity and size of coal deliveries during the summer months, and these, at best, are based on last summer's consumption levels. But it can be said that at least the industry has climbed out of the trough of enforced inactivity of February last, even if it has little opportunity of making up the arrears of production.

* * *

Borrowing Orders in Force

This week has brought into force the first group of orders made under the Borrowing (Control and Guarantees) Act which received the Royal Assent as long ago as last July. The details of the new orders were summarised in *The Economist* of May 31st. Interest now centres in their main effects and in the policy behind them. The broad effect of the new orders, and of such elements of Defence (Finance) Regulation 6 as are retained, is as follows. All placings are free of control by the Capital Issues Committee, since they are not offers to the public. They are, however, subject to the consent of the New Issues Committee of the Stock Exchange, which would be likely to reject an application for a placing if, *inter alia*, it appeared to exceed in total amount the size and type of operation properly dealt with by that means.

The alternative methods of issue to the public by offer for sale or by prospectus or by offer of rights to shareholders are quite differently treated. Under a placing, it is a matter of indifference to the Treasury whether there is any creation of new capital by the company whose shares are offered, but all other issues are subject to consent of the CIC if such creation is involved. If the operation is merely a re-sale of existing securities no permission need be sought unless, within the past two years, the company in question has availed itself of any of the exemptions from control which have been permitted. If, however, any new capital has been created—although properly created—under those exemptions, any offer for sale or issue by prospectus, apparently of that capital or of any other, must be submitted to the CIC.

There appear to be here three different elements of policy. There is first of all the carry-over from an earlier period of the official bias against any form of offer to the general investing public. The underlying fallacy therefore remains, since it is the total supplies of stock of a given character which determine the relative levels of prices of different classes of security. The method of issue is quite immaterial from the standpoint of competition with other avenues of investment. Secondly, there is presumably the over-riding desire to restrict the demands of industry to some notional total of new money conceived to be "available," and, within that total, to objects which are in accord with Government policy. Finally, there is the ban on offer of existing stock in those cases where the existing exemptions have been used. So far as it was possible to follow the Chancellor's remarks on this point, he appears to believe that there is a danger that his regulations for bonus issues may in some way be infringed if every step has not received Treasury sanction. Argument on the bonus question is clearly useless. It is probably true that the amount involved under this head is not likely to be large, but the total number of cases may be considerable, and the placing of this burden upon the CIC is likely to lead to still greater delays in granting permission for issues of substance and importance. It seems a giving complete freedom of issue for existing securities, since the only valid point of the three is the second, and that is of mainly theoretical significance. The only really effective way of limiting "investment," in the real sense, to available resources is by physical controls.

Courtaulds Expansion

Although the general shortages make it impossible for Courtaulds to reinvest the proceeds of the sale of the Viscose Corporation, there is some evidence in the preliminary figures for the latest accounting period of a considerable expansion in turnover and profits. Owing to the decision of the board to adopt the fiscal instead of the calendar year for the accounting period, the figures now presented cover 15 months to March 31st. Last year was a time of rapidly expanding rayon production, but some of Courtaulds works have suffered from the fuel crisis. For this reason, conversion of the figures for five quarters to an annual rate understates the improvement achieved. Making this comparison, the profit before depreciation and deferred repairs (for which provision was at an increased rate) was £5,905,601, or at a rate about 3½ per cent above that of 1945. Depreciation was very heavy, as it includes the special allowances on new plant permitted under the Finance Act, 1945, and the annual rate of profit before tax showed a fall from £3,243,691 to £2,983,089. Taxation, however, is much reduced, owing to the special depreciation already mentioned, to the cut in EPT and its disappearance after 1946—with of course the substitution of distributed profits tax—and to the fact that income tax has been computed on a twelve months' basis in relation to the fiscal year ending April next. The net result of these adjustments is that the actual profit is more than doubled at £2,083,830, compared with £1,007,086, while the yearly rate is increased by some 65 per cent.

Out of this increased amount the directors are making a total distribution of 9½ per cent, equivalent to a yearly rate of 7.6 per cent compared with 7.5 per cent in each of the six calendar years, 1940-45. After meeting the preference dividend and adding £347,440 to contingency reserve, the earnings on the ordinary capital amount to 11.1 per cent, equal to a yearly rate of 8.9 per cent compared with 6.3 per cent for 1945, when there was an over-distribution, and with an average of 7.8 per cent for the period 1940-45. In addition to the re-expansion of old factories and its growing interest in Nylon Spinners, the company is erecting at least three new factories in the development areas and extending some existing works. The rayon industry is at present less subject to labour shortages than the older textile trades, but it is hampered both by some lack of materials and by the slowness of construction and plant deliveries. At the current price of 52s. the shares yield less than 3 per cent, a clear indication of the potentialities of expansion which the company's very large cash reserves promise once shortages can be overcome.

* * *

Rumanian Oil—Soviet Strategy

News from Bucharest plainly reveals the further development of Soviet oil strategy in Rumania, the early course of which was traced in some detail in *The Economist* on December 28th last. Having first secured for a period of six (later extended to eight) years all the oil that could be brought within the scope of reparations, the Soviet authorities proceeded, under the trade pact of 1945, to form, on the pattern applied to other key industries, a "joint" Russo-Rumanian oil company, Sovrompetrol. They contributed to this venture the German assets claimed under the Potsdam agreement, while the Rumanians brought in the only two major oil companies predominantly owned by Rumanian capital (representing about 30 per cent of Rumania's production), in addition to oil royalties and valuable concession territories and rights, and also granted important privileges in respect of oil exploration, taxes, dues, etc., such as have never been enjoyed by the British and American concerns operating in Rumania.

Although this joint enterprise was nominally meant to be a fifty-fifty partnership, the Russians, in fact, not only hold all the key posts in it, but have, it is understood, so framed the valuation of the respective contributions to date that they claim a 70 per cent interest. Earlier this year, during the trade talks in Moscow, the Russians raised new demands. As a result, the Rumanians have granted further oil concessions and exploration rights and an exclusive claim to the royalty crude oil due to the State. In addition, the Rumanian Government has promised—(1) To pay Sovrompetrol \$4 million, over one-half in free foreign currency, as compensation for loss of profits and inadequate depreciation resulting in 1945 and 1946 from the low prices fixed by the Government; (2) that Russia's 70 per cent share in the company's profits may be remitted to the Soviet Union in dollars; (3) that the company may this year export 70,000 tons of petroleum products against payment in free exchange; and (4) that it may use the

entire proceeds of a large proportion of its products to buy oil-field materials and equipment abroad.

None of these rights and privileges is enjoyed by the British and American companies. Not only have they been paid miserable prices for their products in lei, but their shareholders have received no return on their investments since 1940. Although critically short of materials required to stem the decline in their production, the companies have no prospect of importing them because they are not allowed to export any oil and therefore cannot obtain the foreign currency to pay for imported supplies. Hitherto, the Russians themselves have been subjected to these disabilities—as a natural consequence of their prevention of any worthwhile oil exports. Now, Sovrompetrol, by selling oil abroad and thus obtaining foreign currency, will be able to purchase the much-needed materials and supplies, and thereby to check and even reverse the decline in its own production, while production of the foreign companies is bound to fall further.

* * *

Higher Sales of Household Goods

April is usually a month of brisk sales in the retail trade. This year there was a notable recovery in the turnover of household goods, but other categories in the Bank of England retail statistics published by the Board of Trade showed only minor changes on March. Sales were higher in all categories, however, than a year ago. The salient features in the statistics for April are shown in the table below, which compares April turnover per week with the corresponding period of 1946 and the best months of last year.

INDEX NUMBERS OF SALES PER WEEK
(Average for 1942=100)

	Apparel	Household Goods	Non-Food Merchandise	Food	Total
March 1946	110	165	124	120	121
April 1946	144	177	139	118	126
October 1946	157	213	159	126	140
Nov. 1946	157	225	174	128	146
March 1947	156	189	156	131	141
April 1947	157	225	158	130	141

INDEX NUMBERS OF STOCKS: END OF MONTH

	Women's Wear	Men's & Boys' Wear	Footwear
March 1946	87	67	67
April 1946	87	63	64
October 1946	89	66	67
November 1946	94	72	77
March 1947	98	73	86
April 1947	109	79	83

Sales increased less rapidly between March and April this year than they did in 1946, but this was due in part to the fact that the issue of clothing coupons occurred in March this year, but in April last year. This year, therefore, much of the buying pressure from the public had spent itself during March. The stock position remains fairly encouraging. As the table shows, stocks were up on the month in women's, men's and boys' wear, but declined slightly in footwear.

It is still too early in the current retail trade year to draw definite conclusions about the earnings' prospects of the larger shops by comparison with 1946. Turnover and stocks are at encouraging levels considering the effects of the fuel crisis—upon textile output in particular. But optimism should be tempered with the caution that the effects of the crisis have yet to work themselves out fully upon supplies of consumer goods. It is also noteworthy that April's comparatively good results were not well spread: they were mainly due to higher sales of apparel in Central London and of household goods in other districts. The problem of high retailers' costs and uncertain turnover later this year was underlined in Parliament last week when Sir Stafford Cripps announced that retail margins on cloth and clothing would be adjusted (that is, upwards) from a date to be announced some time this week. Reduced turnover, lower margins and rising costs in the earlier months of this year will, in combination, offer a sharp threat to company earnings for 1947.

Tea Ration Assured?

The response of the Indian tea-growers to the Ministry of Food's contract offer, would certainly have caused a stir in Mincing Lane, if that market were in full operation. Some 309 million lb., it is understood, has been offered, although the Indian Government had given permission for an export of only 200 million lb. Negotiations are now proceeding for the export of the total quantity tendered. The contrast with the Ceylon response is striking, although the price offered to both producing areas was similar. The recent slump on the Colombo market may well have affected the decision of the Indian growers, who are, after all, the largest producers, whilst the United Kingdom is the largest consumer. In any case, political considerations may also have played a part. The creation of Pakistan is bringing with it a number of unknowns, and it seems that the Indian tea area will fall largely into the eastern province. It is therefore in the growers' interest to have at least one certainty—that their crop is purchased at a fixed price.

From the United Kingdom's point of view, the news is encouraging. Assuming that the total amount offered is, in fact, shipped, Britain will have secured 404 million lb. from Indian and Ceylon. In 1946 some 21 million lb. was obtained from other sources, mainly Africa. This will give an annual supply of a little under 190,000 tons compared with an annual consumption, on the present ration basis, of 200,000 tons. The present stock position could possibly only just permit an off-take of 10,000 tons, so that, unless additional supplies are forthcoming from the Netherlands East Indies or other sources, the maintenance of the ration appears to be somewhat in doubt. Were the Indian Government to permit the Ministry of Food to export only the 200 million lb., a cut in the tea ration would seem, from current data, inevitable.

* * *

BIS and IBRD Co-operation

The seventeenth annual report of the Bank for International Settlements deals frankly with a matter which for some time past has been a subject of uncertainty and even embarrassment: the relationship between this institution, the first experiment in creating a central bank for central banks, and the new international institutions in Washington. Among some of those who sponsored the Bretton Woods institutions, there seems to have been a deep and apparently irrational prejudice against the BIS. The strength of that prejudice appears to have been waning recently, for this latest report of the BIS announces that the chairman of that institution has had conversations in Washington with the President of the International Bank on the question of co-operation between the two. A memorandum on the practical possibilities of co-operation in research and exchange of information has been worked out and approved. The BIS has also declared itself ready to facilitate, by all possible means, the task of the International Bank in Europe. The fact that the BIS has a good deal

to contribute in this sphere to the newer international organisation has emerged year by year from the quality of its reports. The report for the year to March 31, 1947, affords the usual panoramic survey of world economic affairs. From the wealth of material presented only a few points can be selected here. After an analysis of changes in gold reserves, the BIS shows that, for the world as a whole, the published reserves were no greater at the end of 1946 than at the beginning; even when account is taken of unpublished reserves, the net change over the year was apparently an increase of no more than \$200 million, compared with a production of new gold amounting to about \$960 million. "Only one conclusion can be drawn from these facts: the newly produced gold has 'disappeared,' some of it being accounted for by an increase in the industrial use of gold, but the largest part having found its way into private hoards in Europe and Asia." The passages in the report dealing with domestic credit conditions stress the welcome anti-inflationary pull which has been exerted in some countries by the surplus of imports achieved by drawing on foreign credits or by supplies brought in through Unrra and other aid. The report in its concluding sections makes a plea against the tendency to treat such problems as the budget situation, the balance of payments, prices, wages, etc., as separate questions:—

"It would, for example, be too limited and too superficial an approach to try and deal with the problems of the balance of payments simply by cutting down imports and artificially stimulating exports, without attending to the volume of monetary purchasing power in the domestic economy. For experience shows that an inflationary expansion of purchasing power at home acts as an attraction for imports and a brake on exports, thus aggravating the disequilibrium in the balance of payments. Only too often is this connection between the methods of internal financing and the outcome of the balance of payments overlooked."

In its comments on the dollar problem the BIS report is extraordinarily up to date:—

"Foreign loans and other assistance may still afford relief by providing badly needed commodities; but little lasting good will have been done if the borrowers fail to take advantage of the foreign resources as providing a breathing-space in which a coherent series of domestic measures can be taken; in other words the loan should be considered and employed as part of a comprehensive plan for financial and monetary rehabilitation. . . . What is needed, then, is a co-ordinated programme into which international investment can be fitted as one of the measures essential in itself but fully efficacious only if supplemented by domestic action."

That might have been penned after the formulation of the Marshall plan.

* * *

Nationalisation of Netherlands Bank

The text of the Bill that will nationalise the Netherlands Bank was published this week. The Bank is to remain a limited liability company but all its shares will be held by the Netherlands Government. The present shareholders will receive as com-

pensation registered Government stock amounting to twice the nominal value of their shares. As interest on this stock is 2½ per cent, the holdings will be taken over on a 5 per cent basis. Since the annual dividends for the years 1944 to 1946 were 5½, 5 and 3½ per cent respectively, the compensation terms cannot, from the angle of income, be deemed harsh. On the basis of capital values they are reasonable, since the market value of the shares has recently stood slightly above par, while a 5 per cent Dutch Government bond would stand at a considerable premium. The bill states that the object of the nationalisation of the central bank is to regulate monetary policy for the benefit of the country. One of the few changes that will be brought into operation when the bill becomes law will be the nomination of directors, which will be brought solely within the competence of the Government. The Finance Minister will also have power to issue directions to the managing director of the Bank, though only after consulting the advisory council.

The nationalisation of the Netherlands Bank is a measure of the change that has occurred in the political atmosphere of Europe over the past decade. Ten years ago such a proposal would have been received with angry consternation by a large section of the solid Dutch burghers. Today the bill does not merely fail to arouse any opposition; it is almost universally accepted as an inevitable development. That this should be so, not only in Holland but over Western Europe as a whole, must in large part be attributed to the power of example and in particular to the nationalisation of the Bank of England. This is in truth a case of "when the old lady turns we all turn."

* * *

Argentine Accounts

A Bank of England notice issued to banks and bankers announces that Argentina has been brought into line with the other countries which have "transferable sterling" arrangements. When Argentina was included in the countries with which such arrangements were concluded, certain restrictions were placed on the freedom with which it could deal with items of a capital nature, such as moneys arising from the redemption of bonds and legacies. These funds continued to be blocked when they accrued to Argentine accounts. In addition, residents in Argentina who had Argentine sterling area accounts and "old" sterling accounts were able to transfer only limited amounts of this sterling for their maintenance. These restrictions are now cancelled, and in all respects Argentine accounts will rank with the sterling accounts of other countries whose holdings of current sterling are now "transferable." The change involves the disappearance of Argentine sterling area accounts and also of "old" sterling accounts. In future these will be described as "Argentine accounts" and will be available for payments in the sterling area and also for transfer to Argentine transferable accounts. They will thus become fully convertible.

* * *

Scrap and the Metal Position

The importance of scrap metal has increased as the supplies of virgin metal have become shorter. The contribution that it is now making to British metal manufactures is indeed significant. According to Mr Wilmot, the Minister of Supply, in an address to the National Association of Non-ferrous Scrap Metal Merchants, if it had not been for the scrap put into circulation

in the United Kingdom, allocations of lead to British consumers would have been little more than half their present level. Because scrap metal is vital to the British economy nowadays, exports are permitted only in exceptional circumstances and then on condition that the copper or lead content is returned.

During the past few months the Government has been shipping unwrought copper, brass ingots and brass scrap to the United States and Canada for refining. The metallic copper content is to be returned to this country. Mr Wilmot said that this will enable the Ministry of Supply to put "something like 140,000 tons of electrolytic copper into consumption at a time when virgin metal is at or near the top of the market." This quantity represents about 43 per cent of the United Kingdom's copper requirements for 1946, and it will certainly help to relieve the copper position. But, unless appreciable quantities arrive within the next six months—some have already been received—the arrangement will not be so opportune as the Minister has suggested. Although world copper output was retarded in 1946 by labour disputes and other difficulties which, it is said, "deprived the world of something like 400,000 tons of new copper," current reports suggest that production is again increasing.

Aluminium scrap recovered at Government Depots from crashed aircraft has made a notable contribution to the pre-fabricated housing programme and has also played an important part in the production of rain-water goods and windows. On the whole, the disposal of the large quantities of scrap made available at the end of the war has been carried out in an orderly manner. But it seems strange that while the need for scrap and salvage is so great, the collection of small amounts of lead—the metal in shortest supply—constitutes an offence under the Prevention of Crimes Act of 1875. According to this Act, it is an offence to offer for sale parcels of lead of less than one hundredweight. Although it might be patriotic to sell the Minister of Supply a length of gas-pipe, it would be illegal to do so.

* * *

Shorter Notes

After *The Economist* went to press last week a statement was issued by the Ministry of Fuel and Power to the effect that arrangements are being made to import an additional one million tons of oil for coal-to-oil conversion schemes. This additional tonnage, however, will not be available until the third quarter of 1948.

* * *

A levy on the imports of raw silk, for the purpose of financing research at the Shirley Institute and the Silk Design Centre, has been approved by the Board of Trade in conjunction with the Joint Industrial Council for the Silk Industry and the Silk and Rayon Users' Association. The levy will amount to 4d. a lb. on imports of raw silk, thrown silk, spun silk and silk noil yarns, with ½d. a lb. on waste silk and noils. It will be payable on the sale of the material by the importer to the processor in this country.

* * *

In the chart which appeared on page 856 of *The Economist* of May 31st, the 2 per cent of dried egg supplies attributed to New Zealand should have referred to Australia, and the 6 per cent attributed to Australia should have referred to Argentina.

SECURITY PRICES AND YIELDS
A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement: Associated Newspapers; Marks and Spencer; Bleachers' Association; Harland and Wolff.

Prices, Jan. 1-June 18, 1947		Name of Security	Price, June 11, 1947	Price, June 18, 1947	Net Yield,* June 18, 1947	Gross Yield,* June 18, 1947	Prices, Jan. 1-June 11 1947		Last Two Dividends	Name of Security	Price, June 11, 1947	Price, June 18, 1947	Yield, June 18, 1947			
High	Low						High	Low						(a)	(b)	(c)
Other Securities																
103½	101½	Conversion 3½ March 1, 1948-53...	102½	102½	£ s. d.	£ s. d.	113½	106½	(d)	Australia 3½ 1965-69...	110	110	2 10 11			
103½	101½	War Bonds 2½ August 1, 1949-51...	102½	102½	0 3 11	1 4 9	105½	99½	(d)	Birmingham 2½ 1966-71...	101	101	2 8 8			
102½	100½	Exchequer Bonds 1½ Feb. 28, 1951, 1950...	101½	101½	0 9 8	1 7 4	102	100½	(d)	Argentine 3½ 1972...	101½	101½	3 8 1			
105½	101½	War Bonds 2½ March 1, 1951-53...	103½	103½	0 12 4	1 18 4	162½	118½	15 b	Anglo American Corp. 10s...	127½	125½	4 0 0			
105½	101½	War Bonds 2½ March 1, 1952-54...	103½	103½	0 16 3	1 19 11	80½	60½	10 c	Anglo-Italian Oil Co. £1...	158½	154½	2 11 10			
106	103	Funding 2½ June 15, 1952-57...	104½	103½	0 15 9	2 0 1	42½	36½	25 c	Assoc. Port. Can. Ord. Stk. £1...	77½	77½	3 17 7			
108½	103½	National Def. 3½ July 15, 1954-58...	105½	105½	0 17 8	2 3 8	95½	79½	7 a	Austin Motor 'A' Ord. Stk. £1...	40½	41½	4 15 6			
109½	103½	War Loan 3½ Oct. 15, 1955-59...	106½	106½	0 17 6	2 4 3	245½	197½	12 b	Barclays Bank Ord. 'B' £1...	88½	88½	3 9 9			
108½	103½	Savings Bonds 3½ Aug. 15, 1955-65...	106½	106½	0 18 6	2 5 11	113½	88½	8 a	Base Ratcliff Ord. £1...	213½	211½	2 7 8			
105½	99½	Funding 2½ April 15, 1956-61...	103½	103½	1 0 11	2 3 7	29½	50½	24 a	British Oxygen Ord. £1...	110½	111½	3 11 6			
109½	102½	Funding 3½ April 15, 1959-69...	106½	106½	1 1 9	2 8 4	28½	24½	8 c	Courtaulds Ord. £1...	52½	52½	2 18 6			
122½	114½	Funding 4½ May 1, 1960-90...	108½	108½	1 15 1	2 8 3	81½	68½	12 c	Dorman Long Ord. £1...	26½	26½	6 1 9			
110½	103½	Savings Bonds 3½ Sept. 1, 1960-70...	106½	106½	1 3 6	2 10 4	53½	41½	3 a	Dunlop Rubber Ord. £1...	77½	79½	3 15 3			
104½	98½	Savings Bonds 2½ May 1, 1964-67...	101½	101½	1 5 9	2 8 4	49½	40½	7½ c	Imp. Chem. Ind. Ord. Stk. £1...	51½	52½	3 16 6			
123½	115½	Victory Bonds 4½ Sept. 1, 1920-76†	120½	120½	0 18 11	2 11 4	57½	47½	10 c	Lancs. Cotton Ord. Stk. £1...	47½	47½	4 4 3			
111½	103½	Savings Bonds 3½ Aug. 15, 1965-75...	107½	107½	0 4 11	2 11 7	77½	62½	10 c	Lever & Unilever Ord. £1...	57½	57½	1 15 0			
108½	104½	War Loan 3½ (after Dec. 1, 1952)	105½	105½	0 17 11	2 8 9	84½	78½	(d)	London Brick Ord. Stk. £1...	69½	68½	3 12 9			
117½	110½	Consols 4½ (after Feb. 1, 1957)...	114½	114½	0 14 7	2 9 6	36½	33½	24 a	L.M.S. 4½ 1st Pref. Stk. £1...	79½	79½	5 0 8			
100½	93	Conversion 3½ (after Apr. 1, 1961)	112½	112½	1 0 5	2 10 7	64½	47½	6 a	N.Eastn. Elec. Ord. Stk. £1...	34½	34½	4 2 3			
110½	102½	Treas. Stk. 2½ (after Apr. 1, 1975)	95½	93½	1 9 5	2 13 8	39	35	169½	P'chin Jenson Ord. Stk. 10s...	63½	63½	3 19 4			
117½	107½	Treas. Stk. 3½ (after Apr. 5, 1966)	106½	106½	1 6 9	2 13 4	63½	52½	12½ c	Prudential 'A' £1...	38½	38½	1 18 6†			
117	107½	Redemp. Stk. 3½ Oct. 1, 1986-96...	112½	111½	1 6 1	2 11 7	108½	91½	15 b	Stewarts & Lloyds Def. £1...	54½	54½	4 11 4			
99	92½	Consols 2½ £	95½	93½	1 9 7	2 13 8	147½	118½	12½ b	"Shell" Transp. Ord. Stk. £1...	138½	140½	5 11 0			
							96½	81½	3½ a	Tube Invest. Ord. Stk. £1...	106½	103½	1 9 0†			
							107½	93½	55 b	Turner & Newall Ord. Stk. £1...	138½	140½	5 11 0			
									15 a	Woolworth (F. W.) Ord. 5s...	101½	102½	3 8 8			

* To earliest redemption, except † flat yield and ‡ assumed average life 17 years 6 months. Net yields after allowing for tax at 9s. in £.

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



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J. LYONS AND COMPANY, LIMITED

SATISFACTORY RESULTS

MR HARRY SALMON'S REVIEW

The fifty-third ordinary general meeting of this company was held, on the 16th instant, at the Trocadero Restaurant, Piccadilly Circus, London, W., Mr Harry Salmon, M.P., one of the managing directors, presiding.

The following is an extract from Harry Salmon's statement:—

We feel you will agree that the year's result is satisfactory, and that the Accounts show that, despite all the difficulties of the past decade, we have been able to maintain the sound structure of the business.

The balance from trading account is £985,425 which shows an increase of some £15,000 over last year. This figure is arrived at after providing for contingencies, and making allocations to those reserves which will provide something towards the cost of replacing plant and equipment and of restoring our premises to the first class condition in which they used to be maintained—a formidable task which will require large sums of money and take a long time to accomplish.

We propose to pay the same rate of final dividend as last year; this, with the interim dividends paid in December, and the dividends on preference stocks for the year, absorbs a total of £908,012. The balance brought in from the previous year was £551,461, but we do not think we need any longer retain so large an undistributed balance in the profit and loss account. We have, therefore, transferred the sum of £500,000 to the reserve which, as shown in the balance sheet, now stands at £2,500,000. Including the £77,413 undistributed from the year's trading balance, the amount now carried forward to the next account is £128,874.

PAST YEAR'S DIFFICULTIES

It is not easy, in 1947, to comment upon the company's affairs, without repeating much of what I said last year. All the difficulties, or almost all of them, which we had to face in the previous year were present again, while some were even more acute, due largely, of course, to the continued world shortage of commodities. The fuel crisis in February, naturally, affected our business; some sections were for a time closed down completely, though others, dealing with essential products, were able to resume production after short periods of closure. It has been acknowledged by the Minister of Food that 1946, of which 9 months fell within the company's year dealt with in these accounts, was a far more difficult year than he anticipated. Our experience fully endorses that; indeed, we can say that in hardly any of the commodities with which we deal, nor in the materials which we require in our production or distribution, has there been any alleviation of the stringency we have experienced for so long. There is, unfortunately, even now little prospect of relief.

In the meantime, the prices of many commodities have risen, and so have costs and charges of almost every kind. Unfortunately, an increase in production, which would help to offset the higher costs, is not possible. The result has been, therefore, an increase in the prices we have to charge; for increased costs must eventually fall upon the consumer. We cannot view that process with equanimity, for it leads to further increases in costs, which only still higher prices can meet—another step in the process of inflation.

NATIONALISATION AND DISTRIBUTION

The nationalisation of inland transport, which will shortly be carried out by the Government, must have some effect upon our distribution system, where complete freedom to choose the most expeditious and

efficient means of transport for our goods has, in the past, been of great advantage to the public and importance to us. While the Bill gives the trader the right to choose between such facilities as may be provided, it does not prevent differentiation in charges, nor does it retain any element of competition between the various forms of transport. Fortunately, the proposal, originally embodied in the Bill, to control the operation of traders' own vehicles has been dropped, so that we shall retain the right to carry our own goods to any destination, which will do something to minimise the adverse effect.

I am glad to be able to say that, we again received the loyal co-operation from our employees to which we have always been accustomed. That co-operation is shown at its best in times of special stress, such as the period of exceptionally bad weather and the fuel crisis. In those periods, our employees, working in conditions of the utmost difficulty, kept our services going, with a determination and goodwill which deserves the highest praise.

Our present tasks are as arduous as any we have ever faced in the past, and they call for the highest degree of effort and vigilance, but I want you to know that we accept the challenge they offer to further effort. We are confident that we can maintain our pre-eminence in our particular sphere, and, when the opportunity comes, make further progress.

In addition the Chairman made the following statement:—

In commercial, industrial and political circles today, widely differing views are being expressed on how the solution of the country's present problems is to be found. Some think it will be found in the elimination of the profit motive. Opposed to them, are those who, like us, are convinced that freedom from unnecessary controls, and the encouragement of private enterprise will bring forth the extra effort and the extra production which everyone agrees the country needs.

OVER-ELABORATION OF CONTROLS

Undoubtedly, more coal and power must be produced, and there must be more work by everybody; above all, industry wants some encouragement and scope for initiative. We realise that the state of the country's affairs calls for some measure of central planning and control. But we agree with those who think that the planning should attempt to lay down merely the broad pattern, with government decisions on general lines only, the details and execution of the plans being left to industry and commerce. The present controls are over-elaborated; they put too great a burden upon industry, and, therefore, upon the community; and they absorb an excessive share of the restricted manpower. Those who administer businesses have to devote far too much of their time and energy to digesting the many regulations (which are full of pitfalls), issuing instructions for their observance and ensuring that they are observed. Then, at a time when the full energy of every employee, in a business like ours, should be used in the task of feeding the public, large numbers are occupied in feeding the insatiable appetite of our legislators for completed forms. Our hope that this diversion of manpower would progressively diminish has not been realised.

We are convinced that, if more freedom were to be given to the enterprise, initiative and experience, both of management and workers, which built up our great industries and commercial enterprises, those who possess these qualities will be found equipped and eager to use them for the benefit of the community.

THE BRITISH SOUTH AFRICA COMPANY

THE RAILWAY SALE

The forty-ninth ordinary general meeting of the British South Africa Company was held in London on the 5th instant.

Sir Dougal O. Malcolm, K.C.M.G., the president, in the course of his speech, said: I think you will agree that it has been a very good year. Our total receipts at just under £1,000,000 exceed those of the previous year by very nearly £175,000. The profit of £453,000 exceeds the previous year's by nearly £80,000. We propose a dividend of 11½ per cent., less income tax, as against 10 per cent. in the previous year. I think you will agree that our position is a very strong one.

Our total investments in Rhodesian mining companies and other mining companies stand at a little under £4,000,000, and we have our important interest in the royalties which as owners of the mineral rights in Northern Rhodesia we receive on the output of the mining companies there. Our mineral revenue for the year was £410,000—more than £100,000 better than in the year before—but those figures reflect values upon which royalties were paid for the year ended September 30th, 1946, which for copper, lead and zinc averaged respectively about £61, £43 and £45 per ton, very different from the averages of about £77 for copper for the first six months, about £65 for lead and about £57 for zinc for the first three months of our current financial year, and still more from to-day's prices of over £120, over £90 and over £60 respectively.

A FAIR BARGAIN

With regard to the purchase as at March 31 last by the Government of Southern Rhodesia from Rhodesia Railways Trust of the whole share capital of Rhodesia Railways, Limited, for the sum of £3,150,000, I consider that it is a fair bargain, and that, like all fair bargains, it should enure to the benefit of both sides. I do not think that anyone can say that it is an extravagant price for the Southern Rhodesia Government to pay or, on the other hand, that it is materially less than fair to us, so I say that it is a fair bargain; and I can add that, the decision in favour of purchase by the Southern Rhodesia Government having been arrived at in the highest quarters, the negotiation about the price was conducted in the most friendly and agreeable spirit.

It never looked or felt like getting into a quarrel. Some sentimental regret may be felt at our parting with what, along with our mineral rights, has been one of the main instruments for the carrying out of our founder's policy for the incorporation of Rhodesia in the British Empire, for the effective occupation of the country, and for bringing it to its present stage of civilisation and development, but change is the law of life.

THE OUTLOOK

Do not think that we are approaching the twilight of the Charter. Far from it; our company never yet offered fairer prospects. The Rhodesia Railways Trust, in which we hold so vastly preponderant a share, will continue on its course as an ordinary trust and investment company, substituting others for what has hitherto been its main investment. The British South Africa Company itself can apply its abundant resources to other productive enterprise, particularly, of course, in those regions, whether of Rhodesia or of the Union of South Africa, which owe so much to the life-work of Cecil Rhodes.

The report was adopted.

B. LAPORTE, LIMITED

MR L. P. O'BRIEN'S REVIEW

The fortieth ordinary general meeting of B. Laporte, Limited, was held, on the 18th instant, at Luton. Mr L. P. O'Brien (chairman and managing director) presided.

The following is an extract from his statement circulated with the report and accounts for the year ended March 31, 1947:—

Twelve months ago I drew attention to increasing costs, and said that we should try to offset them by improved efficiencies and use higher selling prices as little as possible. In regard to some principal processes we did develop better methods, but there were difficulties and delays in obtaining plant items which, normally, one would not expect to experience, and so we did not during the past year beat the constantly rising costs of manufacture, packages and transport by obtaining better efficiencies or getting more production out of the plants, nor were we able to complete planned additional units. However, for the first three-quarters of the year business was good and the results were not unsatisfactory.

During the winter we were short of fuel and had to shut down boiler plant. Much of the fuel supplied at high prices was of poor quality, with high ash and moisture contents. We were involved in extra handling costs through mixing poor coal with any good qualities received. The steam-raising costs were higher than ever before. During recent years many advances have been made by the company in fuel economy resulting in a reduction of the amount of coal used per ton of product. The effects of these are that now there is little margin for further economies, and shortage of fuel is immediately reflected in reduced output of products. Short supplies and bad qualities had a severe restrictive effect on outputs of our chemical products.

EXTENSIVE USE OF ELECTRICITY

Electricity is used extensively in our manufacturing processes, and over many months and day after day we received instructions to shut down units of production in order to reduce the load. From February 10th to February 26th (with minor exceptions) we were without electrical energy for productive purposes. Practically all plants were closed throughout the works.

SHORTAGE OF RAW MATERIALS

We have also been short of important raw materials. In the fourth quarter-year, during the national crisis, we suffered heavy loss through reduced outputs and sales, whereas there was practically no reduction in wages and other expenses. Most of our plants are designed to operate continuously and intermittent working results in plant deterioration, higher repair costs and lower efficiencies, as well as reduced outputs.

Our barytes mines—for raw material for our barium range of products—are in remote areas and some of them were not accessible for many weeks owing to snow-blocked roads, during the past exceptionally severe winter. Consequently, barytes costs were higher.

The foregoing are some of the reasons why the trading profits of the parent company declined significantly.

In view of the importance of export business to this country, members may like to know that our principal products are essential raw materials to other home manufacturers whose own direct exports are comparatively of much higher value and, therefore, by direction, your company willingly gives first priority to such manufacturers.

THE SUBSIDIARY COMPANIES

Your six British subsidiary companies also felt the effects of the national setbacks which

occurred this winter, but, with the exception of National Titanium Pigments, Limited, not to the same extent as the parent company. Extensions to buildings and plant of N.T.P., Limited, to increase the present output, are nearing completion, and it is expected that this company will be able to sell all that it can make. Your directors are well satisfied with the trading results achieved by John Nicholson and Sons, Limited.

The mining position of Malehurst Barytes Company, Limited, is improved as against the prospects twelve months ago; therefore, this subsidiary expects to be able to continue to supply a fair quantity of greatly-needed ground and bleached barytes. All the subsidiaries made profits and paid satisfactory dividends. They should continue as sources of strength to your company.

Your directors feel justified in recommending the payment of a final Ordinary dividend of 10 per cent., plus a bonus of 2½ per cent., both less tax, thus making a total of 17½ per cent. for the 12 months to March 31, 1947. In addition, it is proposed to add £10,000 to the pension and benevolent fund, and £10,000 to general reserve account, leaving £21,305 to increase the amount carried forward.

CONSOLIDATED ACCOUNTS

Your directors now present consolidated accounts for all companies in the Laporte group (excluding the Australian subsidiary). They disclose a healthy state of affairs and a good liquid position.

STRONG DEMAND

The company and its subsidiaries commenced the current quarter with a strong demand for their products, and are in full production, with the exception of the barium departments which still operate only partially, owing to reduced supplies of raw materials arising from suppliers' fuel shortage. Consequently, temporarily we are unable to satisfy the normal needs of our customers for hydrogen peroxide, sodium sulphide, blanc fixe, barium hydrate, barium carbonate, barium peroxide and sodium percarbonate. Meanwhile, costs of production continue to increase. From the beginning of June the company will be liable under agreement to pay the same amount of wages for 44 hours as was paid for 47 hours to day-workers, and 48 hours for shift-workers.

PLANS FOR DEVELOPMENTS

Before the war the demand for the products of the company exceeded manufacturing capacity, and there has been little opportunity in recent years to remedy the situation. Extension of manufacturing resources is a major problem at the present time, and will continue to be during the next few years. The company is now placing orders for an electrolytic hydrogen peroxide plant at Warrington. The value of orders placed with contractors at the present time is approximately £250,000, but owing to delayed dates for promised deliveries of plant items it is not expected that the whole of this sum will be expended during the current year.

Your directors are going forward with their plans for future developments by the company and its subsidiaries, in the faith that the present national fuel and electricity supply difficulties will be surmounted within the next two or three years, and that costs of production in Britain, based on improved technique and willing co-operation between all engaged in industry, will enable the company to be competitive in the world's markets.

The report and accounts were adopted.

BROADCAST RELAY SERVICE LIMITED

EXPANSION OF ACTIVITIES

MR J. S. WILL'S ADDRESS

The nineteenth annual general meeting of Broadcast Relay Service Limited, was held in London on the 19th instant. Mr J. S. Wills, the chairman, in the course of his speech, said that since the end of the financial year Mr Allan Miller had, to the deep regret of the Board, resigned his position as chairman and managing director owing to his decision to relinquish full-time business activity. He (Mr Wills) said that he had been invited to joint the board, and upon Mr Miller's resignation was elected chairman and managing director. Stockholders would be aware of Mr Wills' connection with British Electric Traction Company Limited, who, for some time, had held an interest in Broadcast Relay Service Limited, and had recently increased its holding, but not to such an extent as to secure control. Broadcast Relay Service Limited, had not become a subsidiary of any other company or group. It retained its independence and would continue to be developed solely on its own merits and in the interests of its stockholders, employees and subscribers. Mr Miller retained a substantial interest in the company, and his advice and accumulated wisdom would still be available.

GROUP TRADING PROFITS

Group trading profits had risen by £63,000 to £451,000. After an interim dividend on the Ordinary Stock at the rate of 5 per cent., free of tax, and the proposed final dividend at the rate of 8 per cent., free of tax, £28,000 was added to the amount carried forward now standing at £70,761. During the year the group had raised £1,000,000 extra capital by the issue of preference shares and by way of mortgage on the group's freehold and leasehold properties. This was being utilised in expanding the group's activities, in repayment of bank loans and augmenting the group's resources for further developments.

He considered the company's overseas activities would be an important factor in the future and so an overseas holding company—Broadcast Relay Service (Overseas) Limited—was recently formed with a nominal capital of £600,000, of which a proportion had been subscribed and the balance was on call to finance new development overseas.

ACTIVE DEVELOPMENT

The past year had been one of active development and considerable expansion to which the only limiting factor had been the scarcity of materials. Many thousands of new subscribers had been connected to Rediffusion services and a promising start made with the development of new areas. The company's services had been made available in additional blocks of flats, and in hotels, clubs and offices, while "Music While You Work" equipment had been installed in many more factories. As regards the extension of the company's licences beyond December 31, 1949, whilst he was confident they would be extended, no decision on this matter had yet been reached.

The factory at Wandsworth was engaged in developing a valuable export market for radio heating and communication equipment. Overseas, the group was now entering upon a period of rapid expansion—steps had been taken to operate both Rediffusion services and broadcasting stations in many parts of the world. Their first broadcasting station overseas—Radio Trinidad—would be on the air within the next few weeks.

The report was unanimously adopted.

WHITEHALL ELECTRIC INVESTMENTS LIMITED

The twenty-fifth ordinary general meeting of Whitehall Electric Investments Limited, will be held on the 24th instant, at Winchester House, London, E.C.2.

The following is a summary of the report for the year to March 31, 1947:

The consolidated gross income amounts to £274,283 against £269,530 last year.

The valuation of the assets is as follows: Quoted investments:—

	£
\$6 preferred stock of American and Foreign Power	1,694,451
Other Investments	2,169,867
West of England at cost	865,000
Unquoted investments and net floating assets	326,454
	<u>5,055,772</u>

The valuation attributable to the ordinary stock of the company (after deducting the 6 per cent. cumulative preference stock) excluding Athens and taking West of England at cost is £3,629,722.

In Greece the government and people have made strenuous efforts during the past year to repair the ravages of war, and they have been aided therein by Unrra and other friendly international and national authorities. The U.K. and the U.S.A. have sent expert missions to consult with the Greek Government concerning the country's needs, and they have given valuable help in cash and in kind. Recently the British Government requested the U.S.A. to assume the major responsibility in the provision of financial aid to Greece; and the U.S. Congress has authorised for the period to June 30, 1948, the sum of \$300 million.

The Athens electricity and transport companies have made good progress in the restoration of their services. The electricity company sold 194 million kWh in 1946 compared with 188 million kWh in 1939. The number of passengers carried by the transport company at approximately 150 million was equal to the number carried in 1939.

The companies brought about this successful restoration by the intensive repair of their installations which they financed out of their own resources. Nevertheless much remains to be done to fulfil the needs of the inhabitants of Athens and Piræus for electricity and transport, and a long-term scheme of capital works is under continuous study. Your board is of the opinion, subject to U.K. Exchange Control, that your company will be justified in finding a part, but not the whole, of the large amount of new money which the undertakings require; and, with the other shareholders in the enterprises and with the debenture holders, is making every endeavour to ensure that new money be obtained and that the undertakings be thus enabled to provide more generating plant, extensions to the transmission and distribution systems, and additional rolling stock. It is not possible to estimate when the company's investment in Greece may again yield a return. Physically the undertakings are in better shape than it was dared to hope a year ago. Commercially they are sound, and the demand for their services continues to grow. The fundamental problems remain those of drachma, sterling and dollar exchange. Granted an improvement in economic conditions and the ability to secure equipment and materials, there is every reason to expect the companies will regain their prosperity.

In the West of England, sales in 1946 reached 63 million kWh, an increase of approximately 10 per cent. over the previous year, notwithstanding the efforts of the com-

panies to assist the government by discouraging domestic consumption. Had it not been for these efforts, the increase would have been much greater.

The bill for the nationalisation of the electricity supply industry is now before Parliament and the basis proposed for the acquisition of your undertakings is broadly the adjudged market value of the shares and debentures of the holding company, West of England Electric Investments, Limited, to be satisfied in government stock. These

UNITED SUA BETONG RUBBER ESTATES, LIMITED

NEED FOR REALLY FREE MARKETS RESTRICTIONS STILL HAMPERING OPERATIONS SIR JOHN HAY'S VIEWS

The 38th annual general meeting of this company will be held at 19 Fenchurch Street, London, E.C., on the 14th proximo.

In the course of his statement to stockholders, Sir John Hay, the chairman, after reviewing the company's activities during the year 1946, states that the estimated output of rubber for 1947 is 17,500,000 lbs. He then goes on as follows. Although I have no desire to awaken past controversies, I feel I ought to say that there is nothing which has happened since I last spoke on the subject of the price of rubber which would lead me to modify the views then expressed. I can detect no merit in a series of *ad hoc* decisions unrelated to any discernible policy or plan which result in loss in the present and no assurance of compensating benefit in the future. Some of the surprise and disappointment which has been aroused by the recent heavy fall in the price of rubber is due to the somewhat widespread belief that the rubber market is now free. This is only very partially true. In the producing territories there are now no restraints on production or shipment, but in the main consuming country, namely, the U.S.A., there is, however, now in force an extreme form of restriction on the use of natural rubber and on the quantity of stock that may be held by any consumer.

This is accompanied by the enforcement of the use of domestically produced synthetic substitute in specified proportions over a wide range of manufactured articles. It is significant that, in a country which is regarded as the stronghold of free enterprise and non-Government interference with trade, these measures should have the support of the industry itself which in the past has professed to be shocked by the much milder regulatory steps introduced on the producers' side in circumstances where the need for such a measure was indisputable if economic disaster in Eastern territories was to be avoided.

NATURAL v. SYNTHETIC

The inference is quite clear. Synthetic "rubber," despite all the claims that have been made, cannot withstand the competition of natural rubber. Confirmation of this is given in statements of unusual frankness made in the U.S.A. Of these I give three examples:—

"... our synthetic rubber plant would, under free market conditions, soon find itself in vast surplus, and these important facilities would fall into progressive disuse and deterioration."

A correspondent of the Wall Street Journal expresses himself in language more picturesque:—

"Let free competition have full sway and—except for a few special purpose

terms are open to serious criticism in that no account is taking of the intrinsic value of the undertakings, and the West of England company is collaborating with other similar interests in seeking fairer compensation.

The American and Foreign Power Company plan of reorganisation is still under consideration by the U.S. Securities and Exchange Commission.

Viscount Cowdray has been elected a director of the company and a resolution will be submitted for his re-election.

products—the synthetic rubber industry would go down the drain like Saturday night bathwater."

And may I also quote the words of no less a person than the President of the United States himself in his message to Congress in February last:—

"With an adequate world supply of natural rubber and a free choice of materials by industry the use of synthetic rubber in the United States might fall substantially below the permanent production goals considered to be the minimum for the needs of national security."

EFFECT OF DISCRIMINATION

Whilst it is gratifying to have these authoritative testimonies to the unique quality of our product, this illrequiting discrimination against its use cannot but have serious consequences which will extend far beyond the bounds of producing territories. In estimating these it is important to bear in mind that prior to the war the U.S.A. consumed nearly as much rubber as the rest of the world. With its present greatly expanded economy and the general impoverishment through war of so many other consuming countries, the U.S.A. is both relatively and actually a far greater potential user of rubber than formerly.

There are secondary causes which serve to aggravate the situation. Formerly, the London rubber market, acting as the world's main distributing centre, gave ready facilities for the free sale and purchase of rubber. This market, closed during the war, was reopened this year, but is now subject to certain restrictions designed to eliminate what is termed "speculation." These restrictions hamper to some degree the free sale and purchase of rubber. Moreover, the restraints imposed by America on free enterprise, coupled with the knowledge that large stocks of rubber are held by Governments whose actions are unpredictable, all tend to the exercise of an excusable caution expressed in a not too great readiness to accept the risk of purchasing when the main consumer is out of the market. Thus deprived of his former market facilities the producer, generally speaking, is in no position to withstand the tactics of the near-monopoly buying of the chief consuming country.

PRICES AND IMPORTS FROM U.S.A.

The official reason given for the partial embargo on imports of natural rubber into the U.S.A. is national security. But the United States rubber industry has been less discreet and made it fairly evident that it supports these measures as a means of keeping the price of natural rubber down and has expressed the view that the present price is high enough, if not too high. If the price of rubber is to be related to prevailing values, as it surely in fairness should, then that view

can only rest on the exercise of power and not on any sense of just dealing, as the following figures demonstrate:—The price of rubber is about 11 per cent. above 1939 values. In contrast with this quite insignificant increase we find that the prices of our imports from the U.S.A. have risen to the most alarming degree. Lard has risen by 335 per cent. Cotton by 296 per cent. Wheat by 279 per cent. Tobacco by 143 per cent. Lubricating oil by 168 per cent. Pork is comparatively almost cheap, having risen by a mere 134 per cent.

Rubber is still the biggest of all our exports to the U.S.A. and is capable of providing an amount of dollar exchange equal to the total of all United Kingdom domestic exports. That being so, any distortion of the price of rubber in relation to U.S.A. imports must be a matter of very great concern, particularly in present circumstances, to this country as well as Malaya. In terms of the inter-changeability of rubber for imported goods from the U.S.A. as between relative values prevailing in 1939 and now, and taking the unit in each case as one English lb., we find that whereas we received in 1939 1½ lbs. of cotton for 1 lb. of rubber, we now get less than ½ lb.; lard equivalent was 2½ lbs., now ½ lb.; tobacco 9 ozs., now 4 ozs.; lubricating oil, one gallon, now ½ lb. of pork becomes ½ lb., and whereas for ½ cwt. of rubber we got 1½ bushels of wheat we now get only ¾ bushels. In other words, in terms of U.S. imports to this country the present price of rubber is equivalent only to a quarter to one-half of the 1939 price.

THE DOLLAR CRISIS

We are all by now only too painfully aware of the dollar crisis. It is no longer a matter which concerns only those whose business it is to deal with the problems of international trade. It pervades our whole economy. It enters into the direction and conduct of every phase of business. It determines what we shall eat, what we shall drink and wherewithal we shall be clothed. The Chancellor of the Exchequer has stated that the problem of bridging the gap between imports and exports is "by far the greatest and gravest of the immediate economic problems to be faced" on which depends "the whole future of our country and the standard of life we shall enjoy in years to come." But as long as this wide disparity in prices prevails between our exports and imports, how can we hope to bridge the gap? When the rubber problem is set in this larger context it surely becomes evident that if the discriminatory practices now in force in the U.S.A. are continued they will be productive of serious consequences extending far beyond far distant Malaya. The obvious remedy for the present situation is to remove at once the partial embargo on imports of natural rubber into the U.S.A. and permit full freedom of competition between the natural product and synthetic substitutes.

No industry, any more than a State, can continue "half-bond, half-free." Either it must be freed altogether, or one restrictive measure will beget another and this reactionary policy, an unhappy example in which has been set with least justification by the great creditor nation, will perforce have to be followed by debtor countries. Thus begun, this retrogressive process will extend in an ever-widening and vicious circle. These are the immediate and urgent matters which should be engaging our attention. We should not be diverted from them by highly speculative estimates, relating to an uncertain future, with their gloomy forecasts of surpluses which may never arise if the principle of freedom of trade, so ardently professed, is more consistently practised.

Forward sales.—In finishing this statement I should mention one matter of domestic interest. We have sold forward over 6,000,000 lbs. of rubber for delivery during the current year at 1s. 0.23d. f.o.b.

LUNUVA (CEYLON) TEA AND RUBBER ESTATES, LIMITED

STRONG FINANCIAL POSITION

The fortieth ordinary general meeting of this company was held, on the 12th instant, in London, Mr H. J. Welch (the chairman) presiding.

The following is an extract from his circulated address:—

The company made a profit of £127,460 on tea and £27,720 on rubber. Sundry receipts and interest yielded £9,616. After providing for London expenses, reserve for buildings, machinery, etc., and Ceylon taxation, there is a credit balance of £135,282. The proposed final dividend of 10 per cent. will make 15 per cent. for the year—an increase of 2½ per cent. over the dividend for 1945.

As compared with 7,424,181 lbs. in 1945, the tea crop in 1946 amounted to 7,490,785 lbs. The f.o.b. cost of production was 1s. 6.51d. per lb., or 1.43d. more than in the previous year. The average net price realised was 1s. 10.4d. per lb. as compared with 1s. 9d. per lb. last year. The rubber crop amounted to 1,712,887 lbs., a decrease of 118,937 lbs. as compared with 1945. The f.o.b. cost of production was 1.07d. per lb. less than for the previous year, and the average price realised was 1s. 3.78d. per lb.

We have budgeted to produce during the current year about 8,069,200 lbs. of tea and 2,093,700 lbs. of rubber. We have sold the major part of our 1947 exportable tea crop to the Ministry of Food. As far as we can see, this year promises to be a satisfactory one for shareholders. The financial position of the company is a strong one, and this should help it to meet successfully any adverse conditions which may arise in this or future years.

The report was adopted.

ANGLO-DUTCH PLANTATIONS OF JAVA, LIMITED

DISAPPOINTING DELAYS

The thirty-seventh ordinary general meeting of the Anglo-Dutch Plantations of Java, Limited, was held, on the 13th instant, in London, Mr W. H. Daukes (chairman and managing director) presiding.

The following is an extract from his circulated statement:—

Disappointment is added to disappointment in the continual delays we, in common with all other business interests in Java, suffer as regards the recovery of our properties. The total planted area at the end of 1940 was slightly in excess of 123,000 acres. By the end of this year or early next year the debenture stock will all have been redeemed, so that the total capital of the company will be represented by the £3,000,000 of ordinary stock. The cost of rehabilitation is an unknown quantity. I will, however, hazard an estimate of £10 an acre. This would mean an addition of £1,000,000 to our capital and the raising of the cost to £40 an acre, a very low capital figure.

The board have been considering for some time past the best method of raising the additional money that will be required. The board are putting forward no proposal at the moment as they must be quite convinced of the security of the tenure of their property under the new regime and will require convincing by the test of any new economic regulations as regards the welcome which is to be extended to foreign capital in the future. A more generous policy, for instance, for the remittance of money home will be essential if permission for the raising of further funds is to meet with any success.

The report was adopted.

LONDON & MANCHESTER ASSURANCE COMPANY, LIMITED

FURTHER PROGRESS

The seventy-eighth ordinary general meeting of this company was held on the 18th instant in London.

Mr A. H. Dawes (the chairman) said that although the last 3 months of their year had been difficult for the outdoor representatives owing to the unusually severe weather, the year as a whole had been one of substantial progress. The total income from all sources had amounted to £6,123,920, an increase of no less than £392,017 over the previous year. The total funds had risen during the year by the record sum of £2,130,906 and amounted at 24th March, 1947, to £33,395,608. For the first time the premium income exceeded the two million mark in the ordinary branch and the two and a half million mark in the industrial branch.

In the ordinary branch the total of new sums assured at £5,866,635 showed a substantial increase of £2,387,275 over the previous year. In the industrial branch the premium income amounted to £2,581,076. This showed an increase of £109,703 compared with the previous year's increase of £60,426.

The directors had declared a reversionary bonus of £1 per cent. on the sum assured in respect of ordinary branch with profit policies in force on 24th March, 1947, and still existing, the cost of the bonus being £266,955. Out of the industrial branch surplus, £165,897 was being allocated to industrial branch policy-holders (1) In the form of an increased reversionary bonus. (2) By relieving from further payments whole-life assurance policies where the life assured was of advanced age, and (3) By increasing the sum assured under certain maturing endowment assurance policies.

The report was adopted.

UNION CORPORATION, LIMITED

GROSS PROFIT EXCEEDS £1,000,000

The ordinary general meeting of shareholders in the Union Corporation, Limited, was held in Johannesburg, on the 27th ultimo.

Mr. P. M. Anderson, the chairman, in the course of his speech, said:—

The gross profit for 1946 exceeded £1,000,000 for the first time in the history of the corporation. The net profit was £635,615, an increase of £98,502 over the figure for the preceding year; £488,400 was used for the payment of dividends totalling 6s. per share, free of United Kingdom income tax, on the increased issued capital of the corporation, as compared with a net payment of 5s. 11.7d. free of tax on the smaller capital for the preceding year.

As a result of the issue of shares by the corporation last year the surplus of cash assets over liabilities shows an important increase. This is partly offset, however, by an increase in the contingent liability for uncalled capital on shares in other companies, of £398,224. Shares and debenture holdings have also increased on balance by £305,065, largely as the result of our new holdings in the Orange Free State.

In the Budget speech of February, 1947, the Minister of Finance announced a 10 per cent. reduction in the scale of taxation payable by the gold mines. This represents a further stage in the reduction of the very heavy war-time taxation to which the industry was subjected. In addition the Budget proposals will allow a more rapid amortisation of post production capital expenditure. Welcome though these reductions are, it cannot be stressed too often that the gold mining industry is still labouring under high discriminatory taxation out of all proportion to that borne by other industries.

The report was adopted.

GEDULD PROPRIETARY MINES, LIMITED

LABOUR TROUBLES

The forty-sixth ordinary general meeting of Geduld Proprietary Mines, Limited, was held at Johannesburg, on the 6th ultimo.

Mr P. M. Anderson, the chairman, in the course of his speech said:—

The ore milled amounted to 1,265,000 tons, or 28,000 tons more than in the previous year. The yield per ton milled declined by 0.1 dwt. to 4.23 dwts., but the ounces produced were slightly higher at 267,789 ounces fine which, coupled with a 3d. per ounce increase in the price of gold, increased the working revenue by £6,051 to £2,316,876. Working costs totalled £1,493,517 and there remained a working profit of £823,359.

The amount just mentioned for working costs represents an increase of 1s. per ton milled and follows increases of 1s. 4d. and 1s. 9d. per ton milled respectively for the two previous years making a total increase of 4s. 1d. per ton over three years. This increase is due partly to increased benefits granted to employees and partly to the carrying out of certain maintenance work which had been previously deferred on account of the war, but the most important factor has been the ever-mounting cost of stores.

Dividends totalling 10s. 6d. per share were declared. Ore reserves recalculated at December 31st last reflect, for reasons given in the consulting engineers' report, a decrease of 1,200,000 tons to 5,000,000 tons. The first quarter of this year has witnessed a much more severe strike of European employees. As a result the ore milled for the quarter, at 256,000 tons, was 65,000 tons less than that treated in the quarter ended December 31st and the working profit at £112,694 was about £70,000 less than anticipated.

The report and accounts were adopted.

EAST GEDULD MINES, LIMITED

ORE RESERVES, 12,800,000 TONS

The twentieth ordinary general meeting of East Geduld Mines, Limited, was held at Johannesburg, on the 6th ultimo.

Mr P. M. Anderson, the chairman, in the course of his speech said:—

The ore milled at 1,862,000 tons again showed a small increase, but the yield per ton milled declined by nearly 0.1 dwt. to 5.63 dwts., so that the output of gold at 524,445 ozs. fine was 4,425 ozs. lower than that of the previous year. The working revenue of £4,535,386 was 8d. per ton milled lower and working costs at £1,667,110 were 1s. per ton higher, so that the working profit at £2,868,276 was down by 1s. 8d. per ton. The increase in working costs is mainly attributable to the higher cost of materials and to a lesser extent to improved benefits to European employees, as well as more development work done.

The provision for taxation amounted to £1,753,174, being £296,429 lower than for the previous year, due partly to the amended rates of taxation and partly to the reduced profit. Dividends totalling 11s. 9d. per share or 1s. more than for the previous year were declared. In all we have this year provided £92,480 for silicosis, which represents a surcharge of about 2½ per cent. on our total wages bill in respect of the employees concerned.

Ore reserves recalculated as at December 31st last at 12,800,000 tons were 450,000 tons less than those for the previous year, but the value at 5.2 dwts. over an estimated stopping width of 59 inches remains unchanged. The development footage driven totalled 15,143 feet, of which 10,230 feet were sampled and disclosed 4,425 feet, or 43 per cent., payable, averaging 15.2 dwts. over 26 inches.

The report and accounts were adopted.

GROOTVLEI PROPRIETARY MINES, LIMITED

FURTHER RISE IN OUTPUT

The fortieth ordinary general meeting of The Grootvlei Proprietary Mines, Limited, was held at Johannesburg, on the 6th ultimo.

Mr P. M. Anderson, the chairman in the course of his speech said:—

Despite the continued shortage of labour and the strike of employees, members of the Mine Workers' Union, in March, the tonnage milled for the year ended December 31, 1946, namely, 1,922,000 tons, was higher by 7,000 tons than the previous record figure set up in 1945. The yield at 5.15 dwt was a little lower than the figure of 5.18 dwt the previous year, which resulted in a slight reduction in the working revenue to £4,278,856 from £4,284,301 in 1945. The continued rise in the price of materials, some increased benefits to employees, and the additional footage of development done, resulted in a rise in working costs from £1,889,168 or 19s. 9d. per ton milled in 1945, to £2,108,979 or 21s. 11d. per ton milled in 1946.

The amount provided for taxation, namely £1,083,853, was, however, lower by £390,995 than the previous year's figure so that the net profit rose by £160,826 to £1,072,646.

The pre-production capital expenditure will be fully amortised for tax purposes at the end of the first ten-year milling period, with the result that there will be an increase in the amount to be provided for taxation. In order to avoid the consequent drop in distributable profit, it has been decided to increase the milling capacity by 330,000 tons to 2,250,000 per annum.

During the first quarter of 1947 the tonnage milled was 361,000 tons and the working profit £266,688.

The report and accounts were adopted.

MARIEVALE CONSOLIDATED MINES, LIMITED

RECORD MILLING RATE

The twelfth ordinary general meeting of Marievale Consolidated Mines, Limited, was held at Johannesburg, on the 7th ultimo.

Mr P. M. Anderson, the chairman, in the course of his speech, said:—

Despite two minor strikes and a shortage of labour, the tonnage milled was 649,000 tons, an increase of 22,500 tons over the previous year, the highest milling rate so far achieved in the company's eight years of production. The yield of 6.01 dwts. was 0.27 dwt. higher and the revenue at £1,687,703 was accordingly £134,099 greater than the previous year. Working costs were, however, higher, so that the working profit fell slightly by £3,106 from £498,841 to £495,735. The increase in working costs from 33s. 8d. per ton to 36s. 9d. per ton reflects the continued rise in price of stores and equipment, as well as some increase in benefits to employees. The amount provided for taxation—£175,122—was lower by £109,947, so that the net profit rose from £207,909 to £308,917. Two dividends totalling 1s. per share, or 2d. more than the previous year, absorbed £225,000, leaving £259,449 to be carried forward.

Development footage was increased during the year, 23,934 feet being driven as against 19,226 feet in 1945. Of this footage, 8,860 feet were sampled and 3,075 feet or 35 per cent. were payable, averaging 286 inch-dwt. The ore reserve as recalculated at the end of the year remained at 2,500,000 tons at the same average grade of 6.0 dwt. For the first quarter of 1947 the tonnage milled was 138,000 and the working profit was £68,714.

The report and accounts were adopted.

VAN DYK CONSOLIDATED MINES, LIMITED

EFFECTS OF STRIKES

The thirteenth ordinary general meeting of Van Dyk Consolidated Mines, Limited, was held at Johannesburg, on the 7th ultimo.

Mr P. M. Anderson, the chairman, in the course of his speech said:—

During the year your company, in common with most other producing mines on the Witwatersrand, suffered from two short strikes, one by European employees in March and the other by native employees in August. Both these strikes affected the tonnage mined for short periods, but in spite of this the total tonnage milled in 1946 was 1,188,000, which is only 500 tons lower than in 1945. As shareholders know, the dissension within the Mine Workers' Union, which gave rise to the short strike in March, 1946, had nothing whatever to do with terms of employment or with relations between your company and the employees concerned. A similar strike during the first quarter of 1947 resulted in a much more serious dislocation of work.

The yield during 1946 was 3.92 dwts. per ton—namely, 0.05 dwt. per ton lower than in 1945, and working revenue for 1946 was accordingly £2,013,404, which is £26,413 lower than 1945. The net profit was £323,378 as compared with £259,449.

Development was again reduced and confined to areas which seemed most promising. The funds required for the development programme are considerable, and your directors came to the conclusion during 1946 that the interests of shareholders would be best served by discontinuing the payment of dividends for the time being in order to conserve profits for the financing of No. 5 shaft and initial development therefrom. The operations of your company were seriously affected by a strike of European miners during February and March, 1947.

The report and accounts were adopted.

ST HELENA GOLD MINES, LIMITED

SATISFACTORY PROGRESS

The first ordinary general meeting of St. Helena Gold Mines Limited, was held at Johannesburg, on the 6th ultimo.

Mr P. M. Anderson, the chairman, in the course of his speech said:—

The expenditure on the acquisition of the company's properties and on its shafts, plant and equipment and other items totalled £735,808 as at December 31st last, leaving in hand a balance of cash and cash assets, less liabilities, amounting to £586,992. In addition there remains an amount of £1,177,200 to be called up on the partly paid shares as and when further funds are required. Work is proceeding on the erection of housing for European and native employees and a number of buildings essential for carrying on preliminary operations have been completed.

The No. 3 shaft (30 deg. incline) has been fully equipped at surface and at the end of last month it had reached a depth of 258 ft. measured on the incline. Owing to the soft nature of the ground and the slow delivery of equipment, progress has been slow, but the rate of sinking will be more rapid when better conditions are encountered.

The South African Railways and Harbours has commenced work on the construction of a railway line, which will serve the mines in the Odendaalsrust area, and the Government has announced that plans are in hand for the supply of water by pipeline from the Vaal River some 50 miles away. In view of the difficulties inseparable from opening up a property in a virgin unpopulated area, I feel that the progress made by your company in the short period of its existence has been satisfactory.

The report and accounts were adopted.

GOVERNMENT RETURNS

For the week ended June 14, 1947, total ordinary revenue was £36,407,111, against ordinary expenditure of £35,849,788 and issues to sinking funds £170,000. Thus, £2,339,015, the surplus accrued since April 1st is £202,951,204 against a deficit of £219,649,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1947-48	Receipts into the Exchequer (£ thousand)			
		April 1 to June 15, 1946	April 1 to June 14, 1947	Week ended June 14, 1946	Week ended June 14, 1947
ORDINARY REVENUE					
Income Tax	107,300	169,531	159,576	8,212	7,551
Sur-tax	80,000	10,395	11,080	410	370
Estate, etc., Duties	155,000	32,905	33,653	2,976	3,000
Stamps	57,900	5,600	5,970	194	400
N.D.C.	202,000	5,359	4,540	250	200
E.P.T.	1,000	104	80	...	20
Other Inland Rev.	166,000	282,940	255,124	19,497	13,991
Total Inland Rev.	738,960	112,332	104,632	9,228	14,614
Customs	643,040	109,800	106,800	3,100	2,500
Excise	138,000	226,132	271,587	13,020	17,118
Total Customs & Excise	781,040	336,932	382,487	16,120	19,618
Motor Duties	50,000	4,940	5,755	275	247
Surplus War Stores	95,000	545	28,567	...	3
Surplus Receipts from Trading	55,000	...	...	...	...
Post Office (Net Receipts)	21,000	4,208	3,550	200	600
Wireless Licences	1,000	720	1,670	...	...
Crown Lands	1,000	180	180	...	...
Receipts from Sundry Loans	21,000	3,519	3,406	83	82
Miscellaneous Receipts	270,000	3,745	140,621	431	4,366
Total Ord. Rev.	3451000	526,922	711,460	33,507	56,407
SELF-BALANCING EXPENDITURE					
Post Office Tax on E.P.T. Refunds	144,230	22,200	26,000	1,600	1,900
Income Tax on E.P.T. Refunds	49,000	40,583	4,987	3,878	201
Total	3644230	589,705	742,447	38,985	58,508
Issues out of the Exchequer to meet payments (£ thousand)					
Expenditure	Estimate, 1947-48	April 1 to June 15, 1946	April 1 to June 14, 1947	Week ended June 14, 1946	Week ended June 14, 1947
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	525,000	99,824	107,424	5,727	2,350
Payments to N. Ireland	23,000	1,773	4,186	...	...
Other Cons. Fund Services	8,000	316	319	...	...
Total	556,000	101,913	111,929	5,727	2,350
Supply Services	2625367	642,790	394,241	50,400	33,500
Total Ord. Exp.	3181367	744,703	506,169	56,127	35,850
SELF-BALANCING P.O. & Broadcasting	144230	22,200	26,000	1,600	1,900
Income Tax on E.P.T. Refunds	49,000	40,583	4,987	3,878	201
Total	3374597	807,486	537,156	61,605	37,951

After increasing Exchequer balances by £262,821 to £2,765,863, the other operations for the week increased the gross National Debt by £4,565,516 to £25,468 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921.... 16

NET ISSUES (£ thousand)

P.O. and Telegraph... 400

E.P.T. refunds... 245

Overseas Trade Guarantees Act, 1939, Sec. 4 (1)... 1,850

Local Authorities Loans Act, 1945, Sec. 3 (1)... 2,000

War Damage: War Damage Commission... 150

Finance Act, 1946, Sec. 26 (7), Post-war Credits... 50

Finance Act, 1935, Sec. 30 (1), 3 per cent. Local Loans Stock... 4,707

Statistical Summary

CHANGES IN DEBT (£ thousand)	
NET RECEIPTS	NET REPAYMENTS
Treasury Bills... 1,068	3% Defence Bonds... 3,998
Nat. Savings Certs... 200	Tax Reserve Certs... 465
2 1/2% Defence Bonds... 1,472	Other Debt:—
Ways & Means Advances... 10,335	Internal... 35
	External... 9
	Treasury deposits... 10,000
19,073	14,507

* Including £3,364,000 paid off in maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1946						
June 15	1930-0	2559-9	338-1	19-75	1376-5	6224-2
1947						
Mar. 8	2185-0	2600-7	583-7	...	1443-5	6812-9
15	2185-0	2628-5	582-2	...	1435-0	6830-7
22	2185-0	2630-9	582-6	2-25	1434-0	6894-7
31	2185-0	2639-7	613-5	...	1456-5	6954-6
Apr. 5	2185-0	2704-4	592-7	18-75	1443-5	6944-4
12	2185-0	2728-8	580-6	...	1463-5	6941-0
19	2185-0	2708-6	585-8	...	1463-5	6885-5
26	2185-0	2692-1	519-9	...	1463-5	6822-9
May 3	2180-0	2661-5	507-9	...	1463-5	6684-1
10	2180-0	2629-4	401-3	...	1463-5	6633-8
17	2180-0	2627-1	348-0	5-25	1463-5	6601-1
24	2180-0	2620-1	327-5	...	1463-5	6585-8
31	2180-0	2603-3	337-5	1-5	1463-5	6575-4
June 7	2180-0	2584-9	341-5	5-5	1463-5	6562-9
14	2180-0	2592-1	347-1	10-25	1463-5	6562-9

TREASURY BILLS (£ million)

Date of Tender	Amount		Average Rate of Allotment %	Per Cent. Allotted at Min. Rate
	Offered	Applied for		
1946				
June 14	150-0	268-6	150-0	10 1-14
1947				
Mar. 14	170-0	273-9	170-0	10 1-59
21	170-0	288-2	170-0	10 1-29
28	170-0	296-9	170-0	10 2-51
Apr. 3	170-0	293-9	170-0	10 2-60
11	170-0	296-2	170-0	10 2-57
18	170-0	290-7	170-0	10 2-10
25	160-0	291-8	160-0	10 2-72
May 2	160-0	308-0	160-0	10 0-84
9	170-0	296-3	170-0	10 1-38
16	170-0	281-2	170-0	10 1-62
23	160-0	284-6	160-0	10 1-45
30	170-0	282-5	170-0	10 1-66
June 6	170-0	290-5	170-0	10 1-49
13	170-0	277-7	170-0	10 1-61

On June 13th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 49 per cent. of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for June 30th. For the week ended June 21st the Banks will be asked for Treasury deposits to a maximum of £50,000,000.

NATIONAL SAVINGS (£ thousand)

	Week Ended		Totals Mar. 31 to June 7 1947
	June 8 1946	June 7 1947	
Savings Certificates:—			
Receipts	3,000	2,250	69,950
Repayments	2,400	2,000	28,450
Net Savings	600	250	41,500
Defence Bonds:—			
Receipts	1,070	1,750	18,820
Repayments	...	662	6,765
Net Savings	1,070	1,088	12,055
P.O. and Trustee Savings Banks:—			
Receipts	15,819	11,831	125,394
Repayments	14,261	12,603	120,566
Net Savings	1,558	Dr. 772	4,828
Total net savings	3,228	566	58,383
Interest on certificates repaid	384	400	6,015
Interest accrued on savings remaining invested	2,011	2,247	22,574

BANK OF ENGLAND

RETURNS

JUNE 18, 1947

ISSUE DEPARTMENT

Neither the British nor the American Government is likely to find this approach very satisfactory. The first conference held by the ECE, at the beginning of May this year, brought to light some considerable divisions of opinion between East and West. The East European states, led by

Russia, were anxious to bring to an end at once the work of such functional committees as the European Coal Organisation (of which Russia was not a member) and the Committee for Inland Transport (on which Russia played no part); they also pressed for the immediate demise of the European Emergency Committee and the transfer of its powers to the Economic Commission for Europe. In all this there was a patent desire to reduce Western influence even at the risk of wrecking international machinery which was actually and effectively at work. Again in question of procedure, the attitude of Russia and the Eastern European states was to press for the time being for a two-thirds majority rule which in effect would mean a veto on all decisions unacceptable to the East. These and other minor incidents convinced the delegates from Western Europe that any work done through the ECE would be hampered and delayed at every turn by the intense suspicions felt by Russia for all things Western and its determination to use any means—procedural or otherwise—to block policies to which it took exception. Somewhat naturally, the governments in the West now tend to argue that to submit the Marshall plan to such a body would simply risk endless delay and infinite frustration when the relentless passage of time remains the most important factor of all.

Yet how miserably sterile it would be if a matter of machinery were to block the Marshall plan at the outset. The difficulties presented by the ECE are after all difficulties which will arise in any case now that Russia is taking part in the discussions. Whatever machinery is set up will have to deal with intense Eastern suspicion and with stonewalling on unacceptable points. Is it certain that this opposition will be any worse inside than outside the ECE? There are, moreover, some arguments for using the Commission. It is a child of the United Nations. Its legacy from the earlier European functional committees enables it to provide factual material and an embryonic organisation for dealing with some of the problems. Above all, the Powers are already represented in it—including the United States. Might it not therefore be the course of wisdom to reach a compromise between the Russian and the Western views?

A possible course of action might lie in strengthening, by the inclusion of the best technicians available, the various committees and panels which are waiting to be transferred from the European Emergency Committee to the ECE. Russia should be asked to appoint representatives to them immediately and they might, in a general way, be placed under the supervision of the ECE on July 5th. The governments would continue to choose and pay them, but they could be temporarily seconded to ECE. The matters covered in this fashion would be transport, food and agriculture, coal, public utilities, soft timber, fertilisers and alkalis. No committees or panels exist for dealing with iron or steel, textiles and their raw materials, fuels other than coal, rubber, machinery of all sorts or questions affecting labour. In these spheres, panels would need to be set up at once and they too might be grouped under the general responsibility of the ECE. But would this approach differ in any way from Russia's probable proposals? Would it avoid the strictures of delay and obstruction already raised by the first meeting of the ECE? The answer surely is that with the mere presence of Russia in the negotiations these risks must be run, and the Western nations do not need so much to bypass the ECE from the first as to restrict its responsibility to that of general supervision and to have their alternative plans ready if they become convinced that the Commission is simply incapable of providing a working organisation. It should be clearly understood from the start that the British intend to abide by a

timetable, and that they are not prepared, except within very narrow limits, to sacrifice this timetable for the sake of unanimity. If decisions are delayed and endless argument develops, Mr Bevin should take the lead in drawing up concrete proposals with those nations—Eastern or Western—which accept speed as the first criterion.

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The first points on the agenda of the Powers should present few difficulties. Europe's needs are not hard to assess since a mound of factual information already exists, and the task of the technical committees would be rather to disentangle the detail and work out priorities than actually to establish facts. But the moment the problem of Europe's own contribution is tackled, the Powers will be faced with a problem of very great complexity. In many fields, particularly in the vital field of coal and steel production, it is an obvious fact that the difference between pre-war European production and the present low levels is accounted for almost precisely by the catastrophic fall in German production. It is the reduction of German industry to stagnation that is, above all, responsible for Europe's failure to recover, and it is difficult to see how a sensible scheme for Europe can be evolved without taking account of this fact. But if sheer force of circumstance elbows the German problem into the centre of the European discussions, the Powers will find themselves facing once again the two great unsolved problems of the Moscow Conference—the Russian attitude to reparations and the French attitude to German re-industrialisation.

The question facing the European Powers today is whether, within the framework of the Marshall offer, a new approach is possible. The essence of the idea is that, once Europe's own contribution to its needs has been assessed, the United States will assist in making up the balance. The bearing of this on the Moscow deadlock is obvious. In any honest assessment of Europe's needs, the Russian claim for help must be very large. Germany's potential contribution is also enormous. Would it not be possible to take the question of German industrial reconstruction out of the context of reparations and place it in the wider framework of "mutual aid"? That Eastern Europe, on the basis of sheer need, would have a claim to a large part of what Germany could contribute is obvious, but Western Europe would gain equally from the revival of economic activity. The idea of reparations as such has become completely unreal in the face of Germany's inability to produce at all. But when German production has revived, it is entirely reasonable that a large claim upon it—a larger claim proportionately than on the production of any other European country—should be stated in favour of the needs of Europe as a whole. American capital would assist the process, not as a direct contribution to balancing the budget of an Anglo-American Zone, but rather as a contribution making good the deficit in an overall European balance-sheet. In short, the aim would be to break the deadlock at Moscow by substituting two wider conceptions for the old categories—mutual aid instead of reparations and the European economy as a whole instead of the balancing of German production between Western help and Eastern demands.

But even if this transformation were possible, French objections to the re-industrialisation of the Rhineland would remain, and it would clearly be unwise to alienate a vital partner and neighbour in Western Europe for the problematical good will of the Eastern European negotiators. Two types of safeguard for France's legitimate fears have been discussed. The first, proposed by the French themselves, is that the reconstruction and expansion of the steel industry in France should take precedence over Germany's and that a higher proportion of German coal should permanently be despatched to Lorraine. Such

policy is not inherently impossible, but the first step is to increase German coal output, and this process is inseparable from general industrial revival in the Ruhr. Priorities for France could, nevertheless, be included in a long-term scheme. The other suggested safeguard is that some sort of international supervisory body should oversee the development of the Ruhr as a whole. If such a body were to be composed of the West European nations only, it would raise no particular difficulties. But clearly the Russians will press to be represented, and the record of such bodies as the Kommandatura in Berlin discourages optimism for the working of such an inter-Allied body. If it were accepted as a solution, the Western Powers would need to frame a procedure which would safeguard their voting position and might reasonably ask a *quid pro quo*, possibly in the shape of similar supervision of the Silesian industrial complex.

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Problems of procedure and problems of the agenda will bulk large in the news in the next weeks. They are bound to attract most of the reporting and most of the comment, and for that reason there may be some loss of perspective on the Marshall

offer as a whole. European agreement and the hammering out of a workable plan is one element only in the total problem. There remain the question of presentation to Congress and American public opinion and the question of securing the necessary American credits. A European balance-sheet which contained within itself nothing more sensational than claims pressed collectively instead of singly has little chance of firing a public mind equally ready for generosity on the biggest scale and for hard-headed haggling on the smallest issue. And behind the question of presentation lies the even greater problem of mobilising Congressional support. It is no use denying that the prospects for a bipartisan foreign policy look, after the fight over the Labour Bill, darker than ever before. Nor is the entry of Russia into the talks an asset in many American circles, however essential it may be at the European end. These difficulties are not immediate in the sense that they will not arise until the plan is at least formulated. But the statesmen in Paris cannot afford to forget the tough perspective in which the American and not the European reaction will carry the most weight. There are at least three more rivers to Jordan and the broadest may well come last of all.

Lords Test Match

THE House of Lords is evidently on probation again. It has been considering the Transport Bill and in doing so has, not unnaturally, inflicted a number of defeats on the Government. "We shall see in due course what is done about it" (the Transport Bill), Mr Herbert Morrison is reported to have said last week, "and according to what the Lords do we shall consider our future constitutional policy." Such a statement can mean anything or nothing; its impression depends very much on the tone of voice in which it is uttered. But, whether by Government design or by the incidence of events, the cloud of constitutional reform has crept back on to the horizon.

Disputes between Lords and Commons have something of the quality of test matches. No one knows in advance whether the contest will be one of dramatic interest and decisive conclusion or whether it will drift into a series of timeless first innings culminating in yet another drawn game. On the whole the draw theory prevails. Arguments over the future of the House of Lords may start on the lofty heights of principle but they tend to finish in the lower swamps of practical difficulties and innumerable alternatives. There is, of course, no logical justification in Britain today for the existence of two independent legislative assemblies each having concurrent and virtually

sovereign rights of legislation. It should be possible for the political genius of the British people to evolve some arrangement of their future functions which would retain the wisdom and experience of those peers who do in fact make up the House of Lords—they are barely one in ten of its total nominal membership—while leaving beyond dispute the political supremacy of the popularly elected assembly. But it is very difficult to put any such plan down in black and white, and once the conflict between the two Houses is raised to the level of the conscious in the minds of the protagonists it becomes increasingly difficult for them to remember that relations between the two assemblies are fluid, are still in a state of constant modification and mutual adjustment, and that they are affected even by so intangible a thing as an argument over the future of the House of Lords.

That the relations between the two Houses do change is obvious. Recently Lord Salisbury accepted the principle that the Lords should not reject outright a measure proposed in an election address of a Party and carried through by that Party when it has won its majority of votes in the lower chamber. Such an argument would have been traitorous, if not incomprehensible, to Lord Halsbury only thirty-five years ago. Nor is the reason for the change hard to find. Death removes as

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many peers as it does members of the lower House. The Lords may never suffer from the drastic purge of a general election, but over thirty years mortality is just as efficient as the ballot box.

It is reported that the programme makers of the Labour Party are considering whether to include in their projected platform for the next election the issue of "The Peers versus the People." Before they do so it might be as well for them to think over the events of the first half of this century. Admittedly the picture is crowded and the high-lights of conflict vivid and attractive. But when the detail of the tapestry is studied it is possible to advance certain general propositions of a more sobering nature.

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The first is that little has been solved by black and white plans. The fight over the Parliament Bill in 1910 and 1911 was the bitterest political battle of the half-century. Yet what use has been made of the Parliament Act of 1911 in the thirty-six years of its existence? Its mechanism has been used for two Bills and two Bills only, the Irish Home Rule Bill and a Bill to disestablish the Church of Wales. Is it only a coincidence that neither Bill ever became an effective statute and that the controversies aroused by each were either dead or fought in quite a different form only ten years after the Bills had been introduced into the Commons? The Commons defeated the Lords in 1911 by the use of a threat which was never put into operation. May it not be that the only effective threat is one that is never carried out?

The second proposition is that inevitably a second chamber has a different political complexion from its companion. This arises from another dilemma in constitution making. It would, logically, be ridiculous to have two legislative assemblies each elected at the same time by the same electorate and having the same length of life. Yet, as soon as any one of those factors is changed in the case of one assembly and not in the case of the other, the two bodies are themselves bound to differ. And, if they differ, then at some point in time they will conflict. The only answer would seem to be to define and separate the functions of each so that in no circumstances can they conflict. That brings us to the third proposition.

The third proposition is that it is exceedingly difficult, if not impossible, to draw any formal and exact line on paper dividing the functions of two assemblies both of which have the duty to consider legislation, and the acts of government, in the making. It is attractive to imagine that one body shall perpetually be sober, submissive and socialist, that it will content itself with the offering of good and acceptable advice and the duty of formal revision. If a chamber is given the right to advise it will, being human, expect that advice to be followed and the conflicts that follow rejected advice can, as any student of family life knows, be just as bitter as those which arise from problems of policy or jurisdiction. If a chamber is given the right to amend any form of words, at some stage or other it will make a revision that in appearance is one of form but which others will claim is in reality one of substance. And if the advice offered or the changes made are ignored, and if there is nothing that the other assembly can do about it, that second chamber will wither away as effectively as the post of Governor-General of the Irish Free State withered away.

If these propositions are accepted, there is no case for reforming the House of Lords. There may be a case for abolishing the House of Lords. It is galling for a Party with a majority in the Commons to see its best loved productions whittled down by the Lords, just as it is equally galling for the Lords to see measure after measure with which they are in complete disagreement slide through their House when on paper they still have the full right to stop their onward course. Would it

perhaps be kinder to both Houses to put the Lords out of their agony?

That, no doubt, is the proposition that the Labour Party will debate, in private and perhaps in public, over the coming months. Yet if it is wise it will shrink back from the drastic action of giving the British people a government by one sovereign assembly alone. That the House of Commons is supreme is now universally accepted; and any real attempt by the Lords to thwart the Commons would be as universally condemned. The role that the House of Lords performs is a small one, on its own admission. But it is a necessary role and it is well performed. The record of the present House of Commons is hardly evidence for the thesis that one chamber can show the tolerance of dissenting views and the patient attention to detail that are necessary to the process of legislation. Nor does the record of the House of Lords in the present Parliament provide any evidence for the thesis that it is attempting to thwart the popular will—the irritable remarks of Ministers to the contrary notwithstanding. The leader of the Conservative majority in the Lords has declared the principle that the Lords' duty is to accept the principle and improve the detail of any Bill passed by the Commons, and he has proved his sincerity by advising his followers not to vote for several "wrecking" amendments. And if the Government think that some of the amendments that have been carried against them are in fact alterations of principle, they still have an opportunity in the Commons to put back the original wording. This is only the first innings of the test, and no constitutional issue will arise until and unless the Lords persist a second time in disagreeing with the Commons. All that they are doing at present is giving the Government an opportunity to think again on a number of points of detail. No second chamber could very well be expected to do less. And it is a very good thing that there is a second chamber to do as much.

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Once it is accepted that there should be a House of Lords of some kind, the arguments for leaving the present House of Lords as it is become of overwhelming strength. The ideal House of Lords, after all, is one that is content with the small role that the House of Commons is prepared to allow it to play. By and large, the present House of Lords is so content—that is implicit in Lord Salisbury's principle—and the reason is precisely that it is so conscious of the weakness of their position in a democratic age. Once the members of the House of Lords were given a more justifiable title to be accepted as legislators—and almost any principle of selection that anybody could suggest would be more logical than hereditary right—they would inevitably begin to think that they too had a mandate. A reformed House of Lords would almost certainly be a much more troublesome House of Lords. Labour Ministers can, if they choose, dispense with a Second Chamber altogether, though they must not expect the majority of the country to follow them if this is their decision. But they cannot reasonably expect to have a Second Chamber that gives them more help and less trouble than the present House of Lords—not even if they packed it entirely with life-long members of the Labour Party.

There is one small change in the House of Lords that might improve its membership without altering its powers. That would be to extend the precedent of life peers from the Law Lords to ordinary members, who might then be reinforced by many men who hesitate to put the burden of a title on their sons. But, this detail apart, the only sound way to reform the House of Lords is to go on talking about the reform of the House of Lords, and to go on doing nothing about it. That has reformed it far more effectively than the Parliament Act 1911, ever did.

The Lean Years

EVERYONE expected that the world war would bring in its train a severe dislocation to agriculture, but it was confidently hoped at the time the fighting ended that at least within one or two years the beginning of a steady, if gradual, improvement would become evident. It is now almost two years since VJ day, and the prospects seem worse than they were then. The American call for an international food conference has made even the optimists realise that the situation next year will be no better than this, in spite of bumper harvests. A conference may help in clarifying the position; countries may even be persuaded that their own diagnosis is wrong; but at least it is certain that a conference will not increase the world food supplies, either by expanding production or by restricting consumption in the lands of plenty.

As with so many other of the world's economic problems, the shortage of food is not so much a matter of underproduction, as of mal-distribution of both production and consumption and the lack of effective machinery to adjust supplies to needs. Broadly, there is increased output and a higher level of feeding in the Americas, with reduced supplies and limited rations in the rest of the world. During the war years, the estimated world population has increased by 3 to 5 per cent, while food production on the average is still below the pre-war level. This simple fact alone would account for a shortage. It is not sufficient for agricultural output to regain its 1935-39 average, it must exceed it by more than this percentage if the average pre-war standard of living is to be attained. And even the pre-war average may not be enough, if some countries keep the gains in feeding standards that they have secured during the war years. Moreover, the Western Powers are taking a more realistic interest in the welfare of the Asiatic peoples. A famine in India is no longer merely an excuse for headlines. Failure of the rice crop means a diversion of grain supplies to the distressed area. In equity and in theory, these diverted supplies ought to be taken away from those who have most to spare. But in practice the only point at which such deliberate acts of policy can be brought to bear is at the point of international allocation by the International Emergency Food Council. It is not the consumer who has most to spare whose wheat goes to the East but the importing nation which is adjudged to be furthest away from starvation—which often means Great Britain.

The IEFEC has done some very good work, and it would be unjust to disparage its results. But like Uno it has not been able to invade the sovereignty of its states members; it has only been able to do what they have been prepared to agree to. It is one thing to distribute an exportable surplus among needy nations; it is another to allocate world output according to national requirements, which would require an impossible degree of international control. Had it been politically possible for the United States to make sacrifices of its own consumption in fact as well as on paper, in order to make more food available to the hungry world, her moral leadership of the world would have been assured.

The increased world demand for food has been caused by two factors. The first has been the increase in population, but secondly, increased prosperity and a higher standard of living have meant a larger consumption per head. In the food producing areas the individual increase in consumption has been striking; in the consuming countries the larger demand is still a potential, kept within bounds by rationing schemes. Higher money incomes would in any case have meant a higher demand for food. But what has been, perhaps, even more important during recent years has been the additional inflationary demand

for food in the producing regions caused by increased prosperity and limited opportunities for expenditure.

The great attention paid in many countries to the raising of standards of nutrition, and particularly the introduction of milk welfare schemes such as have become familiar in Great Britain, have meant that for some years to come, the world demand for milk will be greatly in excess of supply. This will have a dual repercussion; it will tend to limit the supplies of milk available for other purposes such as butter and cheese; and it will also cause a deterioration in the quality of meat, if not an actual reduction in output. Liquid milk cannot travel very far and domestic agriculture in those countries where the consumption of milk is being stimulated will assume a bias not merely towards dairy farming in general, but specifically towards the production of liquid milk. Great Britain affords a good example. With a cattle population among the highest ever recorded, and an output of milk which would have seemed impossible before the war, the average consumer in the United Kingdom is still restricted to an absurdly low ration. Nor does the immediate future hold much promise of an increase. Milk yields are not yet back to the pre-war level, but given adequate concentrated feeds and proper stock management there is every possibility for them to rise above it. The cost to the nation of milk consumption schemes is, in fact, the loss of production of the other dairy products and meat, which has to be incurred.

The livestock position is aggravated throughout the world by the shortage of feeding-stuffs. The emphasis on bread-grains (wheat and rye) during the war caused a reduction in the output of maize and oats, while the ploughing up of pastures only accentuated the shortage of livestock feed. In 1946 a bumper American maize harvest boosted the world output to well above the pre-war level, but the supply of feeding-stuffs in general is still far from satisfactory. Concentrated cattle feeds depend on the supply of oilseeds, and world output is at the moment barely 75 per cent of the 1935-39 average.

Arable crops, which nowadays are of basic importance to the food supply, have been affected by the dearth of fertilisers. The change of emphasis from indirect consumption of crops—that is, through the medium of livestock—to direct, caused a greater exhaustion of the land, while the supply of both farmyard manure and artificial fertilisers has been reduced. But as the world's chemical production is restored to more peaceful uses, the yields per acre, other things being equal, should increase. The supply of agricultural machinery can also be a serious limiting factor to production, even in Europe where much of the farming is carried out on a peasant basis. The mechanisation of agriculture will have to be pursued with even greater thoroughness than in the past, particularly since the migration of labour from country to towns has been speeded up by the war. Much will depend on the ability of the industrial areas to produce the necessary equipment. A shortage of fuel may indeed cause a shortage of food.

The food situation in both North and South America is essentially the same—increased population, a higher individual level of purchasing power, increased industrialisation and, at least in the United States, a tendency to start importing foodstuffs. So long as the American national income is increasing, the larger domestic demand is certain to exert its influence on the exportable surplus of foodstuffs. In 1946, when the world was literally starving after grain, quantities which could otherwise have been exported from the United States were fed to cattle to cover the increased home demand for meat. Any basic change in the American economy may take decades, but it would be unwise to refuse to see the beginning of a development taking place—

the changeover of America from a world food producer to a world food importer.

Of all the main world agricultural producers, the only two which have continued the rationing of domestic consumption in order to safeguard their exportable surpluses are Australia and New Zealand. It is true that this may only be a long-term investment in maintaining vital pre-war markets, but the gesture is significant. Output in the two southern Dominions has been largely affected by the labour problem. Many of the men returning from the Forces are refusing to go to agriculture; the general emigration to the towns is indeed serious. In the dairy industry a complication has arisen in the introduction of the 40-hour week—to which, unfortunately, the cow cannot be made to conform. But although this will necessarily increase costs, the policy will prove itself, if in fact it does help to improve to attract more people back to agriculture.

In Britain, the emphasis must be largely on dairy farming and particularly on liquid milk. Unless considerable improvements in yields is obtained, the domestic production of butter and cheese is unlikely to regain its pre-war level. It is even problematical whether home-produced meat will again be available in adequate quantities. Small baby beef finished off at 10 cwt. in 18 months, would be ideal for the British economy; but nowadays that would only be possible, firstly by the provision of a sufficient number of store cattle from an outside source (for example, from Eire), secondly by a rapid reversion from arable to cattle and sheep farming and thirdly by the adequate provision of artificial feeds. In any case, the existence of a large dairy herd in Britain will increase the available supplies of veal and inferior cow-beef.

The agricultural recovery in certain European countries has been amazing, but the overall position is still far from satisfactory. The grain areas of the eastern states and the dairy produce of the Baltic countries have been re-directed to Russia and therefore tantamount to a loss to the world market. The Soviet Union has an exportable surplus only when it is politically necessary. This year, it is estimated that Europe will

require some 25 million tons of bread-grains from outside sources and a further 5 million tons of feed grains.

The major grain problem at the moment is one of shipment. The United States is finding it extremely difficult to maintain deliveries, which are already well behind schedule. The pressure of the high level of industrial activity on the transportation system is undoubtedly a factor, but there also seems to be from time to time a recurrent shortage of shipping space. This is certainly true of Argentina. On the whole, however, from 1949 onwards, the world grain position should improve.

Unfortunately the same is not so true of the livestock situation, covering meat and dairy produce. Owing to long-term nature of trends, and the fact that supplies of feed will not be adequate until about 1950, there is little hope for supplies being adequate to enable rationing to be abandoned before about 1952.

Underlying gloomy prognostications such as this, however, there is one large assumption that it is as well to bring out into the open. This is that the level of individual demand for food will remain as high as it is today. The demand for food is exceptionally high today in most countries, though its effects are different. In every country there is a tendency to take it for granted that this higher demand for food is a permanent and irreversible change, sanctified by a deliberate decision of statesmanship. But in fact, though political acts (such as the British food subsidies) have played some part, the high demand for food is mainly the result of hyper-full employment, of monetary inflation and of the shortage of other consumption goods. It is basically due to the fact that, in every country, the people have more money in their pockets than ever before and less to spend it on.

There is a certain compensation in this as in other economic affairs. If the world remains inflated and fully employed, it will continue to have food rationing in all but a few fortunate countries, and high prices for food there. But if—or when—the inflationary bubble is pricked, the world will be able to console itself to some degree by making a beginning with the dismantling of its apparatus of food control.

Italy's Former Colonies

EACH summer London fills up with Britons on leave from hotter climates. This year a contingent from Italy's ex-colonies is included in the crowd. The sight serves as a reminder that, until further notice, the British Government is caretaking in Libya, Eritrea, and Somalia, at some expense to the British taxpayer. The present position is that their fate should have been settled by the Italian Treaty. But the Big Four could not agree about it. The Foreign Ministers therefore arranged in Paris last June that Italy should renounce sovereignty over the African territories and that their future should be decided within a year of ratification of the peace treaty. Mr Bevin secured that, in the interests of continuity, British military administration should carry on. Finally, failing agreement, he and his colleagues agreed that they would refer their conundrum to the United Nations Assembly and abide by whatever decision it should take. This process of ratifying the Italian Treaty is not yet complete, though a simultaneous deposit of ratifications now seems imminent. The year of decision has therefore not yet begun. All that has been agreed is that a Four-Power fact-finding mission shall leave for the territories and report back to the four Foreign Ministers.

The colonies concerned are all pre-Fascist acquisitions upon which Mussolini lavished money and attention, not because they were economic assets—all three were liabilities—but because of his hunger for Empire and of his policy of keeping Italian emigrants on Italian soil. The demographic results were not

good. Libya, at Marshal Balbo's zenith, housed 89,000 Italian officials and colonists as against 750,000 Arabs; Eritrea—a stable little dependency until its economy was upset by misuse of the country as a base for the attack on Ethiopia—held some 70,000 Italians as against 800,000 Eritreans. Somalia, which is an unappetising desert, never accommodated more than 3,000 permanent Italian residents, now only anxious to escape the climate and get home again. Superficially these three lands have points in common. All flank the main trade and strategic route along the Mediterranean-Red Sea passage. All possess strategic possibilities and none of them has wealth to export.

Libya is bound to perplex the Big Four the most because it is nearest to the shadow-line between East and West. Indeed, since President Truman inaugurated his Greek-Turkish policy, it has been uncomfortably close to that line. At the same time it is the most discontented of the three territories. For three years—from 1940 to 1943—it prospered on lavish spending, now by Rommel's soldiers, now by Montgomery's. For two years after that it lived on hope and—like the desert sheep—on the accumulated fat of its tail. Now that fat is exhausted, and to crown everything Tripolitania suffered during last winter a really grave drought.

The natural division of the territory into two provinces has been perpetuated by the British Military authorities. It will be remembered that the Italians found the Tripolitans easier to conquer and to manage than the hardy, fanatical Senussi of Cyrenaica. They ran Tripolitania as part of metropolitan Italy

and settled there rather than in Cyrenaica's pleasanter hills. The Senussi hated Italy, and helped the Desert Rats. For this and other reasons the British have treated Cyrenaica as an ally and Tripolitania as ex-enemy territory. For instance, in Tripolitania 40,000 Italians have been allowed to remain; in Cyrenaica all are gone. In Tripolitania the Italian penal code is still administered in Italian courts; Cyrenaica is ruled in Arabic by British military decree. Yet even the Cyrenaicans do not like their lot. Both territories are influenced by Arab League propaganda and are bitterly disappointed that the welcome victory of 1943 has not brought them independence. Both would oppose by force any return of the Italians, and this in spite of good relations between Italian farmers and Tripolitanian Arab labourers. Both are united in wishing that their country shall not be partitioned into two. The Cyrenaicans (who have no love for Egypt because of Egyptian treatment of the Senussi during the war) want Libyan independence on a budget to be balanced by leasing bases to great Powers. The Tripolitans are divided into parties that agree with this view and parties that favour some link with the Egyptian crown.

The Eritreans are even more divided in their wishes because they are a more mixed bag from the standpoint of race, religion, language and history. They are neither so discontented nor so anti-Italian as the Libyans, first because they were prosperous under Italy, and second because they are enjoying, under an all but forgotten British military administration that is running an economy in a teacup, a self-contained prosperity. They prefer to forget that this cannot last once general trade is resumed. The 20,000 Italians who remain in the territory include redundant technicians and are many of them unemployed and maintained in British relief camps, but the Eritreans are enjoying more schools and more business openings than they have ever known.

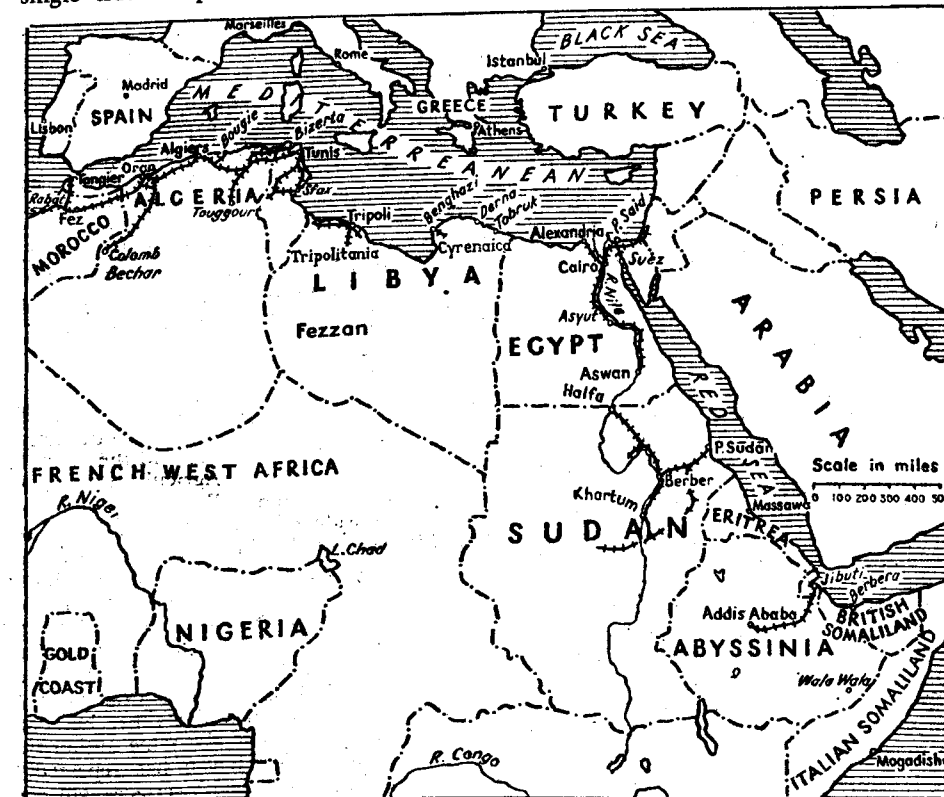
Somalia presents a problem that is simpler from the standpoint of local wishes, but is a political puzzle. Somali tribal lands extend over the three Somalilands, as well as into Keftya and the Ogaden province of Ethiopia. As the Wal-wal incident so memorably displayed, the tribes wander from one territory to the other according to seasonal and tribal rights to wells. The logical solution for them would be to place all under a single trusteeship. But when Mr Bevin suggested this, with

Britain as trustee, Mr Molotov rejoined that he was not going to subscribe to "enlarging the British Empire at the expense of Abyssinia."

The Big Four are not the only outsiders with an interest in the problem. All the neighbours are anxious, some for a frontier adjustment, others for outright annexation. The Emperor of Ethiopia, for instance, claims the whole of Eritrea and Somalia. He is backed by his band of admirers in this country regardless of the fact that to run Eritrea as it is now being run would cost one-fourth of Ethiopia's total annual revenue, which is £4,500,000 yearly. Similarly, Egypt, and indeed the whole of the Arab League, is interested in the fate of Libya. If there is not to be independence, an Arab state will ask to be one of the trustees. France, on the other border, is wholly opposed to Libyan independence out of understandable fear that this would upset Tunisia and Algeria. Britain is determined to keep a promise to the Senussi—first given by Mr Eden in 1942 and reiterated by Mr Bevin—that they shall "never again fall under Italian domination." The Americans favour three international trusteeships. The British have an innate dislike of management of backward peoples by a team that may not be homogeneous.

Last but not least of the interested parties is Italy, where an unemployed Ministry of the Colonies has not yet been disbanded, and where the Italian residents in Tripoli are a direct and often poignant spur to a continued Italian interest. Naturally, there can be no question of restoring Italian sovereignty. Britain will not break its promise to the Senussi; some sort of trusteeship there must be, yet no one of the Big Four will allow that any one of the others shall be sole trustee. What alternative remains? Only that of some form of international trusteeship. Admittedly, there are very strong and valid objections to the principle of mixed administrations. Not all work with the relative smoothness of Tangier, and the British legitimately distrust organisations which parade Europe's quarrels before African eyes. But given the impossibility of restoring Italian sovereignty and the equal impossibility of the Great Powers agreeing on a single trustee, a mixed administration seems the only solution—except for Eritrea—in which case there would be every reason for including some Italians in its working, particularly on the technical side.

But the final decision is still some way off, and till it comes British military administration must pursue its thankless way. The work it has done should not be underrated. Caretakers are always expected to do a good job without spending on the fabric. It has throughout lacked funds, and lost good personnel through demobilisation, and has nevertheless produced at least in Eritrea a stable economy, and in Tripolitania a territory which, until the drought, paid its way. A well-chosen mission of experts under Sir Bernard Reilly has just framed recommendations on the policy to be followed until settlement is reached: notably in regard to foodstuffs, imports, and the employment of more Arabs, including Egyptian technicians, in the Libyan administration. It has increased schools, taught husbandry and other crafts, and improved the lot of many Africans. In fact, both the staff and the peoples it cares for would face the future in better heart if either knew where they were going to be in 1948 or 1949.



NOTES OF THE WEEK

Five-Day Fall

There is a danger that a lot of ill-feeling will be stirred up about the five-day week in coal, and this will not be improved by the empty threat of the restoration of work on six days. It is no use pretending that, because its results are disappointing, the five-day decision can be reversed. The five-day week in the mines must now be accepted as permanent, and the miners, Mr Shinwell and the Coal Board must settle down to the unspectacular, long-term job of producing more coal by more efficient technical management, improved labour relations, and better planning.

The trouble is that the issue of the five-day week has taken all the lime-light, and as it was primarily a political decision between the Government and the miners and was only connected secondarily with the nation's needs for coal this winter and next, no one ought to be surprised at the results. The possibilities for improving output by the shorter week have, however, been so over-emphasised that the disappointment over the actual results is now made to look far greater than it should be. In point of fact, no one who knew the facts and made estimates in cold blood expected there to be anything but a fall in output. Given the same degree of mechanisation and the normal and very human attitudes to hard work, it was not to be expected that the initial enthusiasm could be maintained or that output on five days would equal that of six. As it is, a labour force of 699,000 in May, 1946, produced an average weekly output of 3,700,000 tons during a six-day week, and a labour force of 714,000 in May, 1947, has produced a weekly output of 3,500,000 tons during a five-day week. Improvements in manpower and management have thus all been swallowed up by the shorter week.

It is still too early to compare the June figures with those of April, immediately before the introduction of the five-day week, but output has dropped fairly steadily since the first fine fervour of the early days of May, and it has dropped proportionately more in those areas or divisions with good output records. In areas where the record of absenteeism in the past has been good, weekly output has naturally been more affected by reducing the number of shifts than in areas where attendance on the sixth day was bad. In Yorkshire the swing has gone yet further: in April output was far below that of a year before; it picked up well in May and fell again seriously at Whitsun and has remained low since, thus showing only too clearly that exhortations for better output which had a response at first are being cancelled out by the more deep-rooted difficulties of work in the mines. Neither manager nor miner really changed his spots when ownership changed hands, and there is a long up-hill battle to be fought while the Coal Board engenders a new atmosphere with a management competent to deal with both the technical and labour problems before them. Great skill is needed, for, quite apart from the feuds of the past, the miner is intensely conservative, and will resent the necessary reorganisation of pit work even if it is a nationalised board which is carrying it out.

£100 Million for the Colonies

More light was thrown this week by the Secretary of State for the Colonies on the new phase in Colonial development which was commented on in *The Economist* last week (page 969). A few years ago, the establishment of a Development Board for the Colonies was frequently canvassed unofficially. The Colonial Development Corporation, announced by Mr Creech Jones on Wednesday, will not have such a wide scope as was envisaged by the supporters of the Development Board, for it will be subordinate both to the Colonial Office and the Colonial Governments. But it has this much in common with the earlier proposal. They are both based on the realisation that capital on a far larger scale than is made available under the Colonial Development and Welfare Act is needed to raise the standard of living in the colonial empire. Moreover, although the new corporation will have to obtain the consent of the Colonial Office and the Colonial Governments for its projects, it will be able, as the supporters of the Development Board urged, to take the initiative in putting them forward. Here there will clearly have to be co-operation with other Government Departments as well. In fact, a two-way flow of ideas can be foreseen. The Ministry of Food may want more edible oils and may suggest to the corporation that they could be profitably supplied by a certain colony. The corporation may want to develop cotton growing

in a colony and will ask the Board of Trade whether there would be a market.

It is envisaged that the corporation's activities will be mainly concerned with agriculture which is in particular need of the application of capital on a large scale. But in all its undertakings the corporation is expected to operate on commercial principles. It will be expected, that is, to make a profit—at least over its whole operations, though the possibility of some losses cannot be ruled out any more than they can in private enterprise. It is not, moreover, intended to supplant private enterprise—Mr Creech Jones emphasised this—but to supplement it, and he made the welcome declaration, coming from a Labour Minister, that the Government welcomed private investment in the Colonies provided it was in harmony with plans for social and economic development.

There will thus be four channels through which capital will reach the Colonies: ordinary private investment; the development corporations of Barclays Bank (Dominion, Colonial and Overseas) and the Standard Bank; the public corporations owned by the Colonial Governments such as that which is to run the enemy plantations in the Cameroons; and now the new corporation with its capital of £100 million—the £25 million needed for the East African groundnut corporation will be provided for separately. At long last, it seems, the third colonial system—which aims at raising the Colonies' standard of living—is well launched.

Mr Attlee and the Civil Service

There is no doubt that Mr Attlee's emphasis in the House of Commons last Tuesday on the fine record of the Civil Service was timely and deserved; for years the Civil Service has been the undefended butt of criticism, and the Prime Minister is exceptional in the appreciations he gave to it, both this week and recently at the Labour Party Conference. But while agreeing with his tributes, it is impossible to feel satisfied with his statements about the future plans for reducing the size of the Civil Service. Ministerial and official committees have for six months been considering how to reduce the size of the Civil Service; the upshot of their deliberations appears to be to expect no large reductions at the present time.

This is really disturbing, because it shows that there has been no radical reconsideration of the systems of controls, nor of the internal organisation of the Civil Service. All the committees can have done is to chip a little here and allow a little easing there. The Civil Service on April 1, 1947, was only 13,000 lower than it was at its peak in 1943, and this after the war effort has been unwinding itself for nearly two years. It should have been possible to make some more positive statement about these winding-up operations which Mr Attlee said were expected to reduce numbers by about 60,000. But how soon? And why has the reduction not been more rapid? Nor is it any consolation to be told that 44,000 staff will be released when rationing and other controls come to an end, when no date can be given for these events and the onus for their continuance is put upon Parliament. The parliamentary machine is not designed to scrutinise the detailed systems of controls; the Government must take the initiative and they appear to be making no real effort to do so.

The impending increases in staff due to the absorption of the Relieving Officers into the Assistance Board, of the Friendly Societies into the Ministry of National Insurance and the country agricultural committees into the Ministry of Agriculture are the inevitable corollary of recent legislation. But these changes might be the occasion for a considerable improvement in manpower statistics. The Ministry of Health has just issued a circular to local authorities eloquently imploring them to reduce the numbers of staff they employ and quoting—very unconvincingly—the example of the Civil Service. The darkest obscurity envelopes the figures for local government, and the most assiduous inquiries fail to illuminate the gloom. Double counting of individuals is known to happen, and a local inquiry recently revealed that one man was returned five times because he worked in turn in five different offices of the same authority.

And what about hospital staffs? Mr Bevan has repeatedly claimed that doctors and nurses in the new health services will not

be civil servants; that is right, but who will account for their numbers? The public should know whether an increase in local government staffs is mainly due to a desirable increase, for instance in the number of teachers, or to undesirable increases in less useful fields. At present the global figure of a million local government servants conceals good and bad alike.

Convincing Mr Clayton

Mr Clayton declared before he left Washington that his visit to Britain had no connection with the Marshall plan and indeed, there are enough economic problems outstanding between the two countries to occupy a week of discussion quite apart from the new problems raised by Mr Marshall's offer and the Paris talks. The International Trade Conference at Geneva is reaching a crucial stage. Even more important, Britain's dollar supplies are becoming critical. With the draining this week of \$100 million, only \$1,700,000 are left of the US credit. Even though the coming into force of the free convertibility clause on July 15th will probably not lead to an immediate deterioration of the situation, there are some awkward problems ahead, among them, for instance, Canada's increasing dollar shortage.

In these conditions, it is essential that the British Government should convince Mr Clayton that with the best will in the world, the British are not going to be able to avoid a dollar crisis. Mr Dalton and Mr Bevin would speak, however, with greater weight if there was not evidence of a certain levity in the Government's attitude towards possible curtailments in the imports programme. The freeing of certain sections of trade has led to anomalies such as the use of dollars to purchase food supplies which could be obtained in soft currency. This fits into the general American disapprobation of "discrimination," but proves once again that world exchanges cannot yet be managed on the basis of theoretically perfect free trade. The Government's decision to do nothing for the time being to cut food imports also has the effect of masking, not only from the people of this country, but from the American producer the fact that by the turn of the year, the dollars available to Britain for purchasing the products of American farms may have slid away. Yet until the Government stops hoping that something—a Marshall plan or whatever—will "turn up," can Mr Clayton be convinced of the threatening crisis in Britain's overstrained economy?

The Government's attitude is all the harder to grasp in view of the obvious uncertainties of the Marshall offer. Mr Snyder, the Secretary of the Treasury, has reminded the world that sections of American opinion regard it as more an invitation to European self-help than a guarantee of American support. And European self-help is not a short term solution for Britain's oncoming dollar crisis. One can only suppose that after all the Marshall offer was discussed by Mr Clayton in Downing Street. If so, it is to be hoped that he threw some light on one troublesome point. Are any future British needs to be considered simply in the European context? Is a European pool to be the only future source of aid and will Britain have to find its place in the European queue? Or may the unique position of the Commonwealth in American affairs entitle Britain to separate consideration?

Left or Right in France?

Almost a chance has prevented M. Ramadier's Government from being defeated on the issue of the desperately unpopular financial measures introduced to save the tottering franc (which are discussed in detail in a Note on page 1037). The Finance Commission of the Assembly rejected the proposals which included a large increase in fares, the removal of the bread subsidy and a directly inflationary measure in the shape of raising the ceiling of advances authorised by the Bank of France to the Treasury. On reconsidering the issue, however, the Commission reluctantly reversed its earlier vote, and the measures were presented to the Assembly. Meanwhile, the news had come of the opening of the talks on European reconstruction in Paris. No one was anxious that France should be both host and delegate without a Government. And the harmless but rude workers' demonstrations against the Assembly on Sunday stiffened the Deputies' mood. In the event, they voted for the measures by a small majority.

But clearly the crisis continues. Its essence is that the French economy is very nearly at a parting of the ways. There can be no restoration of stability, no increased consumption, no genuine salvation of the franc unless the load of taxation is laid on those who can afford it—those who are making enormous profits from

the sale of food and drink or those who have accumulated private hoardings of gold ten times as great as the depleted reserves in the Bank of France. To increase the burden on the workers and the salaried classes is really indefensible—Mr Schumann admitted that the pressure on them was already iniquitous at the beginning of this year. But to institute draconian measures against the bourgeoisie would lose M. Ramadier the votes of the Right which he needs to sustain his non-Communist Government Coalition and might paralyse still further the "free" sector of French production—which is still the major part of the French economy.

But the organised workers are most unlikely to resign themselves to the latest measures. Already the miners in the North are on strike; there is evidence that the movement may spread, and there can be no doubt of its political character. It is concerned not with wages but with the Government's economic policy as a whole. The Communists are not likely to quieten the workers' discontent, and the left wing of the Socialist Party may go with them and refuse M. Ramadier a vote of confidence next week. M. Ramadier is thus faced with the choice of governing France either with the Right or with the Left. There can be little doubt that France has small hope of stability if she chooses the Right.

Unhappy Birthday

A second somewhat sombre birthday was celebrated by Uno on Thursday. Those public figures who took notice of it discreetly made no references to the principles and ideals that were established in the Charter that was signed two years ago. Instead they referred, as did Sir Alexander Cadogan, to the fact that "the machinery has been established; that machinery is now at work." To feel satisfaction at this is fair enough, for the bringing together of non-political experts and civil servants to study all manner of economic, social and administrative problems does a lot of good, even when their discussions are prolonged and painful, as they have generally been in such bodies as the Military Staffs Committee and the Economic and Social Council. Yet two years have not been enough to create the nucleus of a really first-class international secretariat that can be depended on to rise above national interest and the influence of individual governments. In this, and in other respects, Mr Trygve Lie, the Secretary-General of Uno, has not come up to expectations, and has won for his office little of the prestige it should enjoy.

The ordinary man's test of Uno is to ask whether it will be able to keep the peace. If he is told that Uno is really nothing more—in a crisis—than the great Powers which belong to it, he asks why then is a United Nations Organisation necessary at all. The answer for the moment is that the Security Council has considerable prestige among the smaller and more quarrelsome governments which might embroil their Great Power patrons by reckless and violent policies. The threat of an appeal by the United States to the Security Council quickly brought Marshal Tito to reason after his gunners had shot down two American aircraft. The feeling of obligation to use United Nations methods certainly restrained British naval officers from opening fire on the Albanian coastal batteries after the mining tragedy of the Corfu Strait. And there is just a possibility that the Security Council's commission of inquiry into the Greek frontier troubles will find a way of depriving the genuine Greek "rebels" and their Yugoslav and Albanian auxiliaries of the kind of successes that the Sudeten Germans secured in pre-war Czechoslovakia.

The report of the Greek Commission went before the Security Council yesterday. Nine of its eleven members—the Soviet and Polish representatives disagreeing—want to see new conventions on frontier conduct between Greece and her neighbours and a permanent Uno commission or commissioner to supervise their execution. If the Security Council can get the Russians to accept some such arrangement, and if a Uno commission can in fact keep the Greek frontiers quiet, then faith in its power to give justice and keep the peace will revive a little. It will not revive a lot until the Military Staffs Committee show some signs of agreeing on the kind of forces Uno should have; above all, until some method has been found for supervising the development and use of atomic energy.

Agriculture Bill in the Lords

The debate on the second reading in the Lords of the Agriculture Bill did not break much new ground, except to call atten-

tion to the difficult position of the agricultural landlord under the new dispensation. There is a real danger that the landlord will become, as he was variously called, a mere rent-receiver or mere cypher, unable without great difficulty to dispossess his tenant or to farm himself, or even to shape agricultural policy on his estate. His tenant cannot be stopped from erecting new capital equipment (so long as the Minister's consent is obtained) for which the landlord subsequently becomes liable to compensation, while the landlord himself can be ordered by a county agricultural committee to erect new equipment.

This was the gloomy picture that some peers painted, and there were suggestions that one way to stimulate the landlord's initiative would be to permit higher rents. It is true enough that agricultural rents in England today are no higher than seventy-five years ago, despite the great change in the value of money, and that the return on the capital invested is poor. This fact is partly an indication of the need for new, up-to-date capital, and it is also true that if the state, as is sometimes urged, were to provide part or all of the huge sum needed, rents would have to be substantially raised. But the possibility of raising the rent is also there for the landlord—if he can provide the capital to invest.

The Bill continues in being machinery for arbitration on disputed rents, so that it is difficult to accept the case put forward for the creation of special rent courts—although if the landlord were statutorily required to devote a minimum proportion of any rent increase to farm-improvements, his difficulty in raising it might be lessened and efficiency increased. The low level of rents is largely a symptom of agricultural stagnation in recent years.

In practice the control exercised by the county committees will not generally be so great as to prevent or deter a landlord from improving his estate in his own way—if he has the means and initiative to do so. But it is true that he may find it hard to get rid of an indifferent tenant. To increase the stability of tenure on English farms—already fairly great—may have some good psychological effect. But there is truth in Lord Bledisloe's blunt warning that

We have today a relatively low average standard of farm practice, but, like our farm stock, we still have some of the best in the whole world, although nowadays we also have some of the worst. I would venture to suggest that the Government courageously resist the temptation under this Bill to afford any fixity of tenure to people in the latter category.

* * *

An Official Secret

On June 11th, Dr Summerskill, Parliamentary Secretary to the Ministry of Food, revealed in a parliamentary answer that a monthly survey is made for her department of the domestic food consumption of a random sample of 900 families. That such a survey is undertaken is common knowledge. Indeed, an estimate of £95,000 to cover the cost appears in the Ministry of Food's vote. It is also understandable that the Ministry should use the survey method to throw some light on how the controlled distribution of food affects individual families, including people living alone. To what extent do people obtain their requirements of calories from unrationed foods such as vegetables? To what extent do they buy imported "luxury" fruits? To what extent does the food they buy and eat at home, as distinct from what is available to them in canteens and restaurants, fulfil their dietary needs? Clearly, if the Ministry can obtain reliable information on these sort of questions, it is entitled to.

But what is quite inexplicable is why it should not make the information public. Amid all the recent arguments about whether the country's diet is adequate or not, Mr Strachey never gave the results shown, presumably, in this survey. He relied, as always, on the amount of food, translated into calories, made available for consumption and divided by the number of consumers. This average figure of the food people can, in theory, obtain is clearly nothing like so accurate as the amount they actually buy. There is no reason to suppose that the survey shows that people are not nearly so well fed as the figures Mr Strachey does reveal make out. But by withholding its findings the Ministry only helps the cause of those who claim that Britain is dying of starvation. Dr Summerskill promised that members of Parliament who wanted to see the survey could do so. But repeated requests to the Ministry of Food have failed to secure a similar concession for the press. When public money—to the £95,000 paid to the market research organisation that undertakes the survey should be added the cost of the Ministry's officials who work on it—is used to collect information of public interest, any Ministry should show very good cause why it should not be made public.

Out-of-Date Means Tests

The letter from the Rt. Hon. J. R. Clynes in *The Times* last week, besides raising a personal tragedy which, no doubt, will soon be effectively remedied, has called attention to a much wider problem. So, too, has the recently published *Annual Report of the Poor Persons Committee of the Law Society and the Provincial Law Societies for the year 1946*. The problem is the injustice inflicted on many by the retention of an out-moded monetary standard as a condition precedent to one form of relief or another. In the case of Mr Clynes it was a regulation adopted when a pension fund was set up for ex-MPs before the war. In the case of the Poor Persons Committees it is the existence of an income-limit for the granting of facilities for assisted litigation to those unable to pay the full cost of professional assistance. The cost of living index has at least seen to it that wages did respond to a rise in the cost of living. Parliament has done something to assist those granted pensions at a date when the pound was worth a good deal more than it is today. But these are two cases—there are others—in which a rigid standard, fair enough when imposed, is now an instrument causing injustice. At the moment, in the case of assisted litigation for the civilian population, no assistance can be given where the income of the applicant exceeds £4 per week or where his capital assets are worth more than £50 and in the case of single people the income limit is even lower. Comparable instances are the upper limits to the weekly sums which magistrates may order to be paid in cases of separation, or for the support of illegitimate children.

Another aspect of the same problem arises under the Hire Purchase Act of 1938. When that Bill was before the Commons, to obtain agreement among the trade interests involved, it was agreed that the Act should only apply where the sum involved (with two exceptions) did not exceed £100. The argument was that as the Bill was designed to protect the working classes and as they rarely entered into commitments involving more than £100 at any one time, the limit was fair and just. It may have been then. If it remains just now, it is only because it is impossible for most people to obtain permission to buy £100 of new furniture at any one time, not because £100 is all that is needed to furnish a house.

Some of these regulations can only be changed by Act of Parliament. Some can be altered by Ministerial order. In any case the moment has surely come when the Government should appoint a Departmental Committee to investigate the whole problem, to list and publicise those cases where out-of-date monetary limits of this kind are causing injustices and to propose remedies for their removal.

* * *

Montgomery on Mission

The visit of Field-Marshal Montgomery to Australia and New Zealand takes him via Palestine and India through a part of the world which may well become, as the years pass, a powerless area beside which the vacuum left by Germany's defeat will seem negligible. With the two future Dominions of India uncertain in strength and loyalty, Burma still thinking of full independence, Ceylon moving towards Dominion status, South Africa hesitant and divided over its strategic interests, and with Australia engrossed in the problems of the Pacific, the security of the Indian Ocean and the nations fringing it is liable to become the business of nobody in particular. It is usual to say that the coloured peoples unconsciously—and in their calmer moments consciously—rely on British power and advice; and it is reasonable to believe that in a crisis South Africa and Australia line up without hesitation beside Britain. But that is really not quite good enough.

Economic planning as it is being practised in this country implies planning of all vital resources and expenditure. It follows that imperial defence should be planned to an extent which was neither practicable nor desirable before the war. For the share of it falling to Britain makes tremendous demands on manpower, industry, shipping, skill and money. Just how much has never been properly assessed, and that is typical of the rather vague way in which Ministers discuss the problem. The argument of the Labour Party rebels who were routed at Margate, ill-documented and strident though it was, has not been properly answered. They asked whether Britain could afford to be a great Power on present strategic and economic assumptions; whether Britain's future strength did not depend on a full and rapid economic recovery to which much of the manpower and resources allocated to imperial defence should be devoted. It is of course a good half-answer to say—as has been said in *The Economist*—that large forces have to be maintained "for the time being" in the Middle East and India, because it is uncertain what future arrangements will be

made for the protection of vast and vital interests. But supposing no future arrangements, whether international or regional, take shape in the next five years—is a huge share of the burden of effort still to fall on Britain? Is it not time to recognise—that all foreign governments take for granted—that for strategic, economic and power-political purposes the Commonwealth is one Power?

It is easy to understand the constitutional, historical and political reasons which make Ministers cough discreetly before broaching such an idea with the Dominions; and it is not difficult to understand why there should sometimes be fear and distrust in the Dominions of a British foreign policy which is so largely concerned with Europe. But for the next ten or fifteen years the only strategic problem likely seriously to worry the imperial staffs is not exclusively European: it presents itself in the Pacific, in India, in Persia, on the imperial route through the Mediterranean—as well as in Europe.

The CIGS says that he is visiting India to discuss the future of the Indian army, and Australia and New Zealand to discuss training. It would be surprising, indeed alarming, if his attention were not also attracted to these broader questions, which remain very much as the Dominion Prime Ministers left them when they were in London just a year ago. If the CIGS can return from a courtesy visit to Moscow with suggestions for a revision of the Anglo-Soviet Alliance, it should not be difficult for him to return from Australia and New Zealand with suggestions that the Empire Ministers should resume discussions of the British Chiefs of Staff defence plan for the Commonwealth.

* * *

Bluff in Budapest

The platitudinous statements of Mr Dinnyes, the new Hungarian Premier, throw little light on the government's intentions. He stresses the necessity of co-operation between peasants and workers, which has always been a slogan of the Small Farmers' Party. The newly appointed secretaries and members of the Executive of the party belong to its left wing which far from representing the "true peasantry" in contrast to the bourgeoisie, is led by middle class town intellectuals. The party's new chairman, Mr Dobi, has promised a purge from its ranks of "all who made common cause with the conspiracy in their hearts, their ideology or their conduct." This can of course be made to cover almost anything.

The real cause of Nagy's removal has been stated with surprising frankness in the speeches of some Communist leaders. Vice-Premier Rákosi on 5th June stated "we did not wish to be overtaken by the fate of France and Italy." The Communist member of Parliament I. Kovács, speaking in the provincial town Szolnok on 8th June, said that "the clique around Nagy intended to evict the Communist Party from the Government once the Red Army had withdrawn," and that the Foreign Minister Gyöngyössi "while proclaiming friendship with the USSR, had sought contacts with the West."

In other words, if the leaders of a party, which possesses an absolute majority in a freely elected Parliament, decide that they will at some time in the future leave the coalition and form a government by themselves, they are committing a "treasonable plot" against "democracy." If the government of the United States, one of the three victor powers represented on the Control Commission in Budapest, protests against the arrest by the Soviet authorities of a leading politician, or asks to see the "confession" made by this politician which "inculcates" the dismissed Premier, that is intervention threatening Hungary's independence. "Democracy" always means the policy advocated by Communists and (as long as they "co-operate honestly") their Socialist allies. "Independence" is by definition any state of affairs approved by the Soviet Union, whose interests are *ex hypothesi* identical with Hungary's. In the "popular democracies" of Eastern Europe these words are consistently used with these meanings, and it is important that the western public should understand them.

The most revealing statement of intentions to date is the statement of the Socialist Rics, the Minister of Justice, on proposed restrictions of the franchise for the forthcoming elections. These will exclude all who have been "condemned for crimes against the Republic or democracy"—a phrase which may cover anyone temporarily interned by the police since 1945—and all relatives of such persons "up to the degree of cousin" who have resided in the same house with them. The age of voting will also be raised from 21 to 22—an interesting comment on the claim of the Communist Party to have won the youth of Hungary.

Fifty-five Days to Go

Lord Mountbatten's tactics for covering the evacuation of the British Raj from India appear to consist in keeping everybody so busy that the new India will take shape before anyone has time to think about it and British official responsibility can finally be unloaded while the going is still good. There is a sense of extreme urgency, for with the British control now so attenuated, there is a danger zone before the day of transfer and a serious upheaval before the day or a failure to carry through the arrangements for an orderly transfer would make a sorry conclusion to a tale which so far has turned out more happily than many observers of the Indian scene dared to hope. To impress officials in New Delhi with the need for haste, the Viceroy has circulated a special desk calendar with the warning on June 22nd "55 days left in which to prepare for the transfer of power." Outside the capital the agreed plan is being rapidly carried out; the Bengal and Punjab legislatures have both—as was expected—voted for partition, and the preparations for the North-west Frontier Province referendum are well advanced. Steps are being taken to provide Pakistan with the essentials of a capital city in Karachi, which is to be for the time being the seat of Mr Jinnah's Government; there is talk of building later on a new city on the upper Indus to be called after Pakistan's founder.

The Viceroy's calendar shows that the transition to Dominion Status is reckoned as the "transfer of power," as indeed it is, for the Viceroy thereafter will be able constitutionally to act only on the advice of the two Indian Governments. But it appears that June of next year remains the date for the final renunciation of sovereignty, after which Hindustan or Pakistan will be free to decide whether to leave the Commonwealth or not; until then they are to be Dominions—though, as a Dominion can at any time in theory secede if it wants to, even this is hardly a restraint. Whether the two Indias will want to continue as Dominions will depend partly on their experience of the new relation in the coming months, partly also—and psychologically this is of vital importance—on whether a sufficient evolution can take place in English verbal usage. Indians do not like the term "British Commonwealth of Nations," because it seems to imply a British supremacy and Indians rightly point out that they are over three-quarters of the people in it. But why should it not be called just "the Commonwealth" and why should not a Dominion be alternatively "a Commonwealth Nation"? There may be some distress at the shedding of the adjective "British," but some such adaptation of language is required if the desirable fact of voluntary association is to be finally separated from the idea of imperial rule.

* * *

Greater Syria

The Greater Syria project will, for the first time, be an election issue this summer. In the Syrian elections on July 7th the Government will have to contend with a strong opposition which will have the union of Syria, Lebanon, Transjordan and Palestine in a single state as its undeclared but generally recognised aim. The natural swing of popular feeling against the Government of the day has operated in Syria, together with more local causes, to divide the electorate, according to some estimates, about evenly for and against the Government.

The present Government of Syria, although based on a comparatively small landowning and merchant class, includes some of the most deservedly respected figures in Arab politics. President Shukri Quwatly, in particular, has always had a high reputation for personal integrity. Their prestige has, however, suffered from their two years of office. There are the usual economic difficulties aggravated by maladministration—bread in Damascus, capital of a wheat-exporting country, is twice the price of bread in Beirut, which imports it. There are the usual accusations of corruption. Above all, the stock grumble of Middle East rural populations against the neglect and inefficiency of the central Government is intensified in Syria by the separatist tendencies of the Druze and the Alaouites.

But on the whole it may be doubted whether there will be a change of régime this time. Governments are apt to win elections in the Middle East as in the Balkans. In Syria the usual accusations of rigging are being made, particularly in connection with electoral changes based on the recent census, which have had the effect of increasing the representation for Damascus, the stronghold of the Government, to 21, and reducing that for Aleppo, an opposition centre, to 15. In 1942 the estimated population of Aleppo was only slightly less than that of Damascus, while in 1938 it was greater.

As for Greater Syria, the fact that the project in its present form is a personal ambition of King Abdullah, which he has been purposefully pursuing since he was freed from British restraint over a year ago, does not necessarily disqualify it for Arabs, who still take a largely personal view of politics, and who regard the Hashimites as the only unquestionably royal Arab family. It does disqualify it for the present rulers of Syria, who have no desire to give up their present position of power and privilege to a king. In this they are supported by the Communists and other convinced Republicans, and it is noteworthy that the Syrian opposition has left it open whether their greater Syria is to be a monarchy or a Republic.

Lebanese support for the Greater Syria project is mostly concentrated in the Moslem north and south, which would welcome any means of being rejoined to the Syrian hinterland from which they were detached by the French 27 years ago. The Lebanon proper, with its Christian majority, is so fearful in any case of the surrounding Moslem sea that it might make the best of a bad job by accepting the protection and respect for its rights which King Abdullah is believed personally to have offered.

* * *

Bargaining by the Jews

The Greater Syria project gains an added topicality from the United Nations inquiry in Palestine. In the event of a partition of Palestine, it would offer a means of disposing of the Arab part by joining it on to Greater Syria. The royalist character of the project at present, however, is a complication, for though Abdullah has supporters in Palestine, they do not include the principal Arab leaders or the progressive youth. There are many who do not like the frequency with which Ministers are changed at Amman and who accuse him, rather unfairly, considering what an oasis of good government Transjordan on the whole is, of subservience to Britain. He has also been much damaged in Arab eyes in the past by Zionist publicity favourable to him.

The Jewish Agency's public re-assertion this week of the demand, made originally at the Biltmore Convention in New York in May, 1942, for a Jewish State over the whole of Palestine is not likely to affect the issue of partition one way or the other. If there is any bargaining to be done, the Oriental principle, which has always been followed in Palestine, is to raise the initial demand as high as possible, so that subsequent concessions may be less disastrous. And it was doubtless felt necessary to erase any impression of willingness to compromise which might have been left by Mr Ben Gurion's recent indiscretion, when he publicly admitted the possibility of partition, and for which he was officially reprimanded by the Jewish Agency Executive, of which he is a member.

Yet the main attraction of the Greater Syria project is not its relation to the future of Palestine, on which the United Nations may take quite other views, but, first, that it aims at re-joining what belongs together and was arbitrarily divided up by the Powers, and, secondly, that it can be accomplished piecemeal. But apart from the internal obstacles in the countries concerned, it has powerful opponents outside.

In the Arab League charter there is express provision for member states to enter into closer association with one another within the framework of the League. Yet every such change would affect the balance of power. Any plan to increase the power of the Hashimite family will be opposed by King Ibn Saud, who is consequently a strong opponent of the Greater Syria project. Egypt, too, is against it, first, because it generally aligns itself with Saudi-Arabia in League politics, secondly, because it does not like Transjordan's dependence on Britain and, thirdly, because Egypt's own hegemony, which is the condition of its interest in the Arab League, might be threatened by a Hashimite Greater Syria in association with a Hashimite Iraq.

The Foreign Office, as is understandable in view of the complications, has carefully kept out of the Greater Syria question. It now has a separate Legation in Damascus with a Minister of its own, instead of covering both countries with a single Minister based on Beirut. Relations with President Shukri Quwatli and his Government are excellent, as they are with King Abdullah and King Ibn Saud. British officials and advisers in different camps may sometimes find it difficult not to commit themselves one way or the other, but that is inevitable in the circumstances. Britain has the best of all reasons for holding aloof, that of not knowing whether British interests would be better served by the success of the Greater Syria project or its failure.

Rhine and Moselle

With Europe so much more hungry than thirsty, it would not be in the best of taste to welcome with normal, hearty approval the prospect that the great and good Hocks and Moselles are at last to be released from the vaults of the French Zone of Germany. It now seems highly probable that from September 1st onward some 200,000 hectolitres (4,400,000 gallons) of Rhine and Moselle wines, two-thirds of it of good quality, will be on offer for export—if the dollars and the bottles are available. And it is just possible that some may be exchangeable for sterling.

Some will certainly denounce roundly as indecent at this time any interest in the thought of seeing and tasting again the Hochheimers, Johannisbergers, Rupprechtbergers and Berncastlers. Not so the Germans of the Rhineland and their French governors who have to find dollars to buy abroad over 25 per cent of their scanty rations. For the first quota of wine to be released should earn between 10 and 15 million dollars, even on a pessimistic estimate; and that means a contribution of 11 or 12 per cent towards the \$90 million needed to pay for the imports scheduled in the French Zone programme for the first half of this year. The French reckon that there are over half-a-million hectolitres of good wine in stock, an estimate based on a stocktaking by Germans, with allowance made for oversights and lapses of memory—for the wine-grower is like the peasant and likes to keep something in hand.

Why have two years of occupation passed before this important export trade is revived? The answer does credit to the good sense and honour of one set of French officials, and damage to the reputation of another. In 1945 the first vengeful idea was that the handling of the Rhineland and Palatinate wines should be left to an Alsatian monopoly, Alsace having suffered severely from the war and the organised devastation of the German retreat. The first experiments with inferior wines turned into brandy or into table wines with French labels did no credit to anyone. The French authorities in the Coblenz area stoutly defended the good wines from the depredations of the monopoly, and after eighteen months of dispute "froze" them. Further argument brought a victory for the men on the spot, and enlightenment spread so rapidly that there was even talk of forming an Allied body to distribute fairly this German treasure. Had there been a European Wine Commission, Mr Strachey would probably have had no difficulty about deciding how much Hock and Moselle Britain can afford; he would have been given a ration. As it is he will face a difficult choice between austerity, the clamour of the clubs and the chance of doing a good turn to a hard-pressed part of Germany. It may be useful to recall that Laurence Sterne described Hock as "a good wine for curates."

Shorter Notes

In a debate in the House of Lords on June 25th, Lord Pakenham announced the Government's acceptance of the Scarborough Commission's report on the development of Slavonic, African and Oriental studies. Appropriate interdepartmental committees are being set up, and there will also be two sub-committees of the University Grants Committee, one to deal with developments on the African and Oriental side, the other on the Slavonic side. Revenue grants up to £125,000 will be provided for the universities in the academic year 1947-8, as well as grants for post-graduate studentships.

To help to ease London's traffic congestion at the peak hours of travel, the London County Council have arranged for a year's experiment whereby about half of their 4,400 staff will work from 9 a.m. to 4.30 p.m. (5 p.m. on Fridays) and 9 a.m. to 12 noon on Saturdays, and the other half will work 9.30 a.m. to 5 p.m. (5.30 on Fridays) and 9.30 a.m. to 12.30 p.m. on Saturdays. The earlier hours will operate consistently for five of the Council's departments.

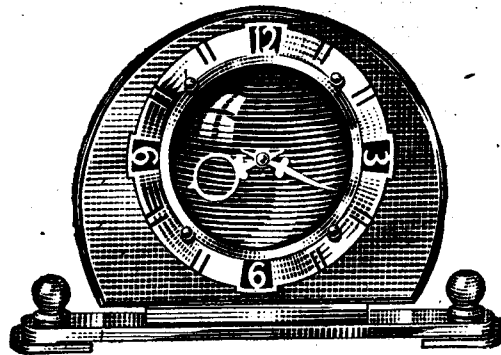
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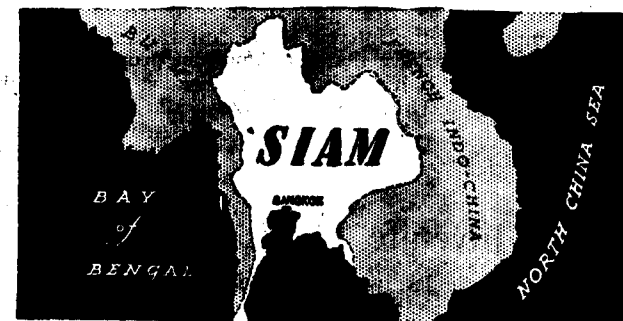
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Letters to the Editor

The Initiative in Europe

SIR,—In your interesting leading article entitled "The Initiative in Europe," you suggest that the European balance sheet should be drawn up not as a demand note for dollars, but as a list for concrete needs—wheat, coal, and machinery—because it would thus emphasise the interest of the American cotton growers, machine manufacturers, and farmers in securing a market for their products. May I suggest that such a balance sheet would also clarify thinking in Europe? It has become the practice of the extreme right and of the extreme left to speak of "dollar domination" and "dollar diplomacy" as if the dollar were something which had a meaning in itself, and did not represent the concrete things of which you speak. When a leading politician says that "We do not want American dollars" his words seem to make sense, but if they are translated into the statement that "We do not want American food and machinery" they appear to be less reasonable.

Two unfortunate consequences follow from the present practice of speaking in terms of the dollar. The first is the creation of a prejudice against the United States of which most Americans are conscious. The money-lender has always been unpopular, and therefore a country which lends money will inevitably be regarded in an unfavourable light. On the other hand, a person who lends or gives food and other supplies to those who are in immediate need of them is regarded as a good Samaritan. As long as American aid is stated in terms of dollars the first point of view will be emphasised, but if it is described in concrete terms then the actual help which the United States may give will be more clearly realised.

The second unfortunate consequence of speaking in terms of the dollar is that the average European fails to realise that the Marshall plan does call for a definite sacrifice on the part of the United States. American gold and paper dollars may be almost limitless, but the concrete goods which they represent are not. If the United States were to send over sufficient wheat, meat, and fats to feed Europe adequately there would be a marked stringency at home. The problem therefore is not the comparatively simple one of making a loan of dollars, but the difficult one of determining to what extent the American people are prepared to limit their own consumption in the interest of the less fortunate people of other countries. I believe that the American people will be the more ready to do this if the Europeans make it clear that they understand what the United States is being asked to do.—Yours faithfully,

A. L. GOODHART
University College, Oxford

Juvenile Employment

SIR,—This article last week poses the question, "Whence is the employer to derive this labour force?" i.e., the labour force necessary to perform the dull routine jobs of an economy which has pushed division of labour to an extreme limit. In the light of the statistics presented and on the general trend of the article the question seems unanswerable, but surely the solution lies in the increasing rationalisation and mechanisation of the jobs in question, to which only scant attention is paid in the article.

On the assumption that the juvenile labour force of 1958 is to be less than half that of 1938, firms will have to examine their present systems of working with a view to eliminating all non-essential tasks and reducing essential tasks to a minimum. There is still enormous scope for the introduction of more efficient working methods, and generally the more routine and uninteresting a job appears the more likely is it that it can be performed by a machine—the old wasteful method of sticking stamps on envelopes can be replaced by machine-franking; the addressing of envelopes can be done by addressograph machines or perhaps eliminated by using window envelopes; and presumably the boys who have acquired a higher education through extended schooling and service training will not require such a lengthy period of apprenticeship.

If our industry and commerce could be further rationalised and raised to a higher pitch of efficiency a juvenile labour force of just over two millions in 1958 might still be sufficient to cope with the jobs which still require to be done by boys and girls.—Yours faithfully,

A. R. SINCLAIR

42 Dalkeith Road, Edinburgh

The War in Manchuria

SIR,—I would like to challenge the statement in your article on June 21st that "the Communists would not be established in Manchuria at all if Russia had honestly carried out the terms of the 1945 treaty. . . ." In fact, there was a considerable amount of Communist organisation in Manchuria long before the end of the war. Eighth Route Army guerrilla organisations started to expand into Manchuria in 1941, and by the end of the war covered a large part of Jehol and southern Liaoning provinces. Besides the Eighth Route Army there was Chou Pao-chung's "United Northeastern Army," which had developed from some of the original guerrilla groups in the early 1930s. This claimed to have controlled a force of 300,000 in 1938, though, by the end of the war, it had been driven back to guerrilla areas in the north-east of Manchuria.

The Russians allowed these local organisations to develop but in August, 1945, they actually disarmed some regular Eighth Route Army units that tried to penetrate into Manchuria and, at the beginning of September, Russian officers flew to Yenan to request Communist headquarters to stop any further attempts to move regular troops into areas held by the Russians.

The Russians could actually have given the Communists the whole of Manchuria with a large armaments industry in working order simply by evacuating Manchuria, without looting Manchurian industry, at the end of the three month period agreed in the original treaty. Even with the free use of Dairen it is unlikely that the Kuomintang could have got large forces into Manchuria in November, 1945.

In fact the Kuomintang could only move its armies to the North with American assistance and, up to the beginning of 1946, the Kuomintang position in North China depended very largely on support from the Japanese. It would, therefore, be more accurate to say that, if the Americans had honestly kept

From The Economist of 1847

June 26, 1847

STORY OF THE BATTLE OF WATERLOO. Part I and II. By the Rev. G. R. GLEIG. Murray's Home and Colonial Library.

WE are surprised, after having heard and read of the battle of Waterloo for the best part of a life, at the freshness Mr Gleig has imparted to the tragic story. His descriptions are at once vivid and exact. They will be read with pleasure by the civilian, and will be studied by the soldier. He seems to have neglected no source of information, and has made his book as complete as it is interesting. Whatever may be the cause in which men are engaged, it is impossible to avoid feeling sympathy with heroic achievements. We admire the moral grandeur we have no desire to imitate, and can scarcely feel less respect for the noble exertions of the discomfited enemy than for those of the victorious friend. Indeed, at this distance of time, when we know nothing of what might have been the consequences of defeat, and fancy we have derived either for England or her allies but little solid advantage from victory, we feel almost as much sympathy with the struggling emperor as his stern conqueror. If the former was fighting only for his personal aggrandisement, we never fancy the latter sympathising with the millions, and exerting his consummate skill to raise the crushed masses into life and intellect. Wellington ever marched in the cold path of duty to his sovereign and attachment to his order, and never once strayed on the side of popularity. He never fought the battles of the people. His great opponent was originally their hero, and only became the despot when he had seized the power which others had claimed by birth and for centuries. . . . The story has, however, many charms. It was the last great battle in Europe. It decided the fate of many kingdoms. It was fought, on both sides, with great skill and great courage. It kindles all our sympathies, moral and political. . . . Mr Gleig's spirited narrative will make it, now that it is passing away from the recollection of the living generation, and now that all those who took part in it are fast leaving the scene, familiar in all its details to the rising and all future generations. The "Story of the Battle of Waterloo" will be as popular as Southey's "Life of Nelson," or one of Dickens' novels, and will be one of the "hand-books" for posterity for many years.

to their declared policy of disarming the Japanese and not intervening in the civil war, Chiang Kai-shek's forces would not be established in either Manchuria or North China.—Yours faithfully,
MICHAEL LINDSAY.

Balliol College, Oxford

[The text of the Sino-Soviet Treaty makes it quite clear that Russia bound itself to recognise only the Nanking (then Chungking) Government as the authority to which it would hand over in Manchuria; hence, on the basis of its own undertaking, it had no right to allow forces hostile to that Government (whether they came originally from inside or outside Manchuria) to "develop," as Mr. Lindsay puts it, and equip themselves with war material surrendered to Russia. If the Russians had not done this and had allowed the use of Dairen, there is no reason why the Chinese Government should not have put enough troops into Manchuria in three months for an effective occupation, for the Communists' local organisation in Manchuria before the Japanese surrender was not at all comparable to their hold on Hopei or Shantung.—EDITOR.]

Colonial Development

SIR,—In your issue of June 21st, discussing the new phase in colonial development, you point to a number of grounds for objection. There is one which you have omitted to mention which, although not of immediate importance, may develop very serious consequences in the future. If, as is to be presumed, the capital for these new development schemes is to be found from the United Kingdom Treasury and the United Kingdom Government is constituted the sole buyer on the bulk purchase principle, the colonies concerned, especially the smaller ones, will become economically the dependents of Whitehall. Indeed, the hold upon these colonies is likely to become so tight that they will lose their economic identity altogether. The conception of colonies as partners within the British Empire which has been gaining rapid headway during the last few years will thus disappear, for we appear to be going back some three hundred years, to the time when colonies were regarded simply as supply depots for the mother country.—Yours faithfully,

W. A. WELLS,
News Editor, Empire Industries Association.
9 Victoria Street, S.W.1.

If Roosevelt Had Lived

"Where are We Heading?" By Sumner Welles. Hamish Hamilton, 1947. 324 pages. 15s.

IT is always a hazard to write a study of contemporary international politics. The flow of events is so rapid that the book is in danger of being out-of-date almost before it is published. It cannot be said that history has been very kind to Mr. Sumner Welles. It is not his fault that the enunciation of the Truman Doctrine followed the publication of his book in the United States, or that the Marshall plan was announced within a week or so of the book's appearance in this country. But inevitably the value of his comments is much reduced by this unfortunate piece of timing.

A more serious criticism is, however, that his study does not really either lead up to or throw light on the two major events in recent American history. The Truman Doctrine and the Marshall plan are, after all, only two more attempts to deal with the world's most intricate and intractable problems—American-Soviet relations and the restoration of world prosperity. But Mr. Sumner Welles's rather discursive comments on five years of international diplomacy does little to concentrate attention on these two major problems, and does not throw much light on American reactions to them.

In the vital field of American-Soviet relations, Mr. Welles does very rightly insist that the choice between one world and two worlds is the most fateful choice mankind has to make, and he sees the relationship between America and Russia as the key to the future of the United Nations. He also has some pages of sympathetic and imaginative understanding of Russia's difficulties and historical weaknesses which are a welcome change from the hysterical condemnation of all things Russian which seems to be the common coin of politics in the United States to-day. But do his solutions for improving Russo-American relations take us very much further? His chief thesis is that all might have been well if President Roosevelt had lived. The President had established a good personal relationship of confidence with Stalin. On this basis he would have secured Russia's friendship by firmness

Communism in Eastern Europe

SIR,—Allow me to point out an inaccuracy in your special correspondent's article in your issue of June 14th, when he writes that "Czechoslovakia was the only country east of Germany where Communists experienced political freedom between the wars. Elsewhere, though there were brief parliamentary periods when some of the opponents of the old regimes were able to criticise, the Communists were always outside the law."

The above was certainly not the case in Greece. From 1926-1936 the Communist Party enjoyed complete freedom, and actually had 15 seats in the Chamber elected at the elections of January 26, 1936. In fact, in the Chamber in question, they held a commanding position owing to the two main bourgeois blocs being evenly balanced. During the same period (1926-1936) Communists were elected as mayors in three of the principal Macedonian cities—at Salonika (Patrikios), Cavalla (Partsalides) and Serres (Menychtas).

It was only after August 4, 1936, the date when the parliamentary regime was abrogated by Metaxas, that the Communist Party, together with all other political parties in Greece, was suppressed.—Yours faithfully,

A. A. PALLIS
Greek Government Offices, 34 Hyde Park Square, W.2

Day Nurseries

SIR,—In your issue of June 21st in "Shorter Notes," you state that at the present time about 63,000 babies are in the nurseries and therefore presumably about 63,000 mothers are enabled to go into industry. May I point out that approximately 12,600 attendants (probably an under estimate) are required to look after these babies so that the net effect of the nurseries is considerably smaller than you imply. Furthermore, these younger unmarried women would often be of more value than the mother of a family who so often has to stay away from work.—Yours faithfully,

16 Bishopswood Road, Highgate, N.6
M. N. HILL

Books and Publications

on principle (for instance, the points of the Atlantic Charter) and flexibility and patience on detail. Once the President died, Mr. Welles avers that confidence vanished, and that Mr. Byrnes, by a mixture of appeasement and stubbornness, brought out the worst in Russian diplomacy.

Now, one may well deplore, with Mr. Welles, the tenure of office of Mr. James Byrnes. But even with better relationships, the diplomatic exchanges might have proved equally abortive. One factor which might have made a tremendous difference to the Russians' attitude—the offer of a large loan for reconstruction from America—was broached as early as 1943, and President Roosevelt's successors cannot be blamed for the fact that this opportunity was allowed to slip. Mr. Welles does not mention this point.

This omission is part of a wider omission—the author's relative lack of interest in the economic dilemma facing Europe and the world. There is nothing in Mr. Welles's pages to suggest the onset of the tremendous dollar crisis which has occasioned the Marshall offer. Mr. Welles mentions with approval the various American moves to restore a world-wide system of free trade—the setting up of the World Bank, the ITO, and the Import-Export Bank, the extending of the loan to Britain. But he mentions none of the obstacles to sane economic relations between America and the world and, by an almost Freudian lapse, his own reference (on page 289) to the basic difficulty—that the United States must "recognise the need, for her own long-range benefit as well as for the shorter range requirements of general world recovery, of becoming increasingly an importing country"—is rendered completely meaningless by reading "becoming an increasingly important country."

The direction in which Mr. Welles wants the world to lead—one world based on the United Nations and on freedom and on rising standards of living—is one which all liberal men will welcome. Equally they share his fear—that a permanent division of the world and atomic war may lie ahead. But they want to know how to get from here, with all its fears, to there—where some hope lies. But Mr. Welles has not shown himself a very constructive guide to this journey.

National Labour Policy

"A National Labor Policy." By Harold W. Metz and Meyer Jacobstein. The Brookings Institution. 164 pages. \$2.52

READERS of this book will fail to find in it the Key to the present crisis in America over the new Labour Bill, for it gives only half the picture.

In 1945 the Brookings Institution published *The Labor Policy of The Federal Government* by Mr Metz. Within a year of its publication the wartime structure of labour controls had collapsed; the War Labour Board was abolished and its successor, the Wage Stabilisation Board, was short-lived. The country was thrown back on the machinery and policies left over from the New Deal, notably the Norris-LaGuardia Act and the Wagner Act. By the time 1946 was over, with its hectic succession of industrial disputes in almost every industry, it was apparent to everyone except trade union leaders that such machinery and policies were inadequate. What was lacking was agreement on what should take their place. This further Brookings study is an attempt to formulate a policy, based on the facts in the earlier volume, and not too obviously biased in favour of any of the contesting parties.

The authors advocate, not surprisingly, many of the measures which the present Congress has attempted to embody in its present Labour Bill. They would ban the closed shop, outlaw jurisdictional, sympathetic and "feather-bedding" strikes, make unions suable for violating their agreements, reform the constitution and powers of the National Labour Relations Board and take the Conciliation Service out of the Department of Labour. They would even go further than Congress by forbidding industry wide bargaining powers and by reviving the injunction. For all these proposals they have little difficulty in elaborating a theoretical justification based on a series of premises about national and communal interests. The trouble about such an approach is that it is precisely the lack of adequate agreement on the priorities of national need that is at the root of the present discontents, and the authors' major premise—that productive efficiency is the final determinant of a labour policy—is not accepted by organised labour in the United States. The union revolt now going on against the "slave labour" Bill passed over the President's veto is the measure of the authors' failure to come to grips with the human factor in American labour relations. In view of the known difficulty of securing the acceptance by labour of such curbs on its power—the authors quote many instances of the political bargaining strength of labour—it is a pity that this study did not explore the advantages to be derived by labour itself from certain reforms, such as the abolition of restrictive practices, and the imposition of certain democratic internal controls on trade unions. As it is, the reader is left with a certain sense of unreality, even futility, about proposals whose abstract justice makes little contact with political practicality.

Election Retrospect

"The British General Election 1945." By R. B. McCallam and Alison Readman. Oxford University Press. 131 pages. 18s.

IN its quiet way this is a fascinating book. It differs radically from the usual highly coloured partisan descriptions of election events by being a serious and impartial attempt to analyse the temper of the public, the propaganda of the parties, the attitude of the press, the machinery of elections, and the day to day crescendo of excitement of a British General Election. The authors did the work as a piece of sociological research for Nuffield College, but in spite of this intentionally academic approach, the book catches and reflects much of the turbulent mood of the election weeks.

From the distance of nearly two years it is both amusing and interesting to be reminded of contemporary reactions to the Laski affair and to Mr Churchill's speeches, of the changes of tactics of the two main parties as the campaign developed, and to have digested and assessed the part played by the principal national newspapers. Time blurs such impressions quickly, and in any case no individual during his normal day's work has the opportunity to cover the whole field in this way. It is the more the pity that, as the authors themselves admit, their resources did not extend to a wide coverage of individual election contests in the constituencies. Because they had only themselves to depend on the authors could only visit a handful of constituencies, and these for only a day or two, so that they were necessarily limited to a first hand description of only a few meetings and a tiny

sample of election campaigns. A much wider system of reports would have been a valuable supplement, and it is to be hoped that Nuffield College will be able to provide more liberal funds next time a general election appears to be brewing.

As the result of this limitation impressions of popular reactions had to be largely restricted to newspaper reports most of which had a strong political bias. Yet the most valuable aspect of the book is its impression of political stability beneath the surface of propaganda, of the reserves of common-sense possessed by the British public in the face of electioneering tactics, of the increasing significance of education among the electorate, and of the basic honesty of the whole election machine compared with systems abroad. One of the authors' most interesting comments is on the public's complete confidence in an innovation which allowed the ballot boxes to remain uncounted for three weeks while the service votes came in. In how few countries would political honesty have been so unquestioningly assumed?

Nutrition in Industry

"Nutrition in Industry." International Labour Office. Montreal, 1946. P. S. King and Staples, London. 180 pages. 6s.

THE report published by the International Labour Office on nutrition in industry is confined to a study of industrial canteen developments in three countries—Canada, United States and Great Britain. Nevertheless it makes a valuable contribution to the study of a problem which has hitherto been largely ignored, but which is vitally important from the point of view of maintaining industrial health and productive efficiency.

In many respects, the position and the measures taken in the three countries are surprisingly similar. In all three, little had been done before the war, apart from the efforts of the more far-seeing employers, to provide feeding arrangements for their employees. In all three countries, the war gave a tremendous impetus to the development of industrial canteens and showed that adequate, reasonably-priced meals on the job were an indispensable factor in maintaining industrial morale and raising production, particularly when large numbers of "uprooted" war workers were involved.

The report outlines the steps taken by government and non-government agencies to develop canteens and improve nutritional standards in each country. In Canada and the United States this was done on a voluntary basis. In Britain, on the other hand, industrial canteens became compulsory at an early stage of the war, with the result that their number increased from 1,650, mainly in larger works, in February, 1941, to 12,245 in larger and smaller works, building sites and docks, by March, 1945.

The great question for all three countries is whether the war-time advances can be incorporated into the permanent industrial structure. In Britain, although the proportion of workers who use the facilities is often disappointingly small, there is no doubt that the factory canteen has come to stay. In America, a large number of the employers who established canteens as a wartime emergency are prepared to continue the practice in the future. The ILO report is, as might be expected, very definitely in favour of the retention of industrial canteens and their extension as rapidly as possible to all works now without facilities.

There is still need for further research on the subject, not only into the number and types of canteens, but into the diets and in particular to the relation of diet to industrial health and output. This is a task which the ILO would be well equipped to undertake.

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AMERICAN SURVEY

Congress and the Veto

(From Our US Editorial Staff)

THE President's power of veto, which derives from the first Article of the Constitution of the United States, is an essential part of the American system of government. It is a loaded gun given to every President by the founding fathers for the protection of the Union against the mob. It must be used sparingly—too frequent use irritates even a President's most dogged supporters—and is often most effective when merely pointed. Mr Truman, intent on keeping the goodwill of those Republican leaders on whom he depends for his bi-partisan foreign policy, has been careful in his handling of such a dangerous weapon.

Every Bill, after passing the two Houses of Congress, is sent to the White House for signature by the President, who can do one of three things. He can do nothing—in which case the Bill becomes law at the end of ten days except at the end of a session, when inaction becomes the "pocket veto." He can sign it and the Bill becomes law at once. Or he can send it back to whichever House originated the legislation with a message explaining his objections. The Bill is then reconsidered and, if passed by a two-thirds majority of both Houses, becomes law. The power to check given to the President is thus balanced by the power to override him given to Congress.

The veto of a similar device is necessary to any system of government in which the executive and the legislature are separate and can belong to opposing parties. Where the executive springs from, and is a part of, the legislature, as in the English system, it is unnecessary; defeat for the Government is followed by resignation. In the United States, neither President nor Congress can resign. No President can be expected to administer acts of which he disapproves without an effective method of protest. For this he is given the veto. Nor can a legislature be expected to watch its efforts destroyed without a means of redress. For this it is given the power of overriding the veto.

Among the objects of the Constitution were, according to the preamble, to "establish justice" and "secure the blessings of liberty"—but not to promote representative government, of which the signers were afraid. The House of Representatives was to be popularly elected, but the Senate was until 1913 nominated by the State Legislatures, and the President (as he still is in theory) chosen by an electoral college of electors from each State who were to make their decision in objective seclusion. Such a system was designed to ensure an aristocrat as President and an aristocratic Senate. It made passage of a popular Bill unlikely for, if accepted by the House, it could be stopped in the Senate. Should the Senate nod, the President stood as the last line of defence, armed with the veto. This would delay the enemy until one-third of the Senators awoke to the danger and voted to uphold the President.

There later developed, within the letter, but outside the spirit, of the Constitution, a method of electing the President by popular vote. Andrew Jackson was the first such President,

a man of the people, a departure from the aristocratic tradition. In his hands the veto ceased to be a weapon of the established interests against the mob. Jackson used it to defend the common people against attempts to encroach on their rights. In a famous message to Congress he said "It is to be regretted that the rich and powerful too often bend the acts of government to their selfish purposes... When the laws undertake... to make the rich richer... the humble members of society have a right to complain of the injustice of their government." Such an idea astonished Congress, and Daniel Webster considered that "It manifestly seeks to influence the poor against the rich" which, indeed, it did.

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Mr Truman has adopted the Jacksonian conception of the veto. He first used it on an important measure last summer while he still had nominal control of Congress. He returned to Congress what he considered to be an inadequate price control and rationing Bill and tried to rouse the people to come to their own rescue. The occasion was a proper one. The fight was between the people and their representatives, who were betraying them to pressure groups. But he was beaten for two reasons. He had vetoed a weak Bill in the hope of getting a stronger one. Congress could and did refuse to give it to him. And the people, tired of controls, had decided that they would rather pay too much than do without.

Since that time he has been more careful and has avoided a major engagement until last week. Then the time came when he was forced to act. He vetoed the Tax Bill and the Labour Bill within a few days of each other. Both vetoes took courage at a time when Administration needed all its Congressional goodwill in readiness for developments in the Marshall plan. The veto of the Tax Bill was sustained in the House—that is, the two-thirds majority necessary to override it was not forthcoming—but at the price of some bitterness from conservative supporters of the President's foreign policy. It was a veto which could easily be misunderstood. Tax reductions are popular even if unjust in their application and almost every voter will be disappointed in his hopes of tax relief as a result of the President's action. Mr Truman has been rescued by Republican spokesmen who did their best to destroy their own case with the people. Keeping their eyes firmly on their financial backers, they complained of Mr Truman's adherence to the "now discredited New Deal spending philosophy," thereby explaining better than Mr Truman himself had done the nature of the Tax Bill he had killed. Republican leadership can be counted on to continue this form of aid to the Democrats.

The Labour Bill is a more delicate matter. Even Labour's friends have been disappointed at the irresponsibility of its leadership since the end of the war and there is a majority of the country in favour of some legislation regulating its powers. Aware of this, the Republican majority wrote an omnibus Bill carefully calculated to put the President on the spot. It is a repressive measure which nevertheless includes some of the features which were generally believed to be necessary. It has the support of the Southern Democrats, now the majority of the President's supporters in Congress, and it has easily been passed over the veto, making the President's gesture an empty one. But the gesture was necessary. Next year is election year and the support of Labour is vital if Mr Truman is to have any chance of re-election. The passage of this Bill over his veto and against the votes of the Democratic

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

Congressmen from the big cities can be counted on to show Labour which party is its true friend, and, it is hoped, will counter any tendency to support a third party.

When Congress adjourns at the end of July and Mr Truman puts his gun away he will be able to count the casualties. His weapon is an old one and sometimes backfires. If it has done so, the first victim may be the bi-partisan foreign policy and its latest child, the Marshall plan for the rehabilitation of Europe. Congress will not meet again until January unless called to a special session. By the New Year it is thought that the imminence of the presidential elections will make consideration of any such contentious measure as "Aid to Europe" impossible. If the Marshall plan becomes concrete a special session in the autumn is inevitable. The mood of Congress in such

circumstances is always doubtful. Men who intended to spend the autumn building up their next year's campaign at home have a prejudice against any piece of legislation which has brought them back to Washington. Anger at the President's success in stopping the Tax Bill will be mixed with triumphant bitterness over the episode of the Labour Bill. This will not be the atmosphere in which the Administration would want to introduce a plan for giving help to Europe on an unheard-of scale. The President must have counted all these costs with care. While he risked support for his foreign policy by his vetoes he helped his own re-election, without which none of his policies would have any value. If he calls a special session he will present Congress with facts and fears gloomy enough to give his legislation a good chance of success.

Labour versus the Law

DESPITE a gallant rearguard action by the Republican Senator Morse and by those Democratic Senators who still follow the President's lead in labour matters, the Senate voted last Monday, by 68 votes to 25—6 more than the necessary two-thirds—to override the veto of the Taft-Hartley Labour Bill. What the unions have chosen to call the "slave labour" Bill is now law, and the epidemic of unofficial strikes which greeted the news is an indication of how bitter feeling among union members is likely to be. The law which Mr Truman condemned as unworkable is to be put to the test, under the eyes of a "watch-dog" committee of Congress, appointed to consider any amendments which may become necessary. If the chairman of the Committee proves, as is suggested, to be Senator Ball, who fought hard for an even more drastic measure, the Administration will be allowed a minimum of discretion in administering the complex provisions of the new law. Congress has triumphantly celebrated the anniversary of the President's veto of the Case Bill.

Quite apart from its political implications, the passage of the Taft-Hartley Act is an event of major importance in the history of American labour legislation. In "rectifying the bias" of present labour law, it substantially modifies the Wagner Act and the Norris-LaGuardia Act, the corner-stones of labour's rights; for the first time, a detailed code of conduct for labour relations is drawn up. The balances of power between industry and labour, and between one labour union and another, are substantially shifted; the role of government in labour disputes has been enlarged, rather than diminished, by a Republican Congress.

It is possible to argue that to legislate for union responsibility is futile; that no law can create the will to peace and production where it does not exist. But this is not the American approach: the United States is at once the most lawless and the most law-ridden country in the world. It is not even President Truman's view: time and again he has argued that limited legislative reforms are necessary to deal with the problems of strikes affecting the national welfare, jurisdictional and sympathetic strikes, and boycotts. The quarrel between Congress and President is less over ends than over means.

The new law justifies to a sobering degree its designation as an omnibus Bill. Its avowed purpose is to minimise industrial strife by defining, under law, the responsibilities and privileges of labour and management, and their common duty to the community. Nothing that could conceivably be relevant has been scamped. The right of labour to organise and bargain collectively through representatives of its own choosing is expanded to include the right not to organise, except where the union shop has been accepted by the majority of the employees. After recapitulating the offences which constitute unfair labour practices by an employer, the Bill breaks new ground by listing unfair union practices: coercion of employees, either directly or through pressure on an employer; refusal to bargain collectively; jurisdictional strikes and boycotts; excessive initiation or union fees; "featherbedding" (restrictive) practices (in which a union forces an employer to pay for work not done, as is the case when Mr Petrillo forces vendors of canned music to hire

stand-by orchestras who never play a note); and refusal to follow the procedure outlined to diminish strikes. The National Labour Board is given the right to secure injunctions to halt unfair labour practices on the part of either employers or employees, but cases against unions must be given priority.

The heart of the bill—if so sprawling an organism can be said to have any centre—is the procedure to encourage peaceful settlement of disputes. The prescription is, briefly, the mixture as before, only more of it: the cooling-off period first used in the Smith-Connally anti-strike Act, but lengthened to 60 or 90 days instead of 30. During the 60-day period enjoined for the ordinary strike, no employee or employer may indulge in a stoppage; striking employees may be dismissed. In strikes threatening the national interest, exceptional measures are invoked. The President may appoint a board of inquiry, which is to report purely on the facts, without recommendations; the Attorney-General may secure a court injunction preserving the *status-quo* for 80 days. At the end of that period, if no settlement is in sight, a secret ballot will be taken, asking pressingly of each employee whether he really wishes to reject the last offer made by the employer. This offer may, at the employer's choice, be confined to a plant, or a region, or it may be industry-wide. The union has no similar freedom. To this extent, the discouragement of industry-wide bargaining still persists in the bill, despite the efforts of Senators Morse and Ives. If the vote is in favour of a strike, the President is then instructed to forward the facts, with such recommendations as he chooses to make, to Congress. What happens then is Senator Taft's secret.

In his veto message, the President is scornful of this solution, which is likely to make every big strike a political issue. He also argues, with some force, that the imposition of a cooling-off period, for whatever period, does not diminish strikes, because it is founded on the unrealistic assumption that major strikes today are decided upon in a moment of passion. In fact, after the "cooling-off" period, workers almost invariably vote to support their leaders. But it is very difficult to think of an effective substitute, and if the President has found one, he has not thought fit to divulge it.

A very important and controversial section of the Bill gives the National Labour Relations Board the right to determine which are the appropriate unions for bargaining purposes. Craft and professional groups may not be forced, although they are permitted, to join mass production unions, and the Board is given the task of deciding what union is entitled to perform work in dispute. The Board, that is, will have the power of life and death over many unions; it is being thrown to the jurisdictional wolves. At the same time that Congress has imposed these and other vast responsibilities upon the Board (which now has, for example, the unenviable task of deciding what union fees are excessive) it has weakened the Board by providing that new appointments (the number of members if raised from 3 to 5) must be approved by the Senate, an insistence which will make it harder to secure competent men; by ruling that it may not engage economic analysts, or, in certain cases, even appoint arbitrators. It must perform most of these complex new duties unaided. The result of piling new responsibilities upon an

agency diminished in resources will almost certainly create intolerable delay and bitter discontent.

The chaos which may follow the carving up of present union empires (particularly those of some of the constituents of the Congress of Industrial Organisations) will be increased by the ban on the closed shop, which particularly affects the American Federation of Labour. Over 4 million workers now enjoying the closed shop must, if they can, transfer to the union shop, a form of security which provides that although the employer may hire a non-union man, he must join the union within 30 days. This seems an insignificant change, but it involves some of the "booby traps" with which the law is lined. A union shop is permitted only if a majority of all qualified employees vote for it, not merely a majority of those taking part in the election. In other words abstention is a vote against union security.

The Bill also makes unions—but not their individual members—liable for damage suits by employers. Mr Truman protests that this provision will discourage the signing of no-strike pledges like that recently concluded in the steel industry, because unions cannot guarantee that there will be no wildcat, unofficial strikes. But may it not also be true that if heavy damages are involved, unions will find some means of outlawing wild-cat strikes? And is not this observance of contracts the very minimum that unions should contribute toward industrial stability? It should be said that the authors of the bill are equally confused: they want strong unions able to enforce contracts, but they have cultivated every means of weakening the unions' authority over their members.

A provision which has aroused unreasonable objection from the President is the insistence that to enjoy the services and protection of the National Labour Relations Board, unions must file detailed statements of salaries paid, revenues, and expenditure. In view of the racketeering history of some unions, this is a reform long overdue, and if there is adequate assurance of secrecy, it should do well-run unions no harm. Five other provisions should receive brief mention. Government employees are forbidden to strike, and penalties on the model of Governor Dewey's law in New York are imposed if they do. Union welfare funds are subject to regulation. Employers are under no obligation to recognise foremen's unions. No union may enjoy the privileges of collective bargaining unless all its officers sign statements that they are not Communists. A ban is imposed on contributions by corporations or by labour organisations to political parties (the CIO's Political Action Committee is not, apparently, intended).

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Like most omnibus measures, the Bill is a mixture of good and bad. It is neither as good as Senator Taft believes, nor as "shocking" as President Truman endeavoured to show. No one can deny that it is capable of opening the door to many abuses. Whether these will materialise depends, first, on the central administration of the Act, and the character of the two new members, and secondly, on the good sense of American employers. The law will provide an acid test of how much American management has learned since the days of Mr Herbert Hoover. If they so wish, employers can bleed the unions white by endless litigation; in any event, the new Act will prove, like the Wagner Act, to be a Bill of full employment for the legal labour force. Labour's co-operation is more doubtful; and by neglect of the human factor, and the realities of union life, the justifiable aims of many parts of the Bill will not prevent it, in practice, from doing more harm than good to industrial peace.

The union campaign to repeal the Act is in full swing; it is merely a continuation of the campaign to force a veto. There will be an immediate challenge of the constitutionality of the Act. Two probable results in union politics are fairly evident. The AFL appropriated \$1,500,000, and actually spent \$1,000,000, in the fruitless effort to defeat the bill. It is a very short step now to the creation of a political arm like the CIO's Political Action Committee. The labour federations now have a burning common grievance, which must further co-operation, if not outright merger, between the two.

In Britain it may be wondered whether this is not America's Taft Veto decision; whether the Bill will not provide the final

spur to a third party. The answer is almost certainly negative; one of the motives for the veto was to deprive the advocates of a third party of precisely this issue. Realists in the Labour movement know that the only chances of repeal or substantial amendment lie with a Democratic victory; they would evaporate with the Republican triumph a third party would ensure. In his veto of the tax and labour bills, Mr Truman has returned to the Roosevelt design for victory. The Solid South can be offended, but as yet it cannot be alienated. The important thing is to get out the vote in the big cities, and most of America's 15 million union members and their families will go to the polls next year to register their protest. Senator Taft, who has given his name to the Bill, may not be so proud of its paternity when the squalling infant is thrust into his arms at next summer's Presidential Convention.

American Notes

The Impact of Foreign Aid

Whatever else may be lacking, Congress and the President at least will not suffer from insufficient guidance on the probable impact of the Marshall plan upon the domestic economy. The President is so enthusiastic over Senator Vandenberg's proposal for a bi-partisan committee, that he has made it triplets. Of the three committees he has designated to study the limits within which American aid can be safely extended, the most important is a non-partisan group of business, labour and financial leaders, headed by Mr Harriman, the Secretary of Commerce. More limited terms of reference are assigned to a committee of specialists to be named by the Secretary of the Interior, and to the President's Council of Economic Advisers. The first will study the effect on America's national resources, the second the impact of foreign relief on the economy in general. None of these groups has the political cast contemplated by Senator Vandenberg in his insistence on a bi-partisan committee, but this fourth advisory body is foreshadowed by the President's hearty support for a council made up of both Republicans and Democrats.

The "Aid Europe" plan is gaining new support, in some cases of doubtful value. Mr Henry Wallace has at last made the sensational discovery that the Marshall plan "is what I've been advocating all along." This is a moment which the Administration must have been awaiting with fear and trembling. Senator Byrd is a reinforcement of quite another colour. Long one of the most entrenched advocates of economy at home, he is enthusiastically developing the line that if "we adopt an expanded global venture," we must tighten our belts at home, prepare to make sacrifices abroad, and face the need for continued high taxes. This is a gift horse that Mr Truman's advisers will do well to look long in the mouth.

The air of economic realism which probable opponents of the Marshall plan have adopted is the most remarkable aspect of its reception in the United States, and the Administration has wholeheartedly fallen in with the view that an inventory of American production and resources is an essential prerequisite to decision. This is a logical move; it will certainly prove an essential link in formulating a policy which stands some chance with Congress. But until the reports are in, it will be impossible to tell whether it is Mr Truman's or Mr Hoover's hand on the trigger of this uncertain weapon.

* * *

The Consumer Market

To judge by the most recent business reports, there has been a fairly general disposition to reconsider earlier conclusions on the imminence of a business setback. The May employment figure, for example, touched a new peak at 59.8 millions, including 1,500,000 Servicemen, and unemployment, which a few weeks earlier had looked like touching 3,000,000, was in fact held to below the 2,000,000 mark. Similarly, the April setback in the Reserve Board's production index was accounted for in the full analysis by a decline in textile output—for long a touchy spot—assisted in the main by stoppages following quite small labour disputes.

Most observers, however, would still contend that industrial activity is maintaining a somewhat uneasy equilibrium at the present high level, and a new round of forecasts for recession later this year have followed from a survey of consumer buying plans in 1947 by the Federal Reserve Board. A year ago a similar survey,

based on an extremely careful projection of sample consumer plans, led to consistent appeals by the Reserve Board for the continuance of high margin requirements for security deals, and for the retention of strong consumer credit controls. The predictions of persistent inflationary pressures were, in fact, so well borne out that 1947 estimates are now attracting the more attention because they give official endorsement to the view that pre-Christmas activity marked the peak of the buying spree, and that consumer buying will in future months be influenced far more by considerations of price and quality.

Over the field of durable consumer goods generally, the survey suggests not only a decline in expenditure estimates, but a fall by comparison with actual dollar spending in 1946. The exception, notably, is for automobiles, where the Reserve Board forecast confirms all trade suggestions that demand is still a very long way from saturation. Here, planned expenditures for 1946 totalled \$5.5 billion, and actual purchases (of both new and used cars) totalled \$4.6 billion—a reflection of the disappointing output total for the year. In 1947 consumers are apparently willing to spend at least \$7 billion. For other selected durable goods, where 1946 expenditures were for \$4.2 billion, with actual purchases only very slightly below that level, the 1947 estimate is for \$3 billion only. For houses in urban areas the shortfall on 1946 figures gives remarkable confirmation of recent trade reports. Here, planned purchases for 1946 totalled about \$17.5 billion, with actual purchases at \$14.5 billion. The range of 1947 estimates is extremely wide—between \$13.3 billion only and \$26.2 billion. This very widespread uncertainty in the face of housing shortages more acute than at any previous period in turn reflects the general reaction from the sharp rise in building costs.

No Precise Forecast

The Reserve Board has been careful to stress that the survey (only preliminary data are so far available on this side) cannot

represent any precise forecast of consumer expenditures. The 1946 test gave a remarkably close correlation with total figures, but there were sharp variations on individual estimates owing, in the main, to durable goods shortages. But apart from the technical limitations of such a survey (based on 3,000 interviews as representative of a broad mass of 46 million "spending units") results must be accepted as a split-second "still" in a continuously moving film where the scenery sometimes changes with disconcerting speed. It is a little surprising, for example, to find that fifty-five per cent of consumers questioned in 1947 believed in the continuance of economic activity at or near the current level, against 35 per cent only last year.

This quite general confidence in the future of business activity follows through to plans for future drafts on savings, and for the extension of consumer credits. Confining its survey to holdings of Federal securities and bank deposits, the Reserve Board found that liquid assets on this definition increased by about \$8 billion over 1946. But this overall figure concealed a decline of about \$10 billion among the lower-income groups, of which nearly one-quarter expended all liquid assets in these forms.

Another noteworthy feature is that about 40 per cent of savings were spent for day-to-day expenses, medical care and emergency items, a trend which suggests that there is no great cause for satisfaction in the fact that the low-income group (units with less than \$2,000 yearly) fell from 21,900,000 to 18,500,000. None the less, nearly 40 per cent of consumers questioned indicated their willingness to make fresh drafts on savings. Only 28 per cent were willing to declare their willingness to do so last year, although the proportion of dis-savers turned out, in fact, to be about the same as the estimate for 1947. Nearly 40 per cent indicated their willingness to buy durable goods on credit (against 32 per cent actually borrowing in 1946), while more than 40 per cent of home buyers now wish to borrow 60 per cent or more of the cost.

THE WORLD OVERSEAS

Burma—A Tragedy of Waste

(From Our Special Correspondent in Rangoon)

THE resolution passed by the Constituent Assembly on Monday, June 16th, proclaiming a sovereign independent republic of Burma, had been expected ever since the powerful Anti-Fascist People's Freedom League had made public the details of its own draft constitution several weeks earlier. The League has some 200 seats in the Assembly out of a total for ministerial Burma of 210; and it struck many observers as significant that, at the opening meeting of the Assembly it was the flag of a political party that flew over the assembly hall: the League's red flag with a yellow star, instead of the official Burma flag, the Union Jack with a peacock superimposed.

A small number of educated Burmans, who have travelled and who appreciate the present unhappy condition of Burma and the inexperience of their countrymen, regret the resolution and would like to have seen Dominion status accepted at least for a few years. But the young nationalist leaders have been shouting full independence too long for them to go back at this stage. Withdrawal of the claim would only have weakened their own position and strengthened that of the Communists, and of the small opposition groups headed by U Saw, Dr Ba Maw and Thakin Ba Sein. Dominion Status has always been suspect to Indian and Burmese nationalists, the words "dominion" connoting in their minds domination and "status" inferior status. All those ties of blood, sentiment, language, tradition, and the symbolism of the Crown, which unite the English-speaking Dominions, do not exist in Burma. If, immediately after the liberation of Burma, we had adopted bold policies and given freely then what we have been forced by threats to give now, the tale might have been a different one. The Burmese might have been content with Dominion Status, once they discovered what it really was. There existed then a great fund of goodwill towards the British which was steadily dissipated during the 18 months culminating in the

London conference of January. A man who saw this very clearly at the time was the present Viceroy of India.

Although they have felt compelled to go through with the resolution of independence, nearly all the nationalist leaders understand the advantages to Burma of a close association with Great Britain. Their short tenure of office has made them aware of some of the complexities of administration. Burma's finances are in an unsound condition and the recent Treasury Mission, while it agreed to meet most of the deficit for the present financial year which ends on September 30th, made no promises for the future. Burma, for several years to come, will require large military, naval and air force missions; the maintenance of adequate missions and of an army on the scale that is required, is beyond the present financial capacity of the country. Sponsorship before the manifold international bodies that an independent Burma will join is another advantage that would accrue from a formal association with some outside power. There is a deep-seated fear in Burma of Indian and Chinese pressure and economic penetration, and no particular urge towards reliance either on the Soviet Union or the United States. The obvious Power for Burma to turn to for help in these matters is Great Britain; as its political influence in Burma decreases, its acceptability for this rôle increases. The most experienced man the nationalist leaders can call upon, U Tin Tut, formerly in the ICS and now Minister without Portfolio in the Interim Government is at present in England discussing these questions.

The exact implications of the resolution of independence remain to be seen. It should be noted that the wording proclaims an independent republic, not an independent state. But it is difficult not to feel that the young nationalist leaders are trying to have the best of both worlds, the glamour and prestige of a sovereign republic and the material advantages of membership of the British

Commonwealth. The advantages to Burma are fairly obvious; less so are the advantages to Britain. The attitude of Whitehall during the coming months is likely to be—and quite rightly—"What do we get out of all this?" Britain cannot be expected to go on putting money into Burma just for the sake of old times, nor is it in a position to do so. Its main need is for protection of commercial interests. At present the young nationalists seem hell-bent on pushing through schemes for nationalisation which will press hard on several of Britain's main interests and which, if it be accepted that the most important thing for Burma today is to stimulate production and increase revenue, are against the real interests of the country.

Dacoity and Anarchy

Burma today presents a tragic spectacle. Its *per capita* wealth, in terms of the ratio between natural resources and population, is probably the highest of any country in Asia. It is a tragedy of waste, tragic because largely so unnecessary. The world is clamouring for Burma's products, especially for its rice, but the export surplus from the coming harvest will certainly not be higher than the last (about one-quarter the pre-war surplus) and may be much lower. The failure to restore production can be attributed to a single cause, the failure to restore law and order. Dacoity is still rampant, and in the Arakan the Communist Party is running what is virtually a parallel government, with its own administration and its own courts. The peasants will not work the outlying fields, timber contractors cannot reach the more distant forests, because of marauding gangs of well-armed men, many claiming allegiance to political parties and carrying out oppression in their name. Operation Flush, the big combined military and civil operation that was put on earlier this year to try and curb dacoity in central Burma, is generally admitted to have achieved almost nothing. As soon as the troops were withdrawn the gangs filtered back. The operation failed because it was directed at the leaves, not at the roots, of this vicious growth. As long as private armies are permitted by law, as long as the League leaders concentrate on building up their own private army, the so-called People's Volunteer Organisation (young village lads, who in many districts are scarcely distinguishable from dacoits), and on weakening the hands of the police and all the normal agencies which maintain order, so long will the present semi-anarchic conditions continue. Before the April elections it was said that the Government, composed of League leaders, was reluctant to take strong measures because of repercussions among the voters. The elections are over and the League has an overwhelming majority, but the situation is still allowed to drift.

The administration is running down and that old freedom of civil servants from politics, which the British tried to maintain, has gone already. All appointments, even those formerly at the

discretion of District Commissioners, are now being made from the Home Ministry in Rangoon. The Ministry issues orders for the transfer even of constables if there are political objections against them. It is the beginning of party rule. Consequently, Burmese officials of nearly all grades are acutely uneasy. They do not know when they are going to be dismissed or posted suddenly to the other end of Burma.

Against this troubled and uncertain background the British commercial community gives the impression of facing the future with a considerable, if not an excessive, degree of confidence. The importers and exporters have hitherto made considerable profits; they will presumably continue to do so as long as the present shortage of goods continues. The Burma Oil Company has spent large sums in restoring its oil wells, although the latter are not yet in production. Such a technical business as the extraction of oil will doubtless be the last to pass out of western hands. The same consideration applies in a lesser degree to the wolfram, silver, lead and tin mines. It is probably the firms dealing in timber, rice and inland transportation, which have most reason to be anxious about the future, for it is in those fields that the young nationalists seem keenest to try out the practical application of the magic word "nationalisation." Aung San, however, has stated publicly that, although a socialist state must remain the objective, Burma must pass through an interim capitalist phase if the economy of the country is to be restored. Many people in Rangoon feel that the appointment of a British High Commissioner to Burma is already overdue, and that there is a real need for someone to organise the British interests into a solid bloc.

"Centre of the Universe"

Any student of the Burmese scene is bound sooner or later to come to the conclusion that a key factor in the situation is the boundless self-confidence—some call it conceit or even less polite names—which is a characteristic of the Burmese. (It presents a contrast with the comparative humility and amenability of the Indonesian nationalist leaders). The Burmese are, of course, conscious of a proud tradition, especially a warrior tradition, behind them. Mandalay in the days of the Burmese kings was known as "the centre of the Universe." In more recent times few Burmese, especially among the political leaders now in power, have been abroad. The mountain ranges that cup the country have caused a curious insularity. The young leaders have reason to feel pretty pleased with themselves, for they have virtually achieved their objectives and they have put their country (admittedly a simpler problem) ahead of India on the road to independence. But this self-confidence, when it comes to negotiations on practical straightforward matters such as the future relations between Britain and Burma, often makes them difficult to deal with. It is a factor which must be constantly borne in mind.

Turning Point in Hungary

(From a Special Correspondent)

THE recent crisis appears to be a landmark in the political development of Hungary. For two years the country was ruled by a coalition which genuinely represented the majority of the nation. There was always friction between the conservative Small Farmers' Party and the Left Block of Communists and Socialists, but until the conspiracy crisis of February it was possible to hope that a more or less solid form of democracy would be created, which could combine social change with political liberty, and could maintain friendly relations with both East and West. But though Hungarian public opinion desired this, it has not been achieved. The extremists have had their way. The main responsibility for this must certainly fall on the Communists, who with Soviet backing have long had the lion's share of power and have been able to decide the general trend. But blame must also be shared by the extreme Right, who, believing rightly or wrongly that they had the sympathy of the United States, have provided the provocation which the Communists needed as an excuse for their policy. Now it seems certain that Hungary will evolve in the same direction as Bulgaria and Rumania, towards a dictatorship in which the Communists hold the real power, the Socialists are thrown a few crumbs from the table, and rump peasant and bourgeois groups are kept in the Government as window dressing. The new Premier Dinnyes is a docile nonentity, and the Small Farmers' Party has been reorganised in

such a manner as to give the key positions in its machine to members of a "fellow-travelling" left wing. It is officially announced that a new electoral law is being prepared which will greatly restrict the franchise. The present moment, therefore, affords a good opportunity to consider the main problems which have faced Hungary during two years of coalition.

The first achievement of the coalition was the land reform, carried out in the spring and summer of 1945. This was absolutely necessary in order to break the political power of the old ruling class of landowners and "gentry" and to satisfy the demands of the peasants for social justice. It has been violently criticised by the Right in Hungary and abroad, and all Hungary's economic misfortunes have been attributed to it. It undoubtedly caused economic dislocation, but it is the belief of serious observers that if there had been no reform, dislocation would have been even greater, as the peasants would have refused to till land which was not theirs and whose owners had fled with the German Army. No one but an irresponsible demagogue believes that the reform has solved the peasant problem in Hungary. There is not enough land for everybody, and several hundred thousand peasants remain landless agricultural labourers, many of them unemployed. The new smallholders lack livestock and implements, destroyed during military operations or removed by the German or Soviet armies. Nevertheless, progress has been made in the development of in-

tensive crops, which all agree should be encouraged at the expense of cereal production. For instance, the gloomy forecasts of sugar manufacturers concerning beet supplies from small farmers were proved wrong in the harvest of 1946. Even in the exceptionally difficult circumstances of that year, the factories received as much from the new owners as they had had in the past from the well-equipped big estates.

An Impressive Recovery

Much depends on the progress of agricultural co-operatives. Plans are being made in the light of Danish and Soviet experience. Probably the latter will predominate under the new regime. A new law on co-operatives provides for greater centralisation, and it may be that the co-operatives will be used, as in the USSR and Yugoslavia, as much for political and administrative control as for economic ends. The fear of "collectivisation" certainly exists among the peasantry. But there is no doubt that some system of co-operative cultivation is essential in order to raise the efficiency of Hungarian agriculture. The main difficulty of the farmer to-day is the disparity between agricultural and industrial prices. Until the manufactured goods required in the villages are available at reasonable prices, cash payments are of little value to the peasants. The system of compulsory deliveries of foodstuffs at fixed prices is extremely unpopular, but clearly cannot be dispensed with. The only cure to the "price scissors" is more efficient industrial production.

In comparison to the chaos of 1945, Hungary's industrial recovery is impressive. Workers and engineers have made heroic efforts. But it is not yet possible to estimate its real value. Ingenious improvisations were made from dwindling stocks. These have postponed but not removed the need for real replacements, the extent of which is far from clear. There are well-qualified economists, by no means unsympathetic to the regime, who take a gloomy view. The state enterprises were run at a loss under the old regime, but the deficit has now notably increased, and this is also true of the nationalised coal mines. Nationalisation has been piece-meal, and demagoguery has been preferred to planning. Private firms producing goods which go to the USSR as reparations have not received the payments due to them from the Hungarian Government. As their reserves were used up, they were forced to apply for credit to the banks, which until this month were nominally privately owned, but were in fact closely controlled by the Supreme Economic Council. The growing debts of industry were fiercely denounced by the Communist newspapers as proof of the incompetence of the "reactionary and anti-social capitalists" controlling the firms. With characteristic dishonesty they made no mention of the Government's debts to firms for reparations deliveries. Instead of carrying out a consistent policy of nationalisation, the Communists have preferred to maintain the private owners as whipping-boys. The result is a general insecurity in which everyone has an inducement to avoid hard work and responsibility.

Overhanging the whole economy are Soviet demands. In addition to the constant drain of reparations, whose justice is generally admitted, is the cost of maintaining the army of occupation, which most Hungarians had optimistically expected would cease after the Peace Treaties were signed in February. A new blow has been the Soviet demand that obligations arising from confiscated German property should be paid by the Hungarian Government, the USSR accepting only assets and refusing liabilities. Hungary will not get a penny of Germany's huge war-time debt to her, but must pay to the USSR all debts contracted towards German firms, and must pay them at the Reichsmark-dollar exchange rate of 1938. This places an additional strain on the Hungarian economy, which will amount to not much less than the total sum of reparations proper.

Parasitic Officials

The stabilisation of the currency has been successful, but has involved the hardships of deflation. Wages and salaries are very low. Civil servants and teachers are especially underpaid. An Assistant Under-Secretary of State may receive no more than 800 florint (£16) per month. University professors have real difficulty in keeping their families from starvation. Curiously enough, journalists are well paid, receiving generous expenses allowances and some forms of payment in kind. Black marketeers in textiles flourish. Vaczi Utca (the Bond Street of Budapest) is stocked with luxury goods that would astonish a British housewife, and there are a fair number of customers. At the other end of the scale there is serious unemployment, especially in the building industry and agricultural labour, but also in other branches.

Concealed unemployment is still more striking. The three bureaucracies—state, political parties and trade unions—are heavily overstaffed. Supporters of the regime admit this, but argue that something has to be done to save people from starvation and to maintain their self-respect. There is force in this argument, but it is also true that preference is given not only to those who genuinely accept the ideas of the Left, but also to the much larger number who pay lip-service to them with servile hypocrisy. And as Sulyok, the leader of the Right-wing oppositional "Freedom Party," points out, the maintenance of hordes of parasitic officials forces down the wages of those who do useful work.

During the coalition regime Hungary enjoyed a remarkable degree of political freedom. Very frank speeches were made in Parliament, and the press could discuss any subject except the USSR without hindrance. Political democracy was not as complete as it appeared on the surface, for the Communist Party, by the usual "infiltration tactics," obtained a disproportionate share of the key posts in the police, especially its political and "economic" sections, established something approximating to "political commissars" in the army, and took almost complete control of the "frontier guards" (based on the "Frontier Troops of the NKVD" in the USSR). However, intellectual life was incomparably more flourishing in Hungary than in the countries to the south-east. This will now presumably change.

The Hungarian educational system was largely based in the past on the Catholic Church, which on the whole provided the best schools. At present these are supported by funds from the state. Some months ago the Government decided to make religious instruction in state schools voluntary. The proposal actually came from the Small Farmers' Party Ministers, but was inspired by the Left. In itself it seems a very reasonable measure, but it aroused widespread opposition. It is feared—probably not without reason—that in working-class districts, trade union pressure will be used to force workers to "request" that their children be given no religious instruction. In the countryside there is little prospect of this, but the peasants regard the measure as a first step to persecution of their faith, and the priests do not feel obliged to reassure them. It seems that there has been a considerable revival of religion in Hungary since the end of the war. This may be only a temporary result of misery and insecurity, or it may prove permanent. In any case it increases peasant hostility to the Government.

Friction with Neighbours

Though to the average Hungarian the most pressing worries are economic distress and fear of dictatorship and Soviet domination, nevertheless the treatment of Hungary at the Peace Conference also caused genuine and widespread discontent. What is known of the situation of Hungarians in neighbour states is not comforting. In Yugoslavia linguistic rights are guaranteed, and at least Hungarian Communists are represented in the Belgrade Parliament. But the rigid centralist dictatorship weighs heavily on all Yugoslav subjects, and at the lowest levels the Serbian official is only too inclined to feel that his duty as Communist and patriot requires him to "keep the Magyars in their place." Much the same is true in Transylvania, although the Rumanian Government seems sincere in its aim to secure equal treatment for Hungarians and Rumanians. The Rumanian Premier, Groza, is popular in Hungary, and the warm reception which he received on his recent visit to Budapest was doubtless genuine. But the Czechoslovak state discriminates most strongly against its Hungarians. For two years Hungarian children in Slovakia, even in purely Hungarian villages, have received no education. These depressing facts are, of course, still further magnified by propaganda inside Hungary. They strengthen the nationalist, anti-Semitic and neo-Fascist tendencies which are strong beneath the surface.

The extension of Soviet-American tension to the Danube Basin is a cause of alarm to all but the extremists on both sides of the barrier in Hungarian politics. The atmosphere of Budapest in 1947 differs from that of neighbouring capitals. There is little of the arrogant optimism of Sofia or the snarling xenophobia of Belgrade. Two defeats have created a sadder, and in some ways perhaps a wiser mood. There are dogmatism and intolerance at the lower levels, but the leaders (and this is to a large extent true of all the parties) know that things are not simple. They know that their country is at the very heart of Europe, and that if Europe is torn in two by forces from beyond the Urals and the Atlantic their nation is doomed. And they know that there is very little that they can do about it.

Turkish Democracy and the American Loan

[FROM A CORRESPONDENT IN ANKARA]

THE promulgation of the "Truman Doctrine," coinciding with the announcement of the American naval visit to Istanbul that has since taken place, provoked angry rumblings in the Russian radio and press. The pardonable Western habit of ignoring as familiar and predictable disciplined thunder from the East should not keep us this time from examining the question on its merits. If the European scene is viewed in the current transatlantic manner as one of several theatres of an undeclared war between the Soviet Union and the United States, and Russian polemics in the past two years are thought to herald an impending act of aggression against Turkey, the strategic case for forestalling a Russian move is unanswerable. In Britain, happily, there are still many to whom this tough view appears too "realistic" to be sound and who ask the awkward question: Ought Turkey to be counted among the "democracies"? Has the assumption implicit in President Truman's offer, that in giving Turkey a dollar injection the West is fortifying one of its ideological outworks, any basis in the realities of Turkish political mentality and governmental practice? The answer is neither obvious nor, as yet, conclusive. But if the existence of an articulate and effective opposition is accepted as an important criterion of democracy, an attempt to analyse the position from this angle is possible and timely.

The appearance of opposition parties in the summer of 1945 was a novel event in Turkish politics. For over 20 years, with one brief victorious interval, Atatürk's Republican People's Party had ruled unopposed. If an organised opposition has arisen now, it is a symptom indicating, among other things, that the initial revolutionary impetus has spent itself, and the prestige of the ruling set has worn thin. The Kemalist system can be said to have entered an evolutionary phase in the early nineteen-thirties, when the victory over external interference and domestic reaction had been consolidated and, faced with new problems, the nation began to look more searchingly at its new institutions and leaders. But the progressive depreciation of liberal values in the years following kept this tendency from expressing itself in a democratic reform movement, and even repressed it in favour of the fashionable authoritarian trends.

Party Without a Programme

The emergence, among other smaller groups, of the Democratic Party under the leadership of ex-premier Celâl Bayar was clearly connected with the rejuvenation and apparent triumph of democratic ideals in World War II. It would be false, however, to attribute it in any literal sense to foreign influence. It was rather the expression of a vague, pent-up impatience felt by an educated and progressive section of the nation, many of them old Kemalists themselves, with what they regard as the intransigence and intellectual barrenness of an entrenched and inbred political system. No process of ideological clarification within an organised movement preceded it, and the favourable world conditions of 1945 propelled the new party on to the political scene practically without a programme.

Indeed, certain conditioned reflexes of the Kemalist Turk, embodied in constitutional law and administrative practice, did not leave the new party much latitude in the choice of a platform. Causes like Communism, "religious reaction," and monarchism are outlawed and give an alarming colour to such respectable Western labels as Socialism and Clerical Conservatism. Racial doctrines and radical nationalism, though far from unpopular among semi-educated youths, would have impaired the new party's prestige abroad and were, moreover, abhorred by all responsible men of the budding opposition. There remained domestic issues directly arising from the conditions that had given the opposition movement its wide appeal: the single-party system, the personal union of president and leader of the People's Party, the repressive press laws that make the Government machine sacrosanct, the uncontrolled powers of the executive—especially provincial governors and police—which nullify fundamental civic liberties, and so forth. The National Congress of the Democratic Party last January charged the parliamentary party to enforce the abolition of these laws and practices or withdraw from the Assembly. In their hard struggle through several elections to secure fair representation against a rival that fought with all the weapons of the party-state, the Democrats have thus come to make their goal the enforcement of the basic rules that are taken for granted in working democracies. Stated baldly, they became

a party in order to start parties; and the formulation of a long-term programme to deal with the large economic and social issues facing the country was deferred.

Sanity and Balance

The Democrats have come out against economic bureaucracy and for a more liberal labour legislation. But their few declarations on such concrete issues have been rather vague. It is true that the obsolete electoral laws and the restrictions of individual freedom that still persist represent serious national problems. But so do the relations between state and church, economic policy and the treatment of minorities, to name but a few. With the present scanty data it is hard to predict what the Democrats would do, if the handicaps they complain of were removed and a free election gave them a majority. Some suspect that they are purposely screening their main programme behind topical issues, in a shrewd attempt to rally to their ranks all the heterogeneous components of the large floating opposition that is bound to exist under a single-party system that has turned two decades, and lost its founder and its original inspiration. But Celâl Bayar's character and political record make this an improbable interpretation. He is essentially not a demagogue. His own roots are in the party he opposes, and under different circumstances his struggle might have been conducted within the People's Party rather than outside. The Hitlerian tactics of incompatible promises and iridescent rhetoric are hardly to his taste. Nor, incidentally, are those potent catalysts present—mass misery and a disoriented intelligentsia—which elsewhere have dramatically accelerated the mysterious chemical change by which revolutionary movements are born.

The Turkish political temper, though haunted by some traditional phobias, is fundamentally sane and balanced, and if governmental practice has been technically "undemocratic" in important respects in the past there is, at least, little to suggest that the Turkish part of the population has disapproved of it. Celâl Bayar doubtless shares his countrymen's abhorrence of Russian Bolshevism, and possibly, too, their obsolete belief that Socialism is one of its manifestations. With an eye to the western world and the lesson of the Fascist war, he also declines to invoke in his support the benighted racial chauvinism of the extreme Right. He is thus confined to the middle field in politics, where he finds the Government party firmly entrenched.

If the Democratic Party's political philosophy is ill-defined, comment on it is equally so. At present it is a rallying place of widely divergent ideas and dissimilar social elements. But its peasant following is as yet insignificant. This is, of course, a fundamental weakness in this peasant country. One reason is that the Democrats have found it impossible to cover the provinces effectively, and administrative organs, to put it mildly, have not encouraged them to try. Another reason is that the Anatolian peasant, broadly speaking, is anything but dissatisfied, as he has reaped the full benefit of the sharp rise in food prices since 1940.

As an urban party in an agricultural country, the Democratic Party is at present at a very serious disadvantage. Its average following in the larger cities may be put at 80 per cent of the electorate. In the villages it is probably less than 5 per cent. The elections to the National Assembly last July gave it about 15 per cent of the seats, though it claims that, given time, it could do much better. In fairness, however, to the People's Party, it must be said that they have earned their success on the land. But the balance of power between the two parties will not materially change unless the Democrats succeed in splitting the peasant vote.

End of the War of Nerves

On the subject of the American loan, however, as on foreign policy generally, there has been no disagreement between the two parties. It would have been imprudent indeed of the Democrat Party to show anything but unqualified approval of an event which ended the war of nerves with Russia and brought an influx of capital which nobody in Turkey bothers to call a loan. In a recent press interview, President İnönü confirmed the general surmise that the loan will go entirely into armaments. A credit from the Bank of Reconstruction and additional credits to be granted by America from time to time for specific projects are expected to take care of an important part of Turkey's purely economic needs. The Democrats follow these developments with particular interest, hoping that the People's Party will now recognise the usefulness of the opposition's hitherto somewhat shadowy existence, and with the world's attention focused on Turkish affairs, will be inclined to make really important concessions to democracy.

THE BUSINESS WORLD

Sterling after July 15th

LITTLE more than a fortnight from now sterling must again assume the full status of a convertible currency so far as current transactions are concerned, and the arrangements that must precede the arrival of this date are now being hurriedly completed. By July 15th few gaps will be left in the series of agreements with sterling area countries, and in the adjustments of monetary and payments agreements with non-sterling countries, to meet the demands of convertibility of currently earned sterling. The only important gap will be provided by India, where postponement of the necessary discussions has been made inevitable by the pre-occupation of Indian Ministers and officials with the political and economic problems of partition.

All these arrangements are being made on the unquestioned assumption that convertibility of current sterling is an irrevocable decision. There can, in fact, be no going back on this particular commitment of the Anglo-American loan agreement. Indeed, it can be argued that to ask the United States Government now to release Britain from the obligation to make sterling convertible on July 15 would be to advance the threatened exchange crisis far more surely and rapidly than by assuming the uncertain and probably small additional cost of such convertibility. It is probable that foreign countries entering into long-term contracts for bulk deliveries of materials and foodstuffs to Britain would, if the sterling due to them was not convertible, demand payment in dollars or would require gold or dollar collateral against their forward contracts. If Argentina, Brazil and other suppliers were to take up this attitude, Britain's remaining gold and dollar reserves might be earmarked and immobilised in a matter of weeks.

If it be assumed that convertibility is an irrevocable step, arrangements must be made for dealing with accumulated sterling balances. That need emerges from the simple fact that accumulated sterling will not be convertible, except in so far as it is gradually released, and must therefore be somehow segregated from current accruals of sterling which will be convertible. The hue and cry about partial cancellation has died down for the moment, and the view is generally taken that any such adjustment of the debts can be achieved only by mutual consent of both parties. What matters to Britain is not whether the repayment instalments of these balances are expected to end in the year 2,000 or the year 2,050, but what proportion of them is to be released over the next five years or so. The next millennium can, at this moment, be left to look after itself; and the negotiators will be well advised to confine themselves now to comparatively short-term arrangements.

Those arrangements for the release of sterling balances and for the "unrequited exports" which the released amounts represent, must be seen as a global problem. Some order of overall magnitudes is no doubt present in the minds of the British experts as defining the total of the concessions they could give to the creditors in the shape of such releases. The financial agreement between the United States and the United Kingdom envisages such a total, namely one of £43,750,000, this being the annual payments on account of accumulated sterling balances which can be regarded as current transactions when calculating the balance of payments of the United Kingdom for purposes of the waiver clause on interest due on the American line of credit. Any payments in excess of

this figure would be regarded as a capital transaction. If such an annuity is to include both releases from the capital of the balances and interest on their outstanding amount, the releases would be small, as indeed they must be if the resultant burden on the British balance of payments in the immediate future is not to be intolerably heavy.

There is no reason, however, why the present abnormal strain upon Britain's productive resources should dominate the arrangements with the creditor countries. Those arrangements should, in fact, have sufficient elasticity to allow the annual releases to expand as and when British productivity is able to take such expansion in its stride, and as the volume of world trade begins to recover (but, equally, to permit them to contract again if British productivity or world trade were to relapse). This brings into play another implication of the Anglo-American financial agreement, namely, its stipulation that releases from accumulated sterling balances shall be freely available for current transactions in any currency area without discrimination. Since any sterling released from accumulated balances will thus be expendable for current purposes anywhere in the world—equally with newly-earned sterling—Britain's capacity to repay these balances will depend absolutely upon its capacity rapidly to supply, on competitive terms, the goods which its creditors need. This, however, is the whole essence of the concept of convertibility or transferability of sterling. By conceding convertibility, Britain will lose whatever element of protection its export industries may have derived from the wartime operation of the sterling area arrangements. This may seem a surprising moment at which to throw that protection away, but sooner or later that step would have had to be taken. Indeed, for currently earned sterling, it has had to be taken—for the obvious reason that most of Britain's overseas suppliers would have been unwilling to continue to sell against anything but convertible exchange. It would have been extremely difficult to have segregated currently earned sterling which was freely transferable, from released portions of accumulated balances which were subject to certain restrictions. To have followed such a policy would have involved the ultimate emergence of further differential rates of exchange for sterling. It is bad enough to see blocked sterling quoted at about 2½ dollars to the £. It is questionable whether any conceivable advantage could be derived from a system involving further differential rates, with its consequent "balkanisation" of the structure of sterling exchange.

There is, however, no reason why this free availability of sterling released from accumulated balances should not be reconciled with elastic arrangements to permit of increases in releases against additional exports; and no opportunity should be lost of inducing the United States to accept an interpretation of clause 10 of the Loan Agreement (defining the manner in which accumulated sterling balances should be settled) which would allow of such elasticity. The whole issue could, in fact, be circumvented were Britain to make tied loans to her creditors in order to finance specific deliveries and then to earmark their sterling balances for repayment of the loan. This, apparently, would accord with the purest doctrine of the Loan Agreement, dishonest though such a subterfuge would be. Far preferable would be an open discussion of the clause with the United

States, and its reinterpretation—if that were necessary—to make plain that no discrimination occurs if the holders of sterling balances, having bought on competitive terms in Britain and finding at some later date that they have run into a deficit on their balance of payments with Britain, liquidate that deficit by mutual agreement, by drawing on the accumulated balances. If such a reinterpretation involves a little metaphysical juggling, that is a process with which the experts of the US State Department and Treasury should by now be familiar. It should be added that Britain is unlikely to welcome such "supplementary exports" in the near future. The main concern of the British negotiators in the current discussions should be to keep the releases down to the lowest possible figure. But a time may come when this country may positively welcome an acceleration of repayment of these sterling debts, even though it should never be forgotten that the means by which they are repaid will always be "unrequited" exports.

The arrangements that will operate after July 15 should obviously take full account of the atmosphere of international monetary disorder in which they may have to operate in the not distant future. Despite all the efforts that are being made in Europe and the United States to avert an international dollar crisis, any objective calculation of the odds must, unfortunately, lead to the conclusion that the crisis will be upon us in a matter of months. On that assumption, the arrangements now being made with sterling area countries, and the payments and

monetary agreements with non-sterling countries, should be looked upon as a hedge against disaster. Those arrangements and agreements incorporate the convertibility of current sterling and are, therefore, fully compatible with the requirements of the international system which is gradually evolving under the International Monetary Fund. An international dollar crisis on the threatened scale may, however, give the Bretton Woods system an air of strange unreality before long. If matters really did shape in this fashion, it would be doubly useful to have in the sterling arrangements, an anchor of stability and a rallying point for confidence.

But if the arrangements really are to serve such a purpose, much will have to be achieved. First and foremost, Britain's productive effort will have to make much more rapid headway than at present seems in prospect—that is a consideration which is basic to every problem, political as well as economic, which Britain now confronts. On the more technical financial plane, however, much can be done. In particular, no effort should be spared to give to sterling through these arrangements the greatest measure of strength and stability. That means going ahead with the arrangements for making sterling convertible for current purposes, accepting the risks that may be inherent in granting convertibility not merely to current sterling but to releases of accumulated balances and, finally, abstaining from any unilateral blocking or repudiation of debts which would damage the interests of the debtor far more, perhaps, than those of the creditors.

Chemicals in the Production Drive

IN the production drive the most publicised element has naturally been the need for harder and more continuous work. But, however much enthusiasm can be instilled into the labour force, there are obvious limits to what muscle and brain and nerves can stand. On a medium-term view, the chances of making good the inroads into national capital and then of moving towards a better standard of living depend equally, and perhaps primarily, upon using existing resources—of manpower and materials—more efficiently.

The problem of raising the efficiency of the economy—optimum usage of resources is perhaps a better definition of the goal—is many-sided. Plant modernisation, improved lay-out, standardisation and better organisation are the facets which perhaps have most caught the public eye. Little has been heard of what is being achieved, and of how much more could be achieved, by the fuller application of the results of chemical research, both within and without the chemicals industries. New materials attributable to the industrial chemist from time to

time seize the public imagination when they are embodied in consumers goods, but even the most spectacular, such as nylon, are a poor indication of the full possibilities. The chemist's main contribution, in many cases, lies in the technique of production itself or in economising scarce materials, and thus is often invisible to the final consumer. Equally it may take the form of substituting for traditional industrial methods new processes which make use of chemical reactions—a particularly significant substitution in present conditions, because such processes usually require only a comparatively small, though highly-skilled, labour force.

Even within the chemical industries themselves the scope is so wide as to defy definition. Where such processes or such techniques can be applied commercially, they give rise to a large and ever-widening field of end-products—from drugs and fertilisers to petrol and lubricants. Moreover, from the point of view of exports, the products of these industries have the great advantage that they possess a high "conversion factor"—the



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cost of the raw material is low by contrast with the selling value of the end-product. Enterprising firms throughout the whole field of industry are constantly exploring the possibilities of new processes, materials or products. But plainly there is a case for a broadly-based drive to demonstrate the potentialities to other firms; to promote centralised or co-operative research and pilot plant testing, where individual action is impracticable or uneconomic; and to ensure, so far as possible, that there is interchange of ideas, if not actual collaboration, between those already well-organised. As many of the Working Party Reports have emphasised, such an interchange is indispensable if the best results are to be achieved, for work in each of many different fields acts and reacts upon others. A new material from one industry may have great value if consequential chemical problems of production technique or subsidiary materials in a user industry can be speedily solved, but little immediate value otherwise. Conversely, a scheme to devise a more efficient production technique may be frustrated unless the suppliers of raw material—perhaps even a minor material in the process—can adapt its chemical properties accordingly.

The layman who seeks instances of actual achievement to demonstrate the potentialities should perhaps think less in terms of nylon—or other exciting new products—than in the developments which enable steel or brick furnaces to be fired more efficiently, or in the growing range of chemicals which are now coming in increasing quantity from crude oil for use in industry. And he should bear in mind the intricate pattern of action and reaction. It remains true, however, that the chemical industries, responsible for most of the new products as distinct from processes, are the essential foundation of all this development; and in Britain these industries are already large and experienced.

In a sphere so large and ill-defined, it is possible here to give only the broadest indication of the potentialities. They may conveniently be considered under three heads—power for industry; public diet and health; and supplies of key materials for industry.

Though assistance in the development of power resources other than coal would be of unique importance, there is no likelihood of very great strides in this direction for some time to come. At most, the chemist can assist in the switch of emphasis from coal to oil as a source of power. But, so far as can be foreseen, there are severe practical limits upon the amount of coal-burning industrial equipment which can be switched to oil. The chemist's main contribution here will probably be to improve, in collaboration with the engineer and the metallurgist, the efficiency of fuel consumption by adjusting not only fuel to industrial plant and machinery but also machinery and plant to fuel. Such developments should not be underestimated. The reciprocal adjustment of the metal in machines or of materials, such as refractory bricks, to the characteristics of fuels, is of immense importance to industrial efficiency and to the international location of industry. It may decide, for instance, what kind of oil refineries shall be built and whether they shall be located near the oil fields or near the markets for the end-products. Of course, if within the next ten years atomic energy can be harnessed to industrial uses—a development towards which chemistry, as well as physics, has an important contribution to make—a new situation would arise. Power might conceivably then be taken largely from nuclear fission. In the present context, the implication of that might be that the chemicals industry might become the principal claimant upon the resources of coal and oil, instead of depending mainly upon their by-products as it does today. This would not only ensure a much more economical use of coal and oil than at present, but would revolutionise the structure of the chemical industry.

Under the second head, the contribution which chemical

research can make to the welfare of the working population touches almost every aspect of modern life. It ranges from the food producing and food processing industries to medicine and the entertainment industries: from fertilisers and oil-from-seed extraction to drugs and photography and cosmetics. Two of these categories are outstanding. These are fertilisers and drugs, which not only make a direct contribution to agriculture and health respectively, but are important in international trade. Fertilisers and insecticides may be taken together as being within the same trade category, although they have no common chemical base. In 1938, Britain exported about 726,000 tons of fertilisers, equal to 19 per cent by value of total chemical exports. By 1946, exports were over 1,180,000 tons, or 16 per cent of total chemicals exported. Drugs and proprietary medicines have shown a remarkable expansion, having increased from an export value of £3.3 million to £12.8 million over the same period. Comparable figures of exports from the United States over a similar period show both the size of the potential market and the degree of competition to be expected. United States exports of drugs and toilet preparations in the years 1936 to 1938 averaged \$25 million per annum; towards the end of 1946, the annual rate of export was \$172 million.

Fertilisers and insecticides obviously have key significance both for the restoration of the war-devastated agricultural areas and as a means of increasing agricultural yields. They are important both for home consumption and export. Provided that the manufacturing capacity can be made available, this country is fairly well placed for development along these lines. Fertilisers are obtained from nitrogen (which can be taken, in theory without limit, from the air), or from potassium and sodium compounds and from phosphorus. The main sources of these raw materials are Germany, Chile, France—and now Spain. There is no problem, as yet, of a world shortage of materials, but their availability is to some extent dependent upon the rehabilitation of Europe. Insecticides are mainly produced from readily available materials in this country, and present no import problems.

The drug group is very large and chemically very complicated. But three categories are now especially important—the sulphanilamides, the anti-malarial drugs, and penicillin. Here, as in so many other chemical fields, this country has made a major contribution to fundamental research. But it is hampered in development, first, by lack of capacity, and, when that has been made good, by the need to invade quickly the export market in order to achieve a sufficient turnover to justify large-scale production methods. The products in the sulphanilamide group (among which the best known drug is "M and B 693") are now being made on a large commercial scale. There is already an established and growing market for these drugs, both at home and for export. Penicillin, which basically is produced by a mould culture and is not yet a chemically synthetic process, was discovered in this country. America, thanks mainly to its large domestic market and greater resources of equipment, is producing on a larger scale than Britain, but production here is increasing. Some 20,000 mega units a month were being produced in 1945; by March, 1946, the figure had risen to 178,000 mega units, and to 373,600 mega units by March this year. It should be noted, however, that for commerce the mega unit is a very small unit of measurement. The new drug, streptomycin, is, like penicillin, an excretion from a mould—not a synthetic chemical. This is still in the development stage, but its production on a large scale will in the end be a problem of equipment capacity—not of imported materials. In the anti-malarial group, Britain is in the forefront with paladrine, a synthetic anti-malarial drug which has already established a claim to superiority over quinine, atabrine and mepacrine. The availability of all these new drugs on a large scale could

have a revolutionary effect on public health, both at home and abroad, in an all-out attack on venereal disease and malaria.

The third sphere in which the chemicals industry and the application of new chemical methods may make a major contribution is in raw materials for industry—first, by conservation and development of existing or natural materials and secondly, by developing new or synthetic ones. In the first category, there is evident scope for further development of alloys in metals to reduce wear and tear and to align them with new developments in fuel combustion. An example of immediate interest is the adjustment of metals to increase the efficiency of jet propulsion.

The development of new, synthetic materials opens the way to a vast field of end-products which could significantly increase the export potential—and, in a few cases, reduce the need for certain imports. These materials include moulding powder for the plastics industry, synthetic rubber, dyestuffs for textiles, detergents and wetting agents. There are also a host of other chemicals, vital in varying quantities for all industrial communities. In some of these categories, such as dyestuffs, the British chemical industry has made great strides in the last thirty years, and has already established a major industry for home and export. The country which can provide such materials cheaply is, in a twentieth-century sense, the workshop of the world.

The common chemical problem in this field is the synthesis of carbon compounds. These compounds are taken mostly from oil or coal. But for some there are further sources. Cellulose—which is the basis of some plastics, including rayon—comes from a vegetable carbon source such as cotton linters and timber. So does industrial alcohol. But in all cases the basic material must be available cheaply and in large quantities, and there must be cheap power to carry out the

chemical synthesis on a large scale. Vegetation with a high cellulose content needs strong sunlight, so that the obvious source for such raw materials is the tropics. (The question naturally arises—though the answer is not yet in sight—whether the colonies might become a large-scale source of cellulose, even producing the plastics if cheap power could be obtained for processing.) But the other carbon compounds are dependent on coal and oil. The economic problem for Britain, then, is to use indigenous coal resources and import such an amount of oil—whether crude or refined—as to ensure the optimum balance between supplies of fuel for combustion and for chemical synthesis. But to achieve such a balance involves reopening many technical problems which have been solved in the past mainly on the assumption that the chemical industry in this country should be based on coal; and it involves, too, reopening the problems of oil refinery capacity in this country—in short, it raises acutely the question of how much oil should, on a long view, be imported as crude and how much as refined. The growing possibilities of chemicals from oil make a decision on this last issue the more urgent. That it is already receiving attention can be seen by such developments as the repeal of the duties on hydrocarbon oil for chemical synthesis in 1945 and the increasing oil-refinery capacity in this country—capacity so constituted as to yield a given proportion of carbon compounds for chemicals as well as petrol and oil for combustion.

Next month, the Chemical Society celebrates its centenary. The second century of fundamental research under the Society's aegis is opening full of promise. The application of this research to industrial problems has never been more urgent for this country's economic development than today. No industry, with the possible exception of coal, has a higher claim than the chemical industry on that portion of the nation's resources which can be reserved for long-term development.

Business Notes

Mr Dalton Hears the Bell

The response to last Tuesday's news of the terms of the £32 million loan for Southern Rhodesia, and the terms themselves, strikingly underline the change which has come over the gilt-edged market in recent months. Throughout last year, whenever the aspiring Goschen at Number Eleven marched with his flanking trumpeters upon the City, the professional operators promptly clicked their heels and fell into step, with the army of investors not far behind. However ambitiously the terms of an issue were pitched in advance of the market level, the market at once came into line and even pushed ahead on its own. The big operators might have real doubts about the longer or even the medium term view, but so long as the Chancellor with his power of credit creation was in the market, they felt sure that the going was good for them. An ancient cliché affirms that no bell is rung in the Stock Exchange when prices reach the top. But is rung in the approaching fuel crisis rang that bell, and it was heard by everyone—except the Chancellor. In early April, although gilt-edged prices had rallied only moderately from their collapse during the crisis week, two Corporation issues—for Derby and Newcastle—were offered on precisely the terms to which the market had been screwed up before the debacle—2½ per cent at par, 1970-75. The Chancellor had stopped up his ears and shut his eyes and pretended brazenly that nothing had happened.

It is very different now. By easy stages since the Budget speech the familiar aspirations have been steadily deflated from ostentatious and belligerent confidence to sober acknowledgment that the critics' arguments about what was reasonable and practicable were right after all. The Chancellor's second thoughts about credit creation and floating debt have been fully analysed in these columns in recent weeks. Now the recantation process takes a further and more pointed turn. The Treasury authorities make the admission which they strove so hard to avoid two months or so ago. The Southern Rhodesian stock is offered at a full point less, and has five years shorter life, than the much-vaunted terms for the earlier Corporation issues and the last Australian Government conversion.

These terms, moreover, were below the market, though less evidently so than might be surmised from the substantial consequential falls which occurred throughout the gilt-edged list. On the news, the sensitive irredeemables dropped by ½—the "Dalton" 2½ per cent (1975 or after) to only 92½—and the 2½ per cent Savings Bonds, 1964-67, which are regarded as Mr Dalton's second line of defence for his 2½ per cent basis, went below par—if allowance is made for accrued interest. The redemption yield on the new loan is a little over £2 11s. per cent to the latest date, which compares with £2 8s. 11d. per cent on the 2½ per cent Savings Bond before the announcement and £2 10s. 9d. for the recent Australian issue.

* * *

The "Departments" Retire

What really shook the market, however, was not the price differential which these yield comparisons imply, but that fact that the loan was being underwritten through the normal City channels. This, more clearly even than the concessions in price and life, reveals the nature of the Chancellor's awakening to realities. Not since pre-war days has any Governmental or public authority offer been underwritten except through official channels. Mr Dalton had preened himself repeatedly on the success of this arrangement, and only two months ago was drawing attention to the benefits which local authority borrowers secured from the absence of any charge of underwriting commission. The "strong arm of the National Debt Office," he declared, stood behind such borrowers and also made "useful profits" for the taxpayer at the expense of investors who were "too slow-witted" to get in first.

It is true that special considerations apply to this issue. The £32 million includes some £10 million of "new" money (mainly required for railway maintenance and development), which is relatively large for an overseas issue; and the counterpart of the conversion (which arises from the taking over of the Rhodesia Railways) includes stock in a different investment category from the new issue. It may be that, within the Treasury, conservative prin-

ciples of traditional finance still sit cheek by jowl with the unorthodoxies of the cheaper money drive, and that to have extended the war-time underwriting practice to this issue would have defied some still cherished canon. But it is tempting to conclude, as the market has already done, that a much more far-reaching change is implied. Certainly, this is not likely to be only an isolated instance; but it may be unwise to take it for granted that corporation finance will in this respect return to its former ways, for the extension of Treasury control over other aspects of corporation borrowing has been very marked and is unlikely to be relinquished.

Yet the fact remains that the two last Corporation issues, so obstinately offered on the "standard" terms in April, were mainly left in the hands of the National Debt Commissioners—who took up 81½ and 88½ per cent respectively. The comment in this column at the time of those issues was that the Commissioners would have to work hard if the Chancellor's prescription was long maintained. Now, it seems, they are to be exempt from the general drive for harder work. But for them the rule of work-or-want does not apply. What Mr Dalton deemed "good business" for the taxpayer before may be no longer so. It is cheaper for the authorities to take a holiday and save their ammunition. So the business goes to the City, which is glad enough to take its 1 per cent underwriting commission, particularly for the prospect of more work to come.

Sellers' Export Market Ending

The sellers' market for exports is fast coming to an end. Indeed, Sir Stafford Cripps on Wednesday said so quite categorically. "From everywhere," he said, "we receive the warning that the sellers' market is disappearing—it has already disappeared as far as some commodities are concerned—and we are right on the verge of a period when we shall have to rely not only on the quantity and quality of our production, but also upon the power of our salesmanship."

This is the most outspoken warning yet, but it is certainly opportune for the detailed trade returns for May do nothing to relieve the rather depressing impression left by the preliminary figures given by Mr Morrison ten days ago. Although the immediate repercussions of the fuel crisis had evidently exhausted themselves, the volume of exports was still well below the end-1946 rate, which suggests that the secondary effects may be even more pronounced than was at first expected. It is true that, on a value basis, exports last month, £89.7 million, were the highest for the year, except for January, and also exceeded the monthly average of the fourth quarter of 1946 by nearly £1 million. On the basis of notional months of 26 working days each, the May value total shares with April the position of highest for 1947, as the following figures show:—

October, 1946...	£ Mn. 87½	January, 1947...	£ Mn. 82½	April, 1947.....	£ Mn. 89½
November, 1946...	87½	February, 1947...	82½	May, 1947.....	89½
December, 1946...	90	March, 1947.....	82½		

But it is the relative stability which is cause for anxiety. Even before the fuel crisis, the strong impetus of the early summer had petered out, so that ostensibly reassuring comparisons of recent figures with the end of 1946 are apt to be misleading. If the 1947 target is to be achieved, exports should now be showing a steady increase. But on a volume basis, in spite of the quite definite improvement on April, exports are still well below the average for the fourth quarter of 1946. The 1938 volume indicators are set out below:—

October, 1946....	117	January, 1947...	112	April, 1947.....	98
November, 1946...	117	February, 1947...	95	May, 1947.....	104
December, 1946...	103	March, 1947.....	98		
Fourth Quarter...	111	First Quarter....	101		

On the assumption of constant values throughout 1947, the Government export plan allowed for a monthly total of both exports and re-exports of £100 million. So far the average monthly rate in 1947 has been £91 million. If, therefore, the annual total is to be fulfilled, exports and re-exports must be at the rate of £108 million a month for the next seven months—an increase of 11 per cent over the May figure of £97 million.

On a value basis, all items in the manufactured category, with the exception of machinery, apparel and footwear, showed increases on the month. Exports of metal goods exceeded the record January figure by £500,000, while shipments of vehicles recovered from their low level of recent months and reached a new peak, at £13 million. One of the disappointments was the drop in the

export of machinery; the tonnage figure for May was the lowest since September, 1946, and some 10 per cent below the average of the past six months. The controversy dies hard as to the relative priorities of capital equipment between the home and export markets. But come what may, unless machinery exports can be maintained at least at last year's level, the overall export target will look very distant.

Coal Production Setback

This has been a gloomy week for coal. Some straight talking to Yorkshire miners on the need for higher production and the first hint to the miners that a return to a six-day week was not to be ruled out if coal output did not improve, came from Mr Shinwell at a National Union of Mineworkers' rally at Barnsley last week-end. He was supported on the platform by an impressive delegation from the Cabinet—an indication of the official disquiet at the coal-production situation. During the week there have been two unofficial strikes in the industry—one by clerks in South Wales, one by surface workers in Lancashire. Finally, the coal output figures for the first two weeks of June have done nothing to relieve the new sense of disquiet. For the public, at any rate, the coal barometer has slumped one degree further from "change" towards "stormy"—with renewed warnings from the Ministry of Fuel and Power of the need for more economy from householders in the use of fuel from now until the end of the year.

Total coal production was 3,924,700 tons in the week ended June 14th and 3,872,600 tons in the previous week, compared with 3,986,800 tons in the average of the first four weeks of May: that is, including the Whitsun holiday week.

The figures give cause for concern for two reasons. The drop in output suggests that the first flush of enthusiasm to hit a high coal target on the introduction of the five-day week is already passing. Secondly, the reaction having set in, output may now be establishing itself at a level which is barely adequate to meet even the 200 million tons set as an irreducible minimum target for 1947. A level of production which hovers between 3.9 million and 4 million in the average week for the rest of this year would barely reach that target. What will probably happen now is that average weekly production will fall in the summer holiday season and that from about October onwards the industry—helped by new recruits—will have to make every effort to surpass 4 million tons a week in order to make up leeway.

The analysis of shifts worked and output per man-shift for May reveals no unexpected trends. Shifts worked per man-shift at the coal face in the average of the last four weeks of the month (which covers the period from the inception of the five-day week) numbered 4.56, compared with 4.78 in April and 5.18 a year ago. This fall was partly offset by an increase in output per man-shift at the coal face from 2.77 tons to 2.88 tons on the month, compared with 2.78 tons a year ago. But May's results were affected by strikes and holidays. A better idea of the trend of shifts worked and output per worker should be available when the May and June figures can be compared. One of the brighter spots in the industry's record at present is the continued expansion of the labour force. Recruitment in May was higher than in April, but wastage was even greater, leaving a net increase of 4,100 recruits compared with 5,000 in April. An increase in the trained labour force is all-important if coal supplies are to be sufficient to keep industry in operation this coming winter. But little benefit from an increasing labour force will result if unofficial strikes such as those in the Durham coalfield last month and in Lancashire this week continue to recur.

Prospects for the Franc

Supplementary budget proposals passed by the French National Assembly this week after a bitter debate, and amid scenes of public protests and demonstrations outside the Assembly buildings, are a courageous attempt to restore some semblance of balance between outgoings and revenue. The budget for the current year never pretended to achieve equilibrium, but the prospective deficit had been enormously increased by the recent wage concessions that followed the strikes of railwaymen and other servants of the State. The position is being helped towards equilibrium by cutting expenditure to the amount of Frs.16,000 million, suppressing subsidies by Frs.46,000 million and raising additional taxes of Frs.42,000 million. The proposals represent severe budgeting; the tax on tobacco for example, is doubled, while the suppression of subsidies will have a marked effect on the

cost of living. This last development, taken in conjunction with the all-round wage concessions now being granted, mark the end of the Blum policy of holding the wages-prices line.

It may also mark the end of the attempt to hold an exchange rate for the franc which was already overvalued in the circumstances that prevailed until the *expérience Blum* foundered, but which now threatens to become wholly artificial. The need for drastic budgetary measures is evident in the progressive demoralisation of the market for Government securities in France. The Government has for some time past been unable to sell any fresh securities to the public and has found increasing difficulty in renewing maturing debt. As a result of this and of the current budget deficit, the French Government has had to require the Bank of France to raise the limit of its advances to the State from Frs.100,000 millions to Frs.200,000 millions. The magnitude of this increase in the scope for the most inflationary of all forms of deficit financing is ominous. On the same day as the agreement for additional lending to the State was signed, the Bank of France also signed an agreement to transfer to the French Stabilisation Fund Frs.250 millions of gold. This is mainly required to meet dollar expenditure.

Financing South Wales Steel

Preliminary particulars of the important scheme for financing the Steel Company of Wales were due to be released just as this issue of *The Economist* went to press. They provide for raising for cash, over a period of years, some £55 million in addition to an allotment of ordinary shares, possibly to the value of £10 million odd, to the founder companies on account of assets transferred. These companies, it may be recalled, are Richard Thomas and Baldwins, Guest Keen Baldwins, Llanelli Associated Tinplate and John Lysaght. The broad outline of the proposals—further details will be available in about a fortnight—is that the founder companies shall take up for cash a further £5,000,000 of ordinary capital on which only 1s. per share will be paid in the first place, that the public shall be offered £15 million of 3 per cent ten-year first mortgage debenture stock, and that the Finance Corporation for Industry shall provide, over a period of five years, £35 million against the security of a 20-year convertible debenture.

As to the last operation, a 3½ per cent debenture will be issued by the company as collateral security, but all sums advanced by the FCI will carry 3½ per cent during the life of the first debenture issued to the public. Thereafter, the rate will be reduced to 3½ per cent. The FCI will have the right for the first ten years to convert 30 per cent of its holding into 4½ per cent cumulative preference shares and an equal amount into ordinary shares. The two conversions must be simultaneous and both are to be made at par. During the conversion period none of the 3½ per cent debenture may be paid off.

No explanation is given for the adoption of this particular method of finance, but it is evident that in existing circumstances the acute uncertainty as to the future ownership of concerns in this industry makes equity issues to the public impossible. It is therefore essential that, apart from the founder companies, the FCI should bear the risks, and it is only fair that it should have the opportunity of reaping a large share of any benefit which emerges. The scheme appears to be as sound a one as could be evolved to fit into the peculiarly difficult circumstances in which

it is brought to birth. Were political conditions different, many investors would willingly take up equity capital.

The allotment of ordinary shares to the founder companies is to be made on the basis of an independent valuation of the assets transferred. If the estimate of £10 million is provisionally accepted, and if the conversion rights are fully exercised, the company will have in ten years £14 million of 3½ per cent debenture stock, £10½ million of 4½ per cent cumulative preference shares and an equal amount of ordinary capital, all arising from the FCI holding, and in addition some £15 million of ordinary shares in the hands of the founder companies. There will also be the £15 million of first debenture stock falling due. If by that time the group is earning good profits, these debentures could presumably be replaced by ordinary shares, with the result that the capital structure of the company would present a very healthy appearance, with the equity substantially in excess of debentures and preference taken together. It is likely to be five years before the plant is well run in, but in the meantime some of the transferred assets will be earning revenue. The construction programme has received the assent of the Government and the dollar exchange is assured to meet orders which have been placed in advance of official sanction. The financial scheme still awaits the approval of the CIC.

The Fund and Gold

For some time past the International Monetary Fund has been studying the problem of international transactions in gold at prices substantially above the monetary parities of the countries in which those transactions have taken place. The matter was brought to the notice of the IMF, largely on British initiative, prompted by the many implied threats to the British gold and dollar reserve involved by the increasing seepage of gold into the areas of the Middle East and India, where the price of the metal is quoted at well above the official sterling and dollar parities and has attracted a great deal of gold, provided not only by certain producers but by monetary authorities of Latin-American and other countries. This week the International Monetary Fund has circulated to its members the following statement of its views on such transactions in gold:

The International Monetary Fund has given consideration to the international gold transactions at prices substantially above monetary parity which have been taking place in various areas of the world. Because of the importance of this matter the Fund has prepared this statement of its views.

A primary purpose of the Fund is world exchange stability, and it is the considered opinion of the Fund that exchange stability may be undermined by continued and increasing external purchases and sales of gold at prices which directly or indirectly produce exchange transactions at depreciated rates. From information at its disposal, the Fund believes that unless discouraged, this practice is likely to become extensive, which would fundamentally disturb the exchange relationships among the members of the Fund. Moreover, these transactions involve a loss to monetary reserves, since much of the gold goes into private hoards rather than into central holdings.

For these reasons, the Fund strongly deprecates international transactions in gold at premium prices and recommends that all of its members take effective action to prevent such transactions in gold with other countries or with the nationals of other countries.

It is realised that some of these transactions are being conducted by or through non-member countries or their nationals. The Fund recommends that members make any representations which,

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in their judgment, are warranted by the circumstances to the Governments of non-member countries to join with them in eliminating this source of exchange instability.

The Fund has not overlooked the problems arising in connection with domestic transactions in gold at prices above parity. The conclusion was reached that the Fund would not object at this time to such transactions unless they have the effect of establishing new rates of exchange or undermining existing rates of other members, or unless they result in a significant weakening of the international financial position of a member which might affect its utilisation of the Fund's resources.

The Fund has requested its members to take action as promptly as possible to put into effect the recommendations contained in this statement.

* * *

Free Gold Markets

The transactions to which the Fund takes exception are those which involve exchange operations and which, therefore, imply a threat to exchange stability. There can be no direct objection to Indian gold mines, for example, being allowed to sell their gold to private hoarders in India at the prevailing Bombay market price, though even this phenomenon, since it reflects upon the confidence in the rupee, is a matter which falls well within the orbit of attention and interest of the IMF. But the matter acquires a more serious character when a country such as Mexico, for example, acquires gold at the official price from the Federal Reserve Bank, and having coined it ships it to the Middle East, from where it is smuggled to India and other markets where metal commands an artificially high price. Another example was the sale of Ethiopian gold in the Egyptian bazaars. For a time these operations were made against payments in dollars, but, as dollar supplies are becoming increasingly scarce, it has been found that there has been increasing tendency for payments to be made in sterling, and that the sterling has in turn been used by the recipients in order to meet current requirements for imports from the sterling area.

Quite apart from this damaging effect on the sterling position, some account has to be taken of the unfavourable effect of these officially tolerated gold sales at a premium upon the large producers of gold who are compelled to sell their metal at the official price.

The South African and Canadian producers have been putting some pressure to bear on their authorities to allow them to have access to the free markets in gold, and in support of their case have pleaded the precedents set by countries like Mexico, Peru, Chile and Ethiopia which have been able to sell their gold not merely in their own countries but outside it at prices well above the official dollar and sterling parities. The intervention of the IMF should have the effect of stopping a good deal of the flow of metal to these free markets. It will not, of course, abolish those markets. The premium on gold quoted in the Middle East and Bombay may rise further, as certain channels of supply become effectively closed by the IMF initiative. But some gold will continue to reach these markets; one source of supply which will not be influenced by the IMF move is Russia, which has been selling a certain amount of its output in the Middle East. Dishoarded metal will continue to provide a certain source of supply. The move by the IMF will set at rest recent rumours that there might be a general freeing of the gold market throughout the world. It also seems to put out of court another suggestion of which much has been heard recently—namely, that the IMF might decide upon a general revaluation of gold in terms of all its members' currencies.

* * *

Nationalisation and Victimisation

The opening of the report stage of the Electricity Bill in the House of Commons has been characterised by a number of last-minute amendments submitted by the Government, and by an important debate on the possible victimisation of the directors and employees of companies following nationalisation of the industry.

A new clause was moved by the Opposition to prevent victimisation of anyone who, before the passing of the Act, assisted in opposing or criticised nationalisation of the industry, and to prevent the Minister or any electricity board from discriminating against him. The principle is important and Mr Shinwell, in his rejection of the amendment, hardly succeeded in making his attitude clear. It is true that, on the question of eligibility for employment or promotion of technicians and other employees in the industry, he would not allow any of the proposed boards to inquire into their political opinions. He affirmed that when making appointments he would apply the same principle as he

had done with the National Coal Board and appoint persons with the highest qualifications, irrespective of their political views; yet, a few moments later, in remarking that company directors would have an opportunity of serving the industry under nationalisation, he added: "But that does not mean that I shall appoint them to boards of management."

It is important to know what the Minister really does mean. Does he intend that those who have opposed nationalisation up to the passing of the Act, but by reason of their qualifications and personal integrity are fully equipped to assist in running the industry once it is nationalised, are to be automatically excluded from the higher posts? If it does mean that, the principle is surely wholly unacceptable in any context and, as applied to electricity, would prevent the industry from drawing upon a large and probably indispensable fund of experience and ability—an act of self-denial which the Government, the industry and electricity consumers can ill afford. Mr Shinwell is under an obligation to clarify his attitude—even though the amendment was defeated.

As already agreed in principle in Committee, Mr Shinwell moved an amendment to widen the interests represented on the consultative councils. The Government has also accepted in principle an Opposition amendment that electricity supplied to railways shall not be subsidised at the expense of other consumers. But these and other amendments made before the Bill goes to the Lords have not materially affected its main framework.

* * *

Transport Bill Through the Lords

As this issue goes to press, the committee stage of the Transport Bill has one more day to run in the Lords. The past week has produced another crop of important amendments, but some of those that have been written into the Bill have been simply consequential upon changes made earlier on important matters of principle in the face of Government opposition. Amendments of this character are those that flowed from the separation of the docks from the inland waterways executive, and the doubling of the distances for short hauls as defined in the Bill.

Apart from these changes, which were discussed in these columns last week and the week before, consideration of the later clauses of the Bill has been marked by minor concessions by the Government and continued sniping by the Opposition at the monopoly powers of the proposed Commission. Last Friday, the Government moved an amendment to permit sums up to £2,000 to be paid in cash where total compensation does not exceed £20,000. More significant was the amendment forced through against the Government by which the Transport Commission would be obliged to apply to the local traffic commissioners for licences to run vehicles—an issue which the Government regarded as one of basic principle. But later on, an Opposition amendment which would give independent operators the right to make representations to the transport tribunal on charges schemes was withdrawn. On the compensation issue, additional formal protests—registered especially in an amendment moved by Lord Balfour which he never intended to press—hardly carried the matter further; Lord Nathan rested his reply simply on the inadequate contention that, although many investors felt that their income was being "unfairly diminished," they would have fared even worse if there had been no nationalisation plan—because there were limits to the extent to which their position could have been "ameliorated" by increased charges. As to that, the future will show; or is this an oblique admission that government subsidisation is in prospect, despite the apparent safeguards in the Bill?

The Government in the course of the two weeks' hearings in committee has given a number of pledges to reconsider various points—mainly minor ones—before the Report stage. These, however, will not result in any important changes of principle in the Bill. But not until the report stage will it be possible to take a considered view of the extent of the Lords' impact upon the whole structure of the Government's plan.

* * *

Imported Films—New Tax Basis?

The Government is obviously marshalling its resources to ensure that a reduction in overseas expenditure on films is joined with cuts in imports—if and when it has the courage to impose them. On Tuesday the Chancellor of the Exchequer announced that a resolution will be embodied in the Finance Bill empowering the Treasury "to alter or add to Section 10 of the Finance Act,

1935, so as to secure that the value of exposed cinematograph film shall, for the purpose of Customs duties, be determined in such manner as may be provided by the order." Section 10 of the 1935 Act deals with valuations for charging *ad valorem* customs duties.

This new clause will not be invoked immediately it becomes effective. It merely adds to the armoury a useful device, from the Chancellor's point of view, for increasing taxation, if and when it is deemed expedient, in order to save dollars. Obviously, any increase in duty could not be discriminatory in form, but in fact would primarily affect American films. The new clause permits the Treasury to vary the valuation basis of films for duty. The existing basis, which taxes the physical value of exposed film imported, is obviously wholly inappropriate as a means of taxing or restricting Britain's expenditure on overseas films, because overwhelmingly the greater part of this represents return remittances by the overseas film companies of earnings from the exhibition of films in this country. In each of the years 1945 and 1946 imports of exposed film totalled only about £250,000, whereas the "invisible imports" of films—i.e. the remittances to foreign producers—have averaged just over £17 million a year in the period 1944-46.

From the nature of the change which the Chancellor proposes, it seems certain that if a revised duty is levied it will be based upon the estimated net rental value of imported films, including reproduction and exhibition rights. Such an arrangement would obviously be both inequitable and impracticable unless provision were made for the granting of rebates in cases in which the actual net receipts from the films fell short of the import valuation upon which duty had been paid. Presumably, the converse would also apply, so that the customs valuation would be adjusted upwards or downwards to accord with earnings experience after the expiration of some agreed or predetermined period.

The effect of a tax on such a basis as a means of economising dollars is not easy to evaluate. Whether it achieved a worthwhile reduction in film imports would obviously depend upon the elasticity of demand for foreign films in Britain. It is not simply a question of the relative quality of British and American films. Until the British film industry has expanded sufficiently to offer good films in large quantity, American films are likely to retain much of their attraction, despite an increase in cost. In such circumstances, the saving in dollars might be small. That, however, would be no argument for not including film expenditure in any general programme of import cuts. The popular argument that a reduction in British expenditure on American films might provoke retaliatory action upon British films in the American market is, in principle, rather more convincing. In the past, it is certainly an argument which has appealed to the authorities. But earnings of British films in America at present are undoubtedly very small; after distribution and advertising expenses have been met. It is perhaps significant that the Chancellor, when questioned, declined to give any estimate of the net yield. Unless there is a prospect of much more rapid expansion of British films from America than seems likely at present, the need for saving dollars now ought to be allowed to weigh rather heavily in the balance.

* * *

Increased Vehicle Export Quotas

Hard on the heels of Mr Dalton's reform of motor taxation—for vehicles registered after January, 1947—with the object of providing a broader basis for vehicle exports, has come an upward

revision of the car export quota. The Society of Motor Manufacturers and Traders has recommended to the industry an increase in the quota from 50 to 60 per cent of production. Manufacturers of heavy commercial vehicles have already agreed to raise their export quota from 33½ to 40 per cent.

The substitution of the flat-rate annual registration fee for the variable tax on cylinder capacity will take some time to yield results in terms of exports. Even on the most optimistic assumptions about the speed at which manufacturers accept and implement the increased standardisation upon medium or large horsepower models which is inherent in the scheme, the necessary retooling of factories and filling up the assembly lines with vehicles must be a fairly protracted process.

The increase in the export quota is necessarily directed mainly to the short-term problem of selling as many British cars abroad as possible while the dwindling sellers' market remains and pre-war models have a ready market. The Society of Motor Manufacturers and Traders estimates that the reduced steel allocation for the summer period will cost the industry about 1,500 cars a week. The effect of increasing the quota for export is therefore to throw the burden of reduced steel supplies even more violently on to the home market. Later in the year, better supplies of steel may be available, especially if the steel industry's coal allocation, now raised to 100 per cent of requirements, can be held at that level after the summer coal allocation period ends.

There is every need to push car exports during the next few months. As an earlier Note emphasised, overseas markets are becoming increasingly difficult to hold. Last week, Argentina placed a temporary embargo on car imports, owing to exchange difficulties. And a London Stock Market firm, in a survey analysing the prospective demand for cars in 1948 in the South African market (one of the most important overseas markets for British cars) estimates that, after giving due weight to developments in the American car industry, the "popularity rating" of American cars will have increased by next year from 81.3 per cent of total sales in 1939 to 90.9 per cent. These are only estimates, but they reinforce the opinion that the export market for British cars urgently needs the stimulus of new models of a type to appeal to overseas customers. If export markets are to be successfully defended, much less expanded, there is urgent need for a favourable, speedy reaction from the motor car industry and its suppliers of components to the opportunity presented by the new taxation formula to reap the advantages of standardisation and large-scale production of models adapted to the overseas as well as the home market.

* * *

Anglo-Iranian Oil Surprise

A number of factors combined to produce the surprisingly good results, for the year 1946, announced by the Anglo-Iranian Oil Company early this week. During the year, there was a 14 per cent increase in production, a rising trend in oil prices, and the reduction of EPT to 60 per cent. The outcome for the company was a new high level in profits and dividend—and, this week, a jump of £1 in the price of the shares, which are now quoted at £9½, yielding about £3 6s. 9d. per cent on the dividend. This was increased from 20 to 30 per cent, and is the best ever paid on the present capital. A detailed analysis of the results must await the full accounts, but it appears that the

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(Continued on page 1042)

A fuller list containing 370 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports also appear in the Supplement : Goodlass Wall ; Fisons ; Selection Trust ; Metal Box Company.

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(Continued from page 1040)

cellor needs to realise—which he scarcely appeared to do in the debate—that this tax, whether or not it can be “avoided” in the matter of “free” bonus issues (by the expedient of making no such issues), will usually be inescapable where a “bonus element” arises in new issues for cash. Approved borrowers must get the cash they need for expansion, and it is virtually impossible to make an issue successfully on terms which afford no “bonus,” even though the amount in some instances may be small.

Slump in Silver

In less than a fortnight the price for imported silver in New York has slumped from 70½ cents, at which it had been held steady for some previous weeks, to 59½ cents. The London price for authorised industrial users has declined from 43d. to 38d., the adjustment to the New York quotation being somewhat sluggish, and the latest price of 38d. still 2d. over the dollar parity. The underlying weakness of the New York market had been apparent for some time past. It revealed itself in the gradual accumulation of stocks, mainly of Mexican and Canadian origin. There was, however, no pressure to sell until some ten days ago. When this pressure began to manifest itself the price cracked quickly. The offtake of silver from the New York market remains very small. A few British purchases have been reported—of silver which is then sold for approved industrial purposes in the London market. The turnover in such metal is small. The market in free silver has been dormant ever since India suspended the grant of import licences. This position is likely to continue, given the extreme scarcity of current sterling and dollars with which India will be faced in the months to come. There is an abundance of potential offerings of free silver from Russia, Spain and other countries. For the time being, however, there are no takers. The silver market is beginning to feel the effects not merely of this new instillation of the Indian market, but of the loss of the coinage demand for the metal.

America's Synthetic Rubber Policy

Controversy about synthetic rubber is likely to continue until its peacetime level of output in the United States is

governed by a definite and coherent policy. From the wealth of information that has poured out from both protagonists and antagonists, some salient features emerge. But one of them, unfortunately, is that any attempt to appraise future American policy is fraught with dangers, for much depends upon the conflict of interest between the various “pressure” groups that are developing or may yet develop. One notable contribution to the discussion comes from Mr F. D. Ascoli, the former Director of Rubber Control in this country, in a letter published just as the article in last week's issue of *The Economist* went to press. He showed *inter alia* how widely US production at present exceeds the estimated needs of national defence.

The Batt Committee in the United States suggested that, to cover strategic requirements, minimum synthetic production there should be about 250,000 tons per annum, and that this amount could be secured by maintaining in production only the most efficient and lowest-cost units of the existing facilities—a principle which implied that petroleum would be the basic material. The Committee also urged that certain plants producing general purpose synthetic, and at least one using alcohol as raw material, should be maintained in an adequate stand-by condition by the Government. It was suggested that the capacity of these stand-by facilities should total 600,000 tons a year. Yet, in contrast with these figures, current US synthetic production averaged 60,000 tons a month in the first quarter of 1947, and, of this, GRS comprised almost 50,000.

There seems to be no doubt that the American public desires the tyres for its vehicles to be made wholly of natural rubber; but the war-time order (R1), stipulating the proportions of synthetic and natural material to be used, prevents them from making their preference felt. That is the position at present, but it may be significantly influenced in the early future by the attitude of the American rubber-using industries, and especially by the tyre industry. At the moment the rubber manufacturing industry appears to be favourably disposed towards the maintenance of synthetic production, in spite of the consumers' preference—although it should be noted that, in Mr Ascoli's view, it is not unanimous in its attitude. Its proposed compromise has been the synthetic-natural mixture tyre. To what extent its interests, in operating the synthetic plants on behalf of the Government, have

influenced their attitude, it is difficult to say. Possibly more important still is the phobia of being dependent on foreign supplies, and therefore at the mercy of foreign “pressure” interests. But, as last week's article pointed out, there are two further factors to be taken into consideration, namely, the capital and knowledge already invested in the synthetic industry and the possibilities of future development. It is not easy to decide against a material which after all is still in its infancy, merely on the ground that it is at the moment uneconomic to produce. Unless and until a fall in the price of natural rubber largely reinforces the concealed pressure resulting from the preference of the US consumers, the attitude of the US manufacturers is perhaps unlikely to change significantly. If they had already any real hostility to the synthetic product, one or more of them would surely have been tempted to organise “opposition” to R1 if only by guiding public opinion or making it articulate. And the state of market is such that, had any significant move occurred, other manufacturers would have found it hard not to follow suit. It seems reasonable to suppose, however, that as soon as consumers' choice is permitted to make itself felt by buying what it wants from either domestic or overseas sources—and especially if a wide price differential emerges—the rubber goods industry will once more become sympathetic towards the natural product. Until then, or until competition on the world market forces the American industry to restrict its use of synthetic materials simply to those products for which it has an advantage, the present attitude is likely to continue.

Japanese Whaling Controversy

The decision of the American authorities in Japan to allow a Japanese expedition to participate in the next Antarctic whaling season has given rise to strong protests from the other powers concerned. Britain and Australia have protested to the US State Department, first, on principle, that the Americans have broken an obligation to consult the Allies before making such a decision. That is a question of fact. On the question of policy, the whaling nations—chiefly Britain and Norway—are better able than the Americans to judge whether Japan should

be allowed to resume whaling at all. The serious decline in the whale population before the war was due mainly to the methods employed by German and Japanese expeditions, which did not adhere to international conventions. In the 1932-33 season, seventeen factory ships secured 2,400,000 barrels of oil, but in the 1938-39 season twice as many ships produced only 11 per cent more oil. Post-war reports indicate that the rate of decline has not been arrested as much as had been hoped and that there are now sufficient non-Japanese factory ships to ensure the catch of the full quota.

There is presumably no objection from the Allies to an allocation to Japan of a share of the products, from an international pool, provided that the Japanese are not allowed to use their inefficient and wasteful methods. The southern Dominions have also strong strategic objections to the presence of Japanese ships in Antarctic waters, in view of past experience. This might be overcome by restricting the Japanese to shore-based operations only. But the unilateral action of the American authorities raises the much wider question of Allied participation in deciding the future status of the Japanese merchant navy as a whole.

Shorter Notes

This week's meeting of Cable and Wireless (Holding) confirmed the impression that the directors do not intend to recommend liquidation of the company, though they would prefer to wait until the terms of compensation for the nationalising of the operating company are known, towards the end of the year, before indicating the nature of the compromise arrangement which would be needed between the interests of the preference and ordinary stockholders. The tribunal to arrive at compensation terms has now been announced, and is being pressed by the company to hasten its proceedings.

The International Rubber Study Group is scheduled to meet in Paris from July 1st to July 10th. The original members of the group were the United States, France, Netherlands and the United Kingdom, but since the last meeting earlier this year 11 others have applied for membership.

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 - as to Interest and Sinking Fund ... almost twice.

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BARCLAYS BANK LIMITED, New Issue Department, 54, Lombard Street, London, E.C.3, or any of its Branches.
HAMBROS BANK LIMITED, 41, Bishopsgate, London, E.C.2.
ROWE, SWANN & CO., 24, Old Broad Street, London, E.C.2.
THE OFFICE OF THE COMPANY, 3, Mandeville Place, London, W.1.

COMPANY MEETINGS

TAYLOR WOODROW, LIMITED

A DIFFICULT YEAR

The twelfth annual meeting of this company was held on the 27th instant, in London.

Mr Francis Taylor, chairman, in his statement, referred to the change of the end of the company's year from October 31 to December 31.

He regretted that the company had not been able to benefit by the reduction in the rate of Excess Profits Tax, owing to a deficiency for E.P.T. purposes during the first year of the imposition of the tax being applied against the excess for the year 1946.

Drawing attention to the balance-sheet, Mr Taylor said that no account had been taken of the E.P.T. refund, estimated at £18,000 of the E.P.T. refund, estimated at £18,000 net, which would be due to the company, and which would be used upon development and re-equipment. He said that the figure for work in progress stood at £7,184,098, and that the new issue of 600,000 shares had been successful.

Mr Taylor referred to the shortage of supplies and to the restrictions and controls. The building of permanent houses had been adversely affected by these difficulties. He said, however, that in the temporary housing programme the company had played a leading part.

He spoke of the successful year enjoyed by the subsidiary companies in this country and the company's expansion in Africa. A subsidiary company had been formed in South Africa, and negotiations were almost complete for the formation of another in East Africa. Taylor Woodrow (West Africa), Ltd., had been formed in conjunction with the United Africa Company, Limited.

The report and accounts were adopted.

BARRY AND STAINES LINOLEUM LIMITED

YEAR OF FRUSTRATION

The ordinary general meeting of Barry and Staines Linoleum Limited, was held in London on the 25th instant.

Sir John N. Barran, Bt., the chairman, in the course of his speech, said: Our conversion to peace-time production has been completed. Consumer demand has been abnormally keen from all markets.

On the equipment side, a start has been made on large schemes for the extension, improvement and remodelling of capital assets at both our works. A new laboratory is on the way at Kirkcaldy (the old was partly destroyed during the war). The Runnymede Rubber Company has begun to produce again, with an enviable degree of freedom from control on the site occupied for four years by the Admiralty. Our technical research section has got through a heavy programme of work.

This brief recital of facts should not lead stockholders to suppose that the past year has been a period of smoothly developing work and output. The case is the very reverse.

We are expected to make a good export showing with a 35 per cent. allowance of pre-war oil doled out at about eight times pre-war price. Government has appealed to management and labour throughout the country for higher efficiency and greater effort; and both are, in our experience, more than ready to meet it. But we find few signs of mutual and co-operative effort from the Government side; and the interests of the consumer appear in their view to come a bad third. It has been a year of almost complete frustration. If such are the results of control in a sellers' market, what may we look for when competition must be faced?

The report was adopted.

FORSTER'S GLASS COMPANY LIMITED

DISTRIBUTION AGAIN 16½ PER CENT

The 28th annual general meeting of Forster's Glass Company, Limited, was held on the 26th instant, in London, Col. Charles E. Ponsonby, T.D., D.L., M.P. (chairman) presiding.

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

The profit for the year amounts to £68,554, against £68,516 for last year, this after providing an increased amount for depreciation of £22,729 as against £20,237. I am sure you will consider it satisfactory that the profit earned, after taxation, has been maintained at last year's level despite the increased and heavy expenditure. The net profit is £40,408. This, with the balance brought forward from last year of £29,977 and the over-provision for E.P.T. of £23,300, gives a total available for distribution of £93,685. The directors recommend a dividend of 10 per cent. and a cash bonus of 6½ per cent. on the Ordinary shares—that is a total distribution of 16½ per cent. (the same as last year). This will absorb £27,930, and leave a balance of £30,755 to be carried forward.

During the year we had to contend with many difficulties, including rising costs, shortage of raw materials, and lastly, but by no means least, the fuel crisis. The effects of the latter might well have turned out to be more disastrous than was the case but for the effective action taken by the management to reduce working costs. Nevertheless it is satisfactory to note that production and sales attained new record levels, indicating that we are beginning to feel the benefits from the heavy expenditure on plant improvements, additions, renewals and repairs which we have undertaken during the past two years.

The report was adopted.

DAILY NEWS LIMITED

GROWTH OF CIRCULATION

MR L. J. CADBURY ON THE PRESS COMMISSION

The annual general meeting of the Daily News Limited, was held, on the 18th instant, at 12, Bouverie Street, London, E.C., Mr L. J. Cadbury (the chairman) presiding.

The Chairman said: Gentlemen,—As chairman of the company which controls the News Chronicle and The Star, I am well aware that the production of newspapers is something more than an industry, but it is as true of the press as of any other industry that competition is essential to preserve its vitality and ensure its progress. Thus the outstanding event for us in 1946 was the raising of the restriction on sale following the increase in the supply of newsprint granted towards the end of September. That meant that for the first time since 1941 all readers were able to buy the paper of their choice. Competition has once more begun to operate, and the wishes of the reading public now exert their influence over the nation's newspapers. This is an important social fact as well as a welcome return to free enterprise.

It cannot be said of the national press today, however, that competition is causing wasteful practices. The sizes of newspapers remain controlled; circulation-raising devices such as canvassing with free gifts and free insurance are still prohibited. No free copies are allowed, and it is not permissible for distributors to send back any surplus copies. In other words, "Returns" are banned.

STAR'S RECORD SALE INCREASE

With this freedom of sale, there have, of course, been considerable changes in circulation. Our London evening newspaper, The Star, has shown a most gratifying increase, and is now selling over a million copies a day, while the News Chronicle sales are in the region of 1,600,000. The increase in The Star sale is now nearly 50 per cent. above its sale for last September, and is a record percentage increase for any London evening newspaper. It continues to progress.

In addition to the lifting of the restriction on circulation, newsprint supplies were increased in September to allow the greater part of the press, previously limited to four pages, to increase to five. That is to say, four pages for three days each week, and six for the other three. This still leaves far too little space in which to record the news of the day, particularly in these times of intense Parliamentary activity and stirring events both at home and abroad.

SHORTAGE OF NEWSPRINT

Despite this modest increase in its raw material, the British press is still restricted to a lower figure than that of any other industry in the country. We look forward to the day when it may be relieved. Unfortunately, we cannot be very optimistic. From 40 to 50 per cent. of our present supplies come from overseas, almost entirely from dollar sources, and our shortage of dollars is obviously going to be a matter of grave embarrassment for some time to come.

The rest of our newsprint comes from the home paper mills. Here we are confronted with the double shortage of coal and wood pulp. As it takes about a ton of coal to produce a ton of newsprint, it is not surprising that newsprint production was severely hit by the coal crisis. The wood pulp all comes either from Canada or from hard currency Scandinavian countries. Our hopes are, therefore, not bright for an increased output of newsprint from the home mills. Their production at the present moment is limited to 35 per cent. of their

pre-war capacity, and even this figure will be slightly reduced after next month.

We must face the fact that a return to newspapers of a size more suited to the needs of one of the world's great democracies is postponed to a distant future. This is a national misfortune.

SMALL NEWSPAPERS

We have had four- and six-page papers for so many years in this country that they no longer appear to us as unusual. They do, however, in fact, reflect what is almost a revolution in newspaper editorial technique. The editorial staffs have displayed great adaptability in compressing news of the day into the meagre space at their disposal. Overseas journalists, accustomed to almost unlimited pages, have been greatly impressed with the results.

A few weeks ago, in the News Chronicle, Mr A. J. Cummings recorded the following views of some distinguished American visitors on the British press:—"They were astonished at the journalistic efficiency which manages to give a clear and comprehensive picture of the world's news in four or six pages. They were astonished also at the amount of space allotted to Parliamentary reports, without serious detriment to the attractiveness of the make-up."

RISING COSTS

Rising costs and prices with the danger of runaway inflation have been under continuous review by the Government. It is very right that this question should be a subject of public concern. The value of sterling must be maintained and the cost of living, with its immediate reaction on wage rates, must be kept under control. In this connection the newspaper industry has a remarkable record. Newsprint, which before the war could be purchased for £10 or £11 a ton, has risen during the year from £30 to £32 a ton. The cost of rail carriage over pre-war has risen by 33½. Wages and social security charges have gone up. Reduced hours of work have caused a further rise in costs.

To meet war conditions a great many of the provincial papers raised their price from 1d. to 1½d., but the national penny papers still maintain their pre-war price. They have been able to do this because of the enforced reduction in the size of papers, by eliminating wasteful competitive practices and by charging higher rates per column inch to the advertiser. It is significant that the ratio of advertising to reading matter has been substantially reduced in the national morning papers. On the average about 23 per cent. of space is now devoted in the penny press to advertising purposes, compared with something over 40 per cent. before the war.

THE ROYAL COMMISSION

After some delay in choosing its chairman and personnel, the Royal Commission on the press has been set up. I welcome the statement in its terms of reference that it has been appointed "with the object of furthering the free expression of opinion through the press." More than ever we see that a free press is an essential condition of democratic government.

It is interesting to observe that the unofficial Commission on the press that has recently sat in the United States concluded, according to its chairman, Dr. Hutchins, "that it did not want to have the press controlled or regulated by the Government."

We hope the Royal Commission will be able to give publicity to the handicaps under which the press in this country labours. In addition to the newsprint shortage to which I have already alluded, there is, for instance, the incalculable nature of the existing law of libel. As Mr Brendan Bracken said recently in the Companies Bill debate, "It is no exaggeration to say that our present law of libel greatly advantages financial sharks and their underworld lawyers."

QUESTION OF OWNERSHIP

One of the other objects of the Royal Commission is to inquire into the ownership of the press. Here our position is clear. My father first became interested in the Daily News in 1900 and, some years later, in 1911, he handed over a majority of the Ordinary shares in the Daily News Limited, to trustees. Control of the Daily News Limited, and its subsidiary companies, the News Chronicle, Limited, and Star Newspaper Company, Limited, continue under the deed of trust then established.

We are not tied to any political party and can therefore bring an independent judgment to bear on the problems of the day. Our general outlook is, however, Liberal and vigorously progressive. We are equally opposed to doctrinaire Socialism and reactionary Conservatism.

We have supported the Government in the measures which, in our view, are in the public interest, but in some directions have not been able to follow them. We have no liking for nationalisation merely for nationalisation's sake.

PRESS AS WATCH-DOG

The Government is forcing through Parliament a volume of legislation at unprecedented speed, so much so that the usual processes of Parliamentary discussion and criticism have not sufficient opportunity to be effective. Upon the press, therefore, devolves the function of being more than ever the watch-dog of the ordinary citizen. The readers of our newspapers are drawn from all sections of the community. It is therefore fitting that we should represent the interests of all groups, including those who have no powerful industrial or political organisation to back them.

I have already mentioned the return to competition of the press, although its chief raw material is still in short supply and is subject to control. In this matter the newspapers have given a valuable lead to the numerous industries that still have their outposts regulated by rationed raw material supplies.

Individual firms in these industries have their turnover pegged to that of the early war period, or even in some cases to a period before the war. They cannot progress, but they are saved from any danger of losing ground to more energetic rivals. An enervating atmosphere is created, enterprise receives little encouragement, and in too many instances firms or industries are showing reluctance to emerge once more into the hazards of competition with its rewards, but with its risks.

WIDE AREA OF PRIVATE ENTERPRISE

The methods by which at least some element of competition has been introduced into the newspaper industry may not be exactly applicable elsewhere. I hope, however, that they will encourage other controlled industries to seek out methods suitable to their own circumstances.

Despite the Government's nationalisation projects it must not be forgotten that the area of private enterprise in this country is still very wide. If the nation is to return to economic health, incentives must be restored and the spirit of vigorous competition and initiative must be recovered in all branches of industry.

The report and accounts were adopted.

ANGLO-PORTUGUESE TELEPHONE COMPANY, LIMITED

SIR ALEXANDER ROGER ON HIS VISIT

The sixtieth annual general meeting of the Anglo-Portuguese Telephone Company, Limited, will be held at Donington House, Norfolk Street, London, W.C., on the 30th instant.

The following is an extract from the statement by the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report and accounts for the year 1946:—

Net profit is £59,521 as against £55,517. Dividends of 8 per cent., less tax, on the ordinary stock and "A" ordinary shares absorb £57,172, leaving £42,092 against £39,743 brought in.

I am glad to report that during 1946 shipments of British plant and supplies to the value of £366,000 went to your company and the value of £138,000 to the telephone department of the Portuguese Government. This achievement has been made possible only through the valuable assistance from our manufacturing associates to whom we are greatly indebted. In addition, your company purchased in Lisbon and Oporto over 9,400 contos (£94,000) of miscellaneous telephone and ancillary supplies from Portuguese traders.

These are handsome contributions towards war-time arrears and are a measure of the promises which I was able to make to the Portuguese authorities in 1945, when discussing our comprehensive post-war five-year plan for development and expansion.

PLANT ADDITIONS

The heavy technical work of installation kept pace with deliveries of material and all the main projects of the programme were completed. In Lisbon the outstanding event was the opening of the new Campo Pequeno Automatic Exchange, designed for 20,000 lines capacity, by His Excellency General Carmona, the President of the Republic, attended by the Minister of Public Works and many other high officials. The British community, led by the British Ambassador, was well represented and we record our deep appreciation and express our thanks to them and all who attended. Trindade Exchange is the oldest and largest of our change is the oldest and largest of our automatic exchanges. A further unit has been added and the number of lines in operation is 11,600.

The cable department of the engineering division was no less active than the installation section, and chief among the works carried out were the laying of new toll cables to Estoril and the south of the Tagus, which brought much-needed relief to those areas. In Oporto an entirely new exchange was almost completed and increases in exchange capacity were effected in several of the satellite exchanges, while cable distribution schemes were also completed.

TELEPHONES—STATION GROWTH

Altogether, stations added numbered 6,980, which represents 10.7 per cent. increase over 1945, bringing the total to 72,185. In looking back over the past 20 years of my chairmanship, which began on 19th May 1927, I find that as a result of continuing capital investment based on experienced expert planning, the systems in Lisbon and Oporto have been built up from approximately 20,000 stations to the present-day number of over 72,000.

Considering all the vicissitudes, particularly the difficult war years, the progress of your company in terms of station growth over the past two decades can be regarded with satisfaction.

PERSONAL VISIT

A few weeks ago I returned from another visit with Mr. Hollier to Portugal. We found that the demand for service shows no abatement, and the waiting list of applicants approximately 17,000. Our programme

planned to be undertaken this year involves gross expenditure of approximately £400,000, and our Portuguese friends know that we shall not rest until we have completed it, and proceeded to meet all further demands.

The world shortage of basic materials is one of the main reasons which prevent the orders for telephone plant and equipment being fulfilled more promptly. Every country is short of telephones and the aggregate shortage involves many hundreds of millions of pounds of expenditure which can only be met by manufacturers over years. Our company and the Portuguese community generally are aware that relatively Portugal is getting a good share of the available supplies and I hope this will continue.

PROGRESS OF PORTUGAL

I had the honour of a lengthy meeting with His Excellency Doctor Oliveira Salazar, the Prime Minister, and exchanging views with him on many subjects. I had the privilege, too, of meeting several Government Ministers and Chiefs of Government and Municipal Department. I have been a frequent visitor to Portugal for many years in connection with our telecommunications business and a variety of interests directly concerned with Anglo-Portuguese commerce and trade. Each time, particularly in the later years, I become more impressed with the advancement of the country. Huge blocks of flats and large numbers of houses and factories continue to rise in Lisbon and Oporto and elsewhere. I was agreeably surprised to see the rapidity with which the new harbour, dock and warehouse accommodation at Leixões, Oporto, have been completed, and the work which has already commenced both in Oporto and in Lisbon for further expansion to meet the needs of shipping. New industries are being developed and extended in many places with the result that there is practically no unemployment, leading to much competition for labour, especially as regards skilled artisans.

Many schemes are in hand and include hydro-electricification plant for supplying electric current throughout the country. Electrification of the railways, additions to the mercantile fleet, and the reconstruction of basic industries are all in progress. It is estimated that the various post-war measures will mean the expenditure of approximately 9,000,000 contos (£90,000,000). The development and progress of Portugal is being actively led by the Government, and it is realised that the country will continue to need foreign technique, capital and supplies for many years. We hope that our British Government departments will afford every assistance possible to enable all British interests, which are exporters of plant, equipment and materials to Portugal, to fulfil the demands of that country, and at the same time increase British export trade, particularly bearing in mind the statement made in the White Paper—Economic Survey for 1947—to the effect that British exports to Portugal earn dollars or the equivalent of dollars.

AN ANGLO-PORTUGUESE ENTERPRISE

To all British shareholders of the company visiting Portugal at any time, and to all Portuguese and other shareholders resident there, I extend a hearty invitation to visit one of our main exchanges in Lisbon or Oporto. They will see in operation a great business, built up over a period of 60 years, which is providing a fine telephone service and which it has been, and will continue to be, our constant aim to develop and expand. Portugal knows well how to encourage enterprises which recognise their duties and responsibilities to the Government and the community,

and for our part we can fairly claim that our obligations are being honourably fulfilled, and that this Anglo-Portuguese enterprise is of great mutual benefit to the social and commercial relationships of Portugal and Great Britain.

Interchange of visits—Since the last general meeting, Mr. Rye has made two valuable visits to Portugal and Senhor Antonio Branco Cabral, the chairman of the board in Portugal, was able to make an equally valuable visit to London. The interchange of visits between executives of the organisation in Portugal and London is regular and there is no adequate substitute for these personal contacts which eliminate delays and promote good feeling and mutual understanding.

Your company serves the cities and suburbs of Lisbon and Oporto, and the rest of the country is served telephonically by the Government, the two systems being inter-linked. Capital and revenue expenses have now reached such a level that both the state system and our own require some adjustment in the telephone rate structure. This is under sympathetic review by the Portuguese Telephone Administration and we expect to be called into consultation very soon.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED

SOUND FINANCIAL POSITION

MR. ELLIOTT LITTLE ON THE NEWSPRINT SITUATION

The ordinary general meeting of Anglo-Newfoundland Development Company, Limited, was held, on the 24th instant, at the offices of the company, Grand Falls, Newfoundland, Mr. Elliott M. Little (president) in the chair.

The following is the president's statement, which was circulated with the report and accounts for the year ended December 31, 1946:—

Before giving you a résumé of the year's operations, I should like to draw your attention to the fact that for comparison the figures of the previous year are shown on the accounts now submitted. Certain other changes have been made in the form of these accounts to add to their clarity. You will observe from the accounts that the result of the year's operations, after all charges including taxation, is only slightly lower than the previous year, in which year \$400,000 in dividends was received from our shipping company. During the year there was some improvement in the price of newsprint and pulps; but the benefits that would normally accrue from those increases were offset by increased costs for labour and materials and higher taxation.

The mill operated practically at capacity during the year 1946. The production during the year under review was some 7,000 tons greater than in 1945. The increased production was due to the speeding up of machines and improvements made in the physical condition of the plant. In this latter respect considerable expenditures have yet to be made over the next few years as materials and supplies become available. Similarly, expenditures on townsite and transportation facilities to maintain them in efficient state of repair will be necessary for a few years ahead.

LONG-RANGE PROGRAMME

I do not intend to dwell upon the balance sheet changes item by item, but should like to say in passing that the increases which are shown under our towns, railways, etc., are part of the long-range programme which must be carried out to modernise plant and improve operations. Likewise, the pulp wood cut has been the largest in our history and the stocks of newsprint and pulp are at the lowest.

The report and accounts were adopted.

The report was adopted.

The report was adopted.

Damage: War Damage Commission.....	2,000
Finance Act, 1946, Sec. 26 (7), Post-war Credits....	18
Finance Act, 1935, Sec. 30 (1), 3 per cent. Local Loans Stock.....	10
	<u>8,922</u>

Net Savings		
Total net savings	3	58,586
Interest on certificate	450	6,465
Interest accrued remaining in	2,220	24,794

"	23..	39	59½	175	4	115	9
"	24..	39	59½	174	8	115	8
"	25..	38	59½	173	0	115	12

* Spot cash.

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Paid-up Capital	...	...	...	...	...	\$12,000,000
Reserve Fund	...	...	...	...	...	\$24,000,000
Total Assets over	...	...	...	...	...	\$680,000,000

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108, OLD BROAD STREET, E.C.2.
C. G. WEBSTER, Manager

APPOINTMENT OF CENTRAL STATISTICAL OFFICER

APPLICATIONS are invited for the appointment in the office of the Town Clerk of a competent STATISTICIAN at a commencing salary of £1,000 per annum plus war bonus as may be determined—at present £59 19s. per annum.

Candidates must have organising ability and administrative experience and be competent to advise upon the setting up as part of the Corporation service of a Central Statistical Office, and to have charge of such office if and when established. Experience in Local Government Service, whilst not essential, will be an advantage.

The appointment will be terminable at any time by three months' notice on either side.

Applications endorsed "Central Statistical Officer," with copies of not more than three testimonials of recent date, should be addressed to the Town Clerk, Room 30B, Council House, Birmingham 1, and delivered on or before July 31, 1947. Applications should contain the following information: age; whether married or single; where educated; whether the holder of any degrees, diplomas, etc.; range of experience in various occupations, including details of experience and training in the analysis, interpretation and use of statistics as a guide to policy, and a statement of disqualification.

F. C. MINSHULL, Town Clerk
Town Clerk's Office, Council House, Birmingham 1. June 7, 1947.

MINISTRY OF EDUCATION: Applications are invited from men and women between 23 and 40 years of age, who served in H.M. Forces or were employed full-time in other work of national importance during the war, for admission to courses of training as full-time Teachers of Technical or Commercial Subjects in Colleges of Further Education or in Secondary Technical Schools.

or applicants should have good qualifications of the order of Higher National Certificate or Final Examination of the City and Guilds of London Institute in any of the following: Building, Commerce, Engineering, Offices, Textiles, Transport, and Baking and Confectionery. Candidates must also have experience in one of the following: Carpentry, General management, Catering, Housecraft, Needle Trades or Crafts. A candidate who desires to teach a trade which is not the subject of a generally recognised examination should have had 5 years' post-apprenticeship experience while a candidate with two years should have been in a responsible position. Candidates may be required to undergo written and practical tests.

Training will be given in the principles and practice of teaching and in the methods of teaching special subjects. The courses will be of six-nine months' duration. There will be no fees, and students will be eligible for maintenance grants for the period of the course.

Application should be made on Form 203 R.E., which may be obtained from the Secretary (Teachers R.E. 1), Ministry of Education, 14-22, Lennox Gardens, London, S.W.1.

(Incorporated in Turkey With Limited Liability)

NOTICE IS HEREBY GIVEN that, in accordance with Article 25 of the Statute of the annual General Meeting of shareholders to be held on Wednesday, July 16, 1947, at Winchester House, Old Broad Street, London, E.C.2, at 12.30 p.m., to receive a Report from the Committee with the Accounts for the year ending December 31, 1946, to propose a Dividend and to replace the retiring Members of the General Committee.

By the 27th Article of the Statutes, the General Meeting is composed of Shareholders possessing at least thirty shares, who, to be entitled to form part of the Meeting, must deposit their shares at the Chief Office of the Company, in London, or at either of the several Branches or Agencies abroad (in London at 20/22, Abchurch Lane, E.C.4, and in Paris at 7, Rue Meyerbeer, 9me) ten days at least before the day fixed for the Meeting.

London, June 24, 1947

RUSSIAN lady gives Russian lessons.—Box 495:

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ANNUAL INCOME EXCEEDS \$14,300

ASSETS EXCEED

CLAIMS PAID EXCEED 1944 \$181,000,000

THE Appointments Committee of the Faculty of Economics in the University of Cambridge will shortly meet for the appointment of a University Lecturer in Economics who will be providing teaching in the Economics required by the Colonial Service Committee in the provision of courses for Colonial Service Officers and Colonial Service Officers. The appointment will be made in accordance with the Statutes and Ordinances of the University. The initial stipend of a University Lecturer is at present £250 and in 1917-48 there will be paid a non-pensionable bonus of £250 and a stipend of £75, or £50 if the Lecturer is a Fellow of a College, or £50 for each dependent child will also be paid. A stipend allowance of £250. An additional pensionable payment may be granted to a Fellow of a College may be granted a further allowance of £250. An additional pensionable payment may be made for additional duties in conducting classes for Colonial Service Probationers and Officers.

Candidates are required to send their applications to the Secretary of the Faculty of Economics and Statistics, Gonville and Caius College, Cambridge, by July 26, 1954. The application should be sent by post. Candidates should send testimonials but may submit the names of not more than three persons to whom reference may be made, and may send a copy of any publications.

UNIVERSITY OF LONDON.—The Senate invite applications for a Readership in Economics (Banking and Currency) in the School of Economics (salary £800-£1,000-£1,200) must be received not later than September 4, 1947. Registrar, University of London, Senate House, W.C.2. Further particulars should be obtained.

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

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ACCOUNTANT with first class professional qualifications
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Application and further information from Sudan
Wellington House, Buckingham Gate, London, S.W.
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OLD-ESTABLISHED progressive manufacturing company in England, owing retirement seniors, offers career opportunity to 24/30 years wanting to reach governing position by having to start work 7.30 a.m. and learn manufacturing commercial side. First-class character and education, in all price coupled with balanced judgment, all essential handwriting, stating briefly all facts considered relevant.

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CHARTERED ACCOUNTANT.—A vacancy exists for an Accountant in the Head Office in Lancashire of an established growing company manufacturing insulating materials and fabrics with an expanding market. First rate ability is required.

a position with prospects. Experience of budgeting con-
advantage, but not essential. Age not over 35. The post
to superannuation. Reply, with full details of career to

Published weekly by THE ECONOMIST
Early 111 Broadway, New York, 6, Saturday, June 23, 1917